

Avondale, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2017



Avondale

Aspiring. Achieving. Accelerating.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017
CITY OF AVONDALE, ARIZONA



MAYOR AND COUNCIL

Kenn Weise, Mayor
Sandi Nielson, Vice Mayor
Pat Dennis
Bryan Kilgore
Veronica Malone
Mike Pineda
Lorenzo Sierra

MANAGEMENT STAFF

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

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Avondale
Aspiring. Achieving. Accelerating.

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION



March 22, 2018

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 2017. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by CliftonLarsonAllen 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, 2017, 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 unmodified opinion that the City's financial statements as of and for the fiscal year ended June 30, 2017, 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 auditors to report not only on the fair presentation of the financial statements, but also on the audited government's

internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Single Audit Report is included within this report. GAAP requires that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditors' Report.

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City's planning area currently occupies 94 square miles and serves a population of over 80,000. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to ISM Raceway (formerly 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, human services, parks and recreation, street maintenance, and general administration. The City also operates water, wastewater and sanitation services.

This report includes financial statements on both a government-wide and fund basis for the City, the primary government, and all of its component units, entities for which the City is considered to be financially accountable. The Avondale Municipal Development Corporation (MDC), although a legally separate entity is, in substance, part of the City's operations and so data from the MDC is combined with data of the City. The reporting entity is discussed further in Note 1 – Summary of Significant Accounting Policies, page 49, of the notes to the financial statements.

The annual budget serves as the foundation for the City of Avondale's financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including a citizen appreciation and budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At a regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council legally adopts the budget and allocates spending authority to City funds through passage of an ordinance for the ensuing year.

Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these funds.

In addition to maintaining budgetary control through formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations lapse at fiscal year-end.

Local Economy

Fiscal year 2017 local revenues continued an upward trend and increased about 8.2% from fiscal year 2016 to 2017. Retail sales tax collections have improved significantly over the past several years. The City has added over 200,000 SF of retail, and almost 1 million SF of industrial buildings that is adding significant sales tax and employment opportunities for the local economy.

Construction sales tax collections had been at a ten-year low during FY 2014 and FY 2015, but due to the City Council's Accelerate Now initiative, housing permits have increased from only 68 in FY 2015 to 215 in FY 2016 and 262 in FY 2017. While residential construction sales tax is not collected until the home sells, construction sales tax has increased by \$1.6 million between FY 2016 and FY 2017.

Long-term financial planning

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

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

On August 30, 2016 the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures, of each yearly budget, become the expenditure limitation for that year on a total budget basis. This alternative limitation is effective until June 30, 2021.

Relevant Financial Policies

The City has established a two-tier stabilization fund in accordance with GASB Statement No. 54. The General Fund stabilization amount is 35% of the prior years budgeted expenditures and transfers. The budgeted stabilization fund for fiscal year 2017 is \$21,400,558.

Commercial

The City of Avondale continues to benefit from a stable and growing local and national economy. These economic conditions have improved both property and operating fundamentals in Avondale and are driving increased economic development inquiries in our strategic sectors. One indicator of the City's improving market conditions for commercial development is the low or declining vacancy rates in the retail, office, and industrial sectors. In addition, new capital

investment in both industrial and retail buildings has led to several positive location decisions in FY 2017. These trends are expected to persist throughout the coming fiscal year as projects continue to move through the development pipeline and tenant demand for office, retail and industrial real estate in the West Valley increases.

The development of Avondale's key commercial sectors is also supported by growth in the City's housing and employment markets, which have gained significant momentum beginning FY 2016. Permit issuances for single-family residential projects continues to increase and employment growth in FY 2017 continues to be driven by strong construction activity and staffing and recruitment efforts by companies locating to the City.

Major Accomplishments and Initiatives

Industrial

The Coldwater Depot Logistic Center continues to be a major employment center in the City. San Mar and Conn's currently occupy about 600,000 SF of industrial warehouse space, and the owner, San Mar, recently completed a 400,000 SF expansion to accommodate future growth and new business expansion. This additional industrial space has led to the announcement of King Koil opening a new mattress manufacturing operation later this year.

Trammell Crow completed Phase 3 of the Coldwater Depot Logistics Center, adding 187,000 SF to the 65-acre master-planned industrial park. Vitamin Shoppe has located to the new facility and have commenced operations with a \$10.0 million capital investment and have added 235 full time employees for their operations. In addition to their standard warehouse and distribution operation in support of their brick and mortar retail locations, VSI has expanded their business model to include E-commerce.

Healthcare

Copper Springs Behavioral Health Hospital continues to exceed all original operational expectations and has become one of our largest employers. After a successful first year, Copper Springs has continued to grow and have increased their hiring by an additional 25%, bringing their full-time employee count to almost 190.

Legacy Assisted Living, is Avondale's newest addition with over 147,000 SF two-story memory care and assisted living facility completed construction at the intersection of Thomas and Dysart Roads. The facility includes over 160 units and employs over 100 people.

Solterra Assisted Facility, a 126,000 SF facility is currently under construction at Van Buren Street, just west of Dysart Road. The state of the art facility is scheduled to be completed by the end of 2018 calendar year.

Retail

Main Event, a 60,000 SF family entertainment center, which opened in 2016, offers a wide range of activities such as laser tag, billiards, bowling, and an interactive game room. Main Event is a destination for tourists and families throughout the Valley and will be an anchor for additional retail and hospitality development along the McDowell Road commercial corridor.

Carolina's Mexican Food, an iconic valley establishment, completed construction and opened a new restaurant in Historic Avondale in 2017. This 8,000 SF restaurant will be a key driver of commercial activity in Historic Avondale and will support over 50 employees.

Gateway Village has added approximately 200,000 SF of prime retail space in the 99th Avenue/McDowell Road corridor. The new center is anchored by Sportsman Warehouse, MOR Furniture, and a 105-room Home2 Suites hotel. In addition, a variety of new restaurant offerings have been added that include, Café Zupas, Dickey's Barbecue, Tokyo Joes, Ahipoki, and P T Noodles.

Office

Maricopa County Southwest Justice Center, a 66,000 SF Justice Court that oversees civil, criminal, and traffic court cases, completed construction and became operational in FY 2017, bringing about \$21 million in capital investment and over 100 full-time positions to Avondale.

The city-owned Avondale Corporate Center, a 31,000 SF professional office building added two new tenants in FY 2017, with Phoenix West Commercial, a commercial real estate firm and EPS, professional consulting engineer firm. The building is 100% occupied and providing employment for about 125 people.

Multifamily Residential

Madison Heights, a two-story multifamily development, was completed and provides 143 one – four bedroom units with on-site amenities, including a computer lab, fitness center and multipurpose community room with free before- and after-school programming.

Avalon Apartments is a luxury 400-unit multifamily apartment complex that started construction at the end of FY 2017 and will begin occupancy in late 2018. They will offer 1-3 bedroom options along with various site amenities.

Residential Activity

Avondale's residential activity had slowed to unprecedented levels through fiscal year 2015. During fiscal year 2016, 215 residential building permits were issued and 262 residential building permits were issued in fiscal year 2017. Home values have stabilized and increased across Arizona, resulting in the Maricopa County Assessor's Office adjusting assessed valuations. However, adjustment of housing values typically takes two years to impact the tax rolls. The City experienced a 3.5% increase in net limited assessed property value going from \$337,158,512 to \$349,102,604 for fiscal year 2017.

Single Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016. 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.

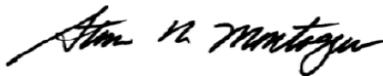
A Certificate of Achievement is valid for a one-year period only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2016-17 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
Acting Finance and Budget Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Avondale
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2017**

MAYOR AND COUNCIL

Kenn Weise, Mayor

Sandi Nielson, Vice Mayor

Bryan Kilgore, Councilmember

Mike Pineda, Councilmember



Pat Dennis, Councilmember

Veronica Malone, Councilmember

Lorenzo Sierra, Councilmember

MANAGEMENT STAFF

David Fitzhugh, City Manager

Gina Montes, Assistant City Manager

Kevin Artz, Assistant City Manager

DEPARTMENT HEADS

Craig Jennings, City Judge

Cindy Blackmore, Public Works Director

Cherlene Penilla, Human Resources Director

**Steven Montague, Acting Finance and Budget
Director**

Carmen Martinez, City Clerk

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

Pier Simeri, Community Relations Director

Paul Adams, Fire Chief

Dale Nannenga, Chief of Police

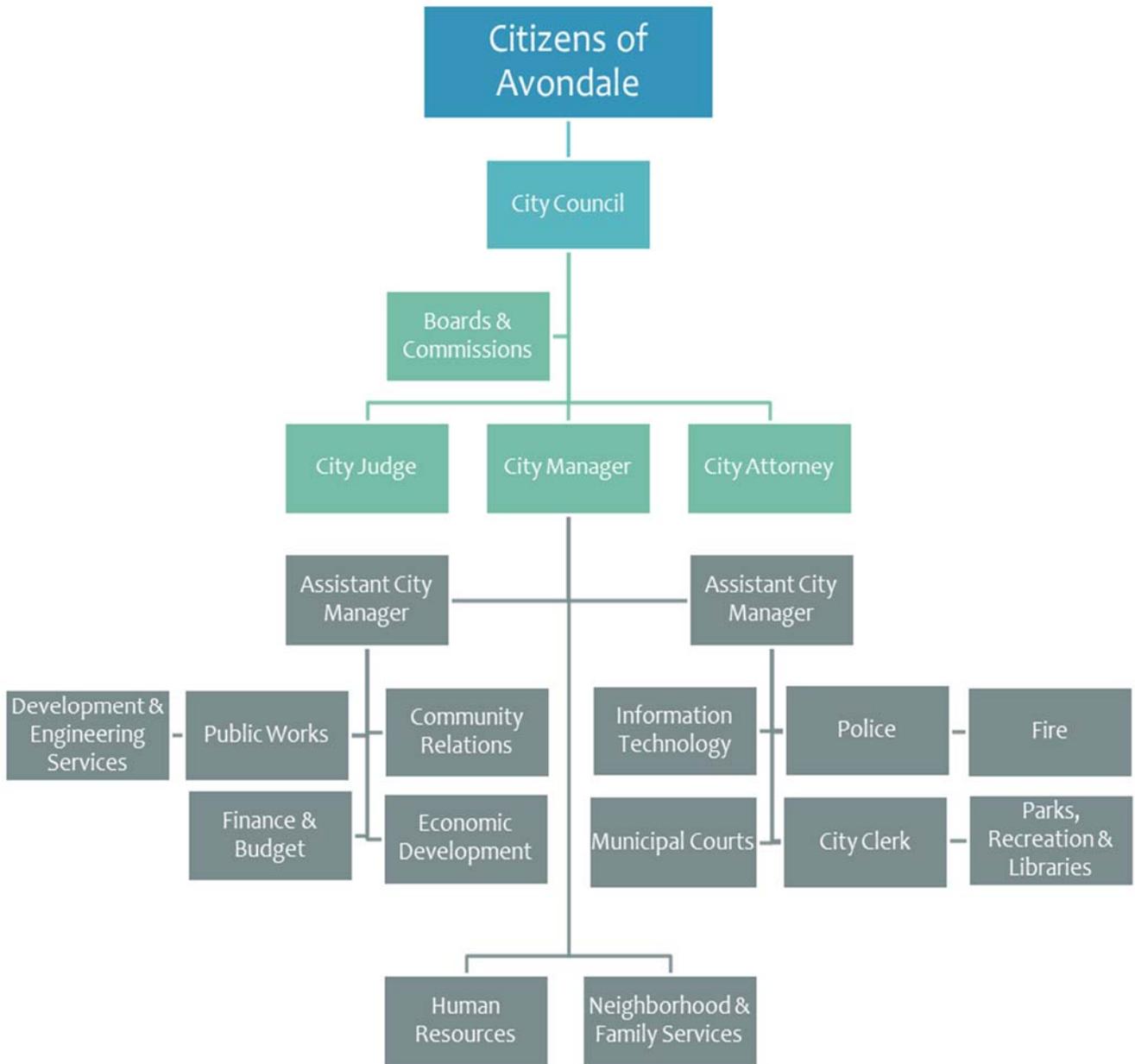
Dan Davis, Economic Development Director

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

Mark Neerings, Acting Chief Information Officer

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

**CITY OF AVONDALE, ARIZONA
 ORGANIZATIONAL CHART
 YEAR ENDED JUNE 30, 2017**





**FINANCIAL
SECTION**

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avondale, Arizona's basic financial statements. The introductory section, statistical section and the supplementary information section (combining fund financial statements and budgetary comparison schedules and other supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Honorable Mayor and City Council
City of Avondale, Arizona

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, on our consideration of the City of Avondale, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City of Avondale, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Avondale, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
March 22, 2018

FINANCIAL SECTION

Management's Discussion and Analysis (Required Supplementary Information)

**CITY OF AVONDALE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

As management of the City of Avondale, Arizona (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position, 4) identify any significant deviations from the City's *Annual Budget and Financial Plan* (the council-adopted annual budget), and 5) identify individual fund issues or concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

This discussion and analysis has a different focus and purpose than the Letter of Transmittal presented on pages vii-xii of this report and is designed to be read in conjunction with the Letter of Transmittal, as well as the basic financial statements on pages 22-46 and the accompanying notes to the financial statements on pages 48-95.

FINANCIAL HIGHLIGHTS

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

- Government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent year by about \$1.1 billion (net position). Of this amount, \$65.4 million represents unrestricted net position, down about \$7.0 million (9.7%) from last year, which may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$10.1 million (0.9%) during the year, resulting from a \$9.5 million (1.7%) increase in governmental activities net position and a \$0.5 million (0.1%) increase in business-type activities net position between years.
- Governmental activities program revenues increased \$4.6 million (29.9%) and general revenues increased by \$5.3 million (7.2%) between years, while expenses increased by \$10.7 million (13.9%) during the same period.
- Business-type activities program revenues increased \$3.3 million (10.9%) and general revenues decreased by about \$0.3 million (37.0%) over the previous year, while expenses increased by about \$1.0 million (3.0%) during the same period.
- Transfers between governmental activities and business-type activities remained unchanged from the prior year.
- Government-wide assets increased about \$19.3 million (1.6%) over the prior year. This was largely due to an increase in cash and investments of \$23.7 million (14.9%), offset by a decrease in capital assets of about \$7.6 million (0.7%).
- Government-wide liabilities increased by \$15.8 million (12.0%) from the previous year. This increase was mainly due to the retirement of long-term bond debt of \$38.9 million (includes \$30.5 million of refunded debt), offset by the issuance of \$36.5 million of new long-term debt and an increase in net pension liability of \$12.4 million between years. (Long-term debt amounts are presented net of premiums and discounts.)
- At year end, the governmental funds reported combined fund balance of \$95.7 million, an increase of \$6.7 million (7.5%) over the previous year. Of this amount, about \$1.3 million was nonspendable and \$53.5 million was either externally restricted or internally committed to specific purposes. Only \$41.0 million was either assigned to a specific purpose or unassigned, both of which are available for spending at the City's discretion.
- Combined governmental fund revenues of \$94.4 million increased \$7.1 million (8.1%) and expenditures of \$84.9 million increased \$8.5 million (11.1%) between years.
- General Fund revenues exceeded budgeted revenues by \$4.6 million, while expenditures were \$8.1 million less than final budgeted expenditures during the year, resulting in a net budgetary savings of \$12.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provides an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, some of which is required, that provides additional detail information to support the basic financial statements.

Government-wide Financial Statements

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

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

- **Governmental activities** include the City's basic services such as general government (administration), public safety (police and fire), highways and streets, health and welfare, economic and community development, culture and recreation, and transportation. These activities are mainly supported by general revenues.
- **Business-type activities** include private sector-type activities such as city-owned water, wastewater, and sanitation systems that provide services to city residents and businesses. These activities are primarily supported by user charges and fees.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. The focus on net position is important because increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Increases in net position may indicate an improved financial position, but decreases in net position may not necessarily indicate the City's financial position is deteriorating. Instead, decreases in net position may reflect situations where the City has used previously accumulated funds to finance its operations or projects such as cash funding of capital projects. As a result, readers must consider and evaluate other financial and nonfinancial indicators to effectively assess the City's overall financial health.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Since the economic resources measurement focus and full accrual accounting are used for the government-wide financial statements, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and long-term debt that has not matured). This statement also focuses on both the gross and net costs of city functions based only on direct functional revenues and expenses. This focus is designed to show the extent to which city functions are dependent on general revenues for support.

The government-wide financial statements can be found on pages 22-24 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to establish and maintain control over city assets as part of its fiduciary responsibility. All city funds are categorized as governmental funds, proprietary funds, or fiduciary funds. The fund financial statements focus on the City's major funds.

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

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

long-term impact of the City's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances and government-wide statement of net position and statement of activities are provided immediately following the respective governmental fund statements. These reconciliations are on pages 29 and 33, respectively.

The City maintains eighteen governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, and Development Fees Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining financial statements and schedules. The basic governmental fund financial statements can be found on pages 26-28 and 31-32 of this report. The nonmajor governmental fund statements and schedules are presented as supplementary information after the basic financial statements on pages 108-132.

The City adopts an annual budget and legally allocates (appropriates) available monies for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Development Fees Fund, on pages 35-37. Budgetary comparison schedules are presented for the remaining governmental funds on pages 107 and 119-132.

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

- **Enterprise funds** account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detailed information such as cash flows. The City uses separate enterprise funds to account for its water, wastewater and sanitation system services. These funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 39-42.
- **Internal service funds** account for activities where the City is the primary customer. Because these funds primarily provide services to governmental activities, the internal service fund account balances and activities are reported in the governmental activities column on the government-wide financial statements. The internal service fund account balances and activities are presented in a single, aggregated column on the proprietary fund financial statements. The operating income or loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the City partially allocates the operating income or loss of the internal service funds to business-type activities on the government-wide financial statements, a reconciliation is provided on the face of the proprietary fund financial statements to reconcile total enterprise fund net position and changes in net position on the fund financial statements to the business-type activities column on the government-wide financial statements. The City uses separate internal service funds to account for its risk management program, printing services, and fleet management services. Additional information on the internal service funds is provided in combining statements. These statements are included as supplementary information after the basic financial statements on pages 135-137.

Fiduciary funds account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support city programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 44-46 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes can be found on pages 48-95 of this report.

Required supplementary information other than MD&A—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and employer pension plans. Governments have the option of including budgetary comparison statements of the General Fund and major special revenue funds either as part of the fund financial statements within the basic financial statements or as required supplementary information. The City has elected to present budgetary comparison statements as part of the basic financial statements. The employee pension plans disclosures are presented as required supplementary information immediately following the notes to the financial statements on pages 97-105.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analyses discuss the financial position and changes in the financial position of the City as of and for the year ended June 30, 2017, with comparative information from June 30, 2016.

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

Net Position At June 30

	Governmental Activities		Business-type Activities		Total Government		Percent Change
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 110,381,861	\$ 101,806,072	\$ 90,852,426	\$ 72,469,205	\$ 201,234,287	\$ 174,275,277	15.5 %
Capital assets, net	566,916,012	566,516,108	454,289,893	462,336,212	1,021,205,905	1,028,852,320	(0.7)
Total assets	<u>677,297,873</u>	<u>668,322,180</u>	<u>545,142,319</u>	<u>534,805,417</u>	<u>1,222,440,192</u>	<u>1,203,127,597</u>	1.6
Deferred outflows of resources							
Deferred charge on debt refunding	354,084	220,999	10,459	11,953	364,543	232,952	56.5
Deferred outflow related to pensions	16,293,018	9,500,008	1,532,981	743,209	17,825,999	10,243,217	74.0
Total deferred outflows of resources	<u>16,647,102</u>	<u>9,721,007</u>	<u>1,543,440</u>	<u>755,162</u>	<u>18,190,542</u>	<u>10,476,169</u>	
Current and other liabilities	21,611,024	17,488,888	7,566,289	5,747,041	29,177,313	23,235,929	25.6
Long-term liabilities	100,358,214	98,943,473	18,508,896	10,039,404	118,867,110	108,982,877	9.1
Total liabilities	<u>121,969,238</u>	<u>116,432,361</u>	<u>26,075,185</u>	<u>15,786,445</u>	<u>148,044,423</u>	<u>132,218,806</u>	12.0
Deferred inflows of resources							
Deferred inflow related to pensions	4,261,328	3,435,584	914,452	618,033	5,175,780	4,053,617	27.7
Total Deferred inflows of resources	<u>4,261,328</u>	<u>3,435,584</u>	<u>914,452</u>	<u>618,033</u>	<u>5,175,780</u>	<u>4,053,617</u>	
Net position:							
Net investment in capital assets	514,022,743	503,290,685	449,877,043	458,698,957	963,899,786	961,989,642	0.2
Restricted	31,791,041	31,111,470	26,297,393	11,795,732	58,088,434	42,907,202	35.4
Unrestricted	21,900,625	23,773,087	43,521,686	48,661,412	65,422,311	72,434,499	(9.7)
Total net position	<u>\$ 567,714,409</u>	<u>\$ 558,175,242</u>	<u>\$ 519,696,122</u>	<u>\$ 519,156,101</u>	<u>\$ 1,087,410,531</u>	<u>\$ 1,077,331,343</u>	0.9

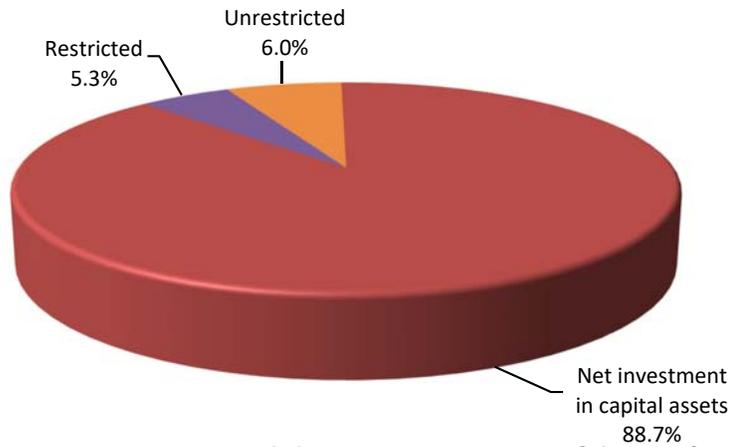
At year end, the City is able to report positive balances in all three categories of net position for both governmental and business-type activities. Total net position increased about \$10.1 million (0.9%) from the prior year.

The largest portion of net position, net investment in capital assets of \$963.9 million (88.6%), reflects the City’s investment in capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources related to the debt also are included in this component of net position. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities. Net investment in capital assets decreased about \$5.5 million (0.6%) between years. The net decrease was largely due to capital acquisitions of about \$22.5 million and retirement of about \$38.9 million of net long-term bond debt, offset by the issuance of \$36.5 million of net long-term bond debt and an increase in accumulated depreciation due to depreciation of \$30.1 million during the year.

Restricted net position of \$58.1 million (5.3%) represents resources with constraints placed on their use externally either by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position increased about \$15.2 million (35.4%) between years, which is largely due to increases in resources restricted for water and wastewater capital projects (e.g., wastewater facility upgrades financed with bond proceeds). Of \$58.1 million in restricted net position, about \$26.8 million is restricted by enabling legislation.

Unrestricted net position of \$65.4 million (6.0%) may be used to meet the City’s ongoing obligations to its citizens and creditors. Unrestricted net position decreased about \$7.0 million (9.7%) between years.

**Government-wide Net Position
At June 30, 2017**



Changes in Net Position

The following table presents revenues, expenses, and changes in net position of the City for the fiscal years ended June 30, 2017, and June 30, 2016.

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

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program revenues							
Charges for services	\$ 5,271,789	\$ 4,359,848	\$ 28,929,428	\$ 26,192,233	\$ 34,201,217	\$ 30,552,081	11.9 %
Operating grants and contributions	9,058,945	8,362,914	-	-	9,058,945	8,362,914	8.3
Capital grants and contributions	5,509,985	2,552,008	4,107,998	3,590,768	9,617,983	6,142,776	56.6
General revenues							
Sales and use taxes	46,473,655	43,352,256	-	-	46,473,655	43,352,256	7.2
Property taxes	5,957,342	5,944,236	-	-	5,957,342	5,944,236	0.2
Franchise taxes	1,135,350	1,090,135	-	-	1,135,350	1,090,135	4.1
State-shared revenues	20,499,811	19,590,959	-	-	20,499,811	19,590,959	4.6
Investment income	400,040	399,174	310,375	381,482	710,415	780,656	(9.0)
Gain on sale of capital assets	268,568	248,858	104,002	155,204	372,570	404,062	(7.8)
Miscellaneous	3,036,698	1,895,539	149,584	358,992	3,186,282	2,254,531	41.3
Total revenues	97,612,183	87,795,927	33,601,387	30,678,679	131,213,570	118,474,606	10.8
Expenses:							
General government	14,309,548	13,902,546	-	-	14,309,548	13,902,546	2.9
Public safety	42,260,573	31,025,502	-	-	42,260,573	31,025,502	36.2
Highways and streets	12,539,013	12,849,769	-	-	12,539,013	12,849,769	(2.4)
Health and welfare	3,200,864	3,509,117	-	-	3,200,864	3,509,117	(8.8)
Economic and community development	6,418,604	6,205,863	-	-	6,418,604	6,205,863	3.4
Culture and recreation	5,416,224	5,576,173	-	-	5,416,224	5,576,173	(2.9)
Transportation	890,706	744,751	-	-	890,706	744,751	19.6
Interest on long-term debt	2,887,484	3,368,741	-	-	2,887,484	3,368,741	(14.3)
Water	-	-	16,242,773	15,648,760	16,242,773	15,648,760	3.8
Wastewater	-	-	12,389,737	11,862,023	12,389,737	11,862,023	4.4
Sanitation	-	-	4,578,856	4,742,323	4,578,856	4,742,323	(3.4)
Total expenses	87,923,016	77,182,462	33,211,366	32,253,106	121,134,382	109,435,568	10.7
Increase (decrease) in net position before transfers	9,689,167	10,613,465	390,021	(1,574,427)	10,079,188	9,039,038	
Transfers	(150,000)	(150,000)	150,000	150,000	-	-	-
Increase (decrease) in net position	9,539,167	10,463,465	540,021	(1,424,427)	10,079,188	9,039,038	
Net position, July 1, 2016	558,175,242	547,711,777	519,156,101	520,580,528	1,077,331,343	1,068,292,305	
Net position, June 30, 2017	\$ 567,714,409	\$ 558,175,242	\$ 519,696,122	\$ 519,156,101	\$ 1,087,410,531	\$ 1,077,331,343	

Total 2017 revenues of \$131.2 million increased about \$12.7 million (10.8%) over the previous year. Governmental activities revenues increased by \$9.8 million (11.2%) and business-type activities revenues increased about \$2.9 million (9.5%) over the prior year, while expenses increased \$10.7 million (13.9%) and about \$1.0 million (3.0%) for governmental activities and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities increased the City’s net position before transfers by \$9.7 million during the year, compared to \$10.6 million in the prior year. The increase between years was largely due to increases in general revenues of about \$5.3 million and program revenues of about \$4.6 million over the prior year, offset by an increase in expenses of about \$10.7 million during the same period. Governmental activities accounted for 74.4 % of the City’s total revenues and 72.6% of total expenses during the year. Program revenues of \$19.8 million were 22.6% of governmental activities expenses during the year, compared to \$15.3 million, or 19.8%, of expenses in 2016.

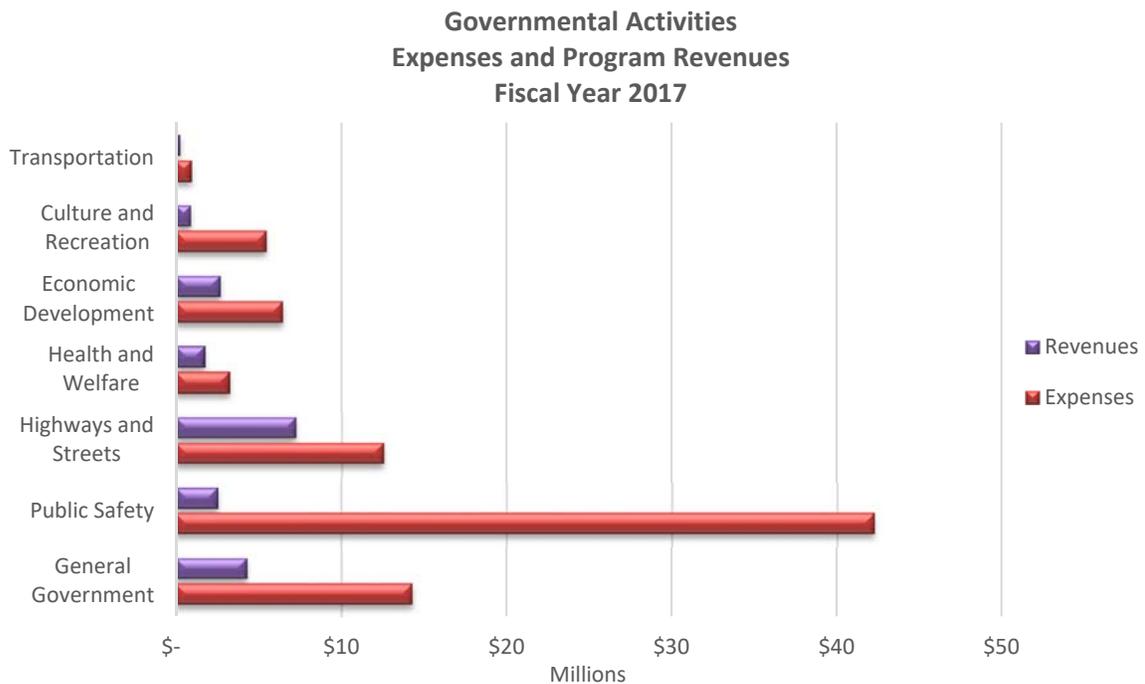
Program revenues increased between years largely due to increases in capital grants and contributions of \$3.0 million (115.9%) and charges for services of about \$0.9 million (20.9%), which are mainly due to increases in development fee collections (\$0.9 million), capital contributions from other governments and developers (\$1.8 million), as well as increases in building permits and related fees (\$1.1 million) from increased residential and commercial development and construction activities over the previous year.

General revenues increased between years mainly due to the following:

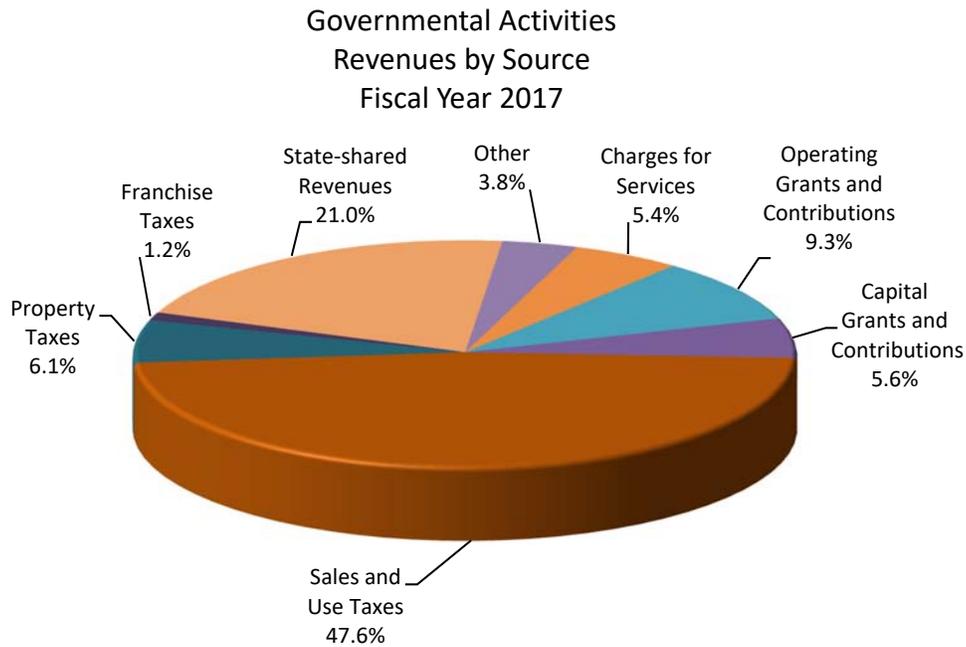
- Sales and use taxes increased \$3.1 million (7.2%). An increase in sales and use tax revenues of 4.5% to 6.1% was projected based on collection trends by tax rate classification and assuming a stable population and employment.
- State-shared revenues increased about \$0.9 million (4.6%). The increase was mainly due to increases in state-shared sales tax revenues of \$0.2 million (2.6%) and state-shared income tax revenues of \$0.7 million (7.5%) between years. Increases in state-shared sales tax revenues of about 4.0% to 5.0% were projected and an increase in state-shared income tax revenues of about 7.6% was projected based on income taxes collected by the Arizona Department of Revenue for the 2015 tax year.

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

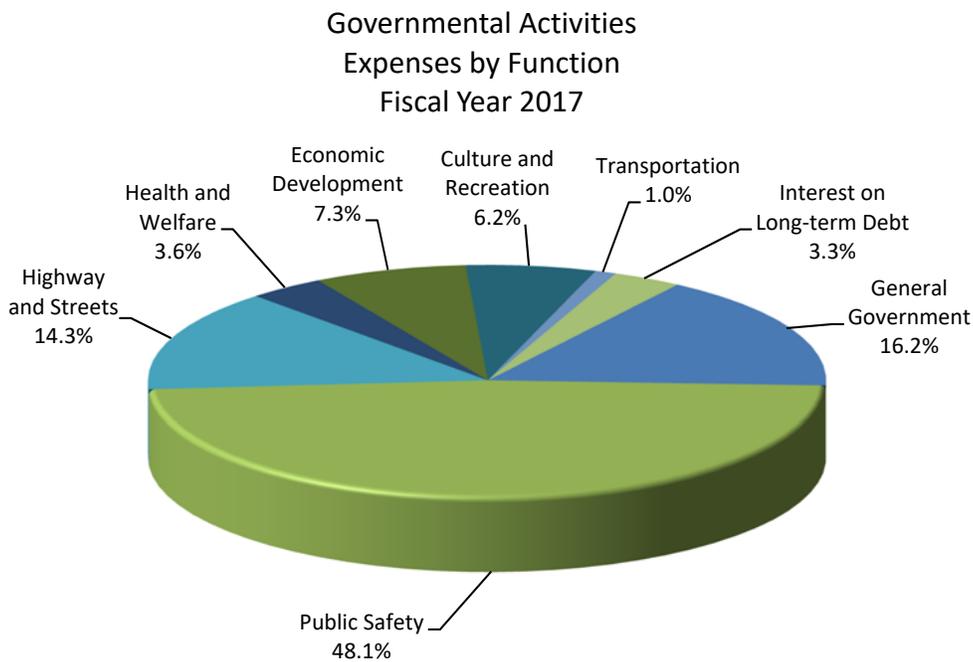
The following graph shows governmental activities functional revenues and expenses in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation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



As seen in the following graph, the largest governmental activities revenue sources are sales and use taxes of \$46.5 million (47.6%), followed by state-shared revenues of \$20.5 million (21.0%) and operating grants and contributions of \$9.1 million (9.3%).



The City’s largest governmental activities expenses by function include public safety at \$42.3 million (48.1%), followed by general government at \$14.3 million (16.2%) and highway and streets at \$12.5 million (14.3%).



Business-type Activities

Business-type activities increased net position before transfers by \$0.4 million during the year, an increase of about \$2.0 million (137.9%) over the prior year. Program revenues increased \$3.3 million (10.9%) and general revenues decreased about \$0.3 million (37.0%) over the prior year, respectively, while program expenses increased about \$1.0 million (3.0%) over the previous year. Business-type activities accounted for 25.6% of the City’s total revenues and 27.4% of total expenses during the year. Program revenues of \$33.0 million were 99.5% of business-type expenses during the year, compared to \$29.8 million, or 92.3%, of expenses in 2016.

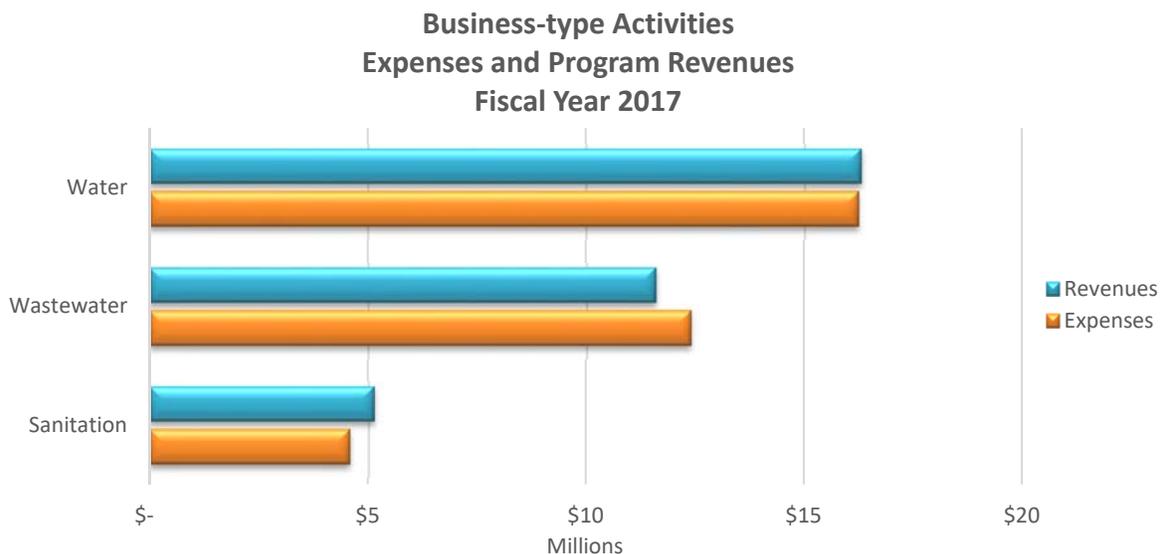
The changes in business-type activities program and general revenues between years were mainly due to the following.

- Charges for services revenue increased about \$2.7 million (10.5%) over the previous year. Most of this increase was due to water sales and sewer fees, which was expected based on a 6% increase in water and sewer rates, as well as changes in the number of service connections, water consumption, and collection trends during the year.
- Capital grants and contributions increased about \$0.5 million (14.4%). This change largely resulted from the City receiving more water and sewer system development fees and capital contributions from increased residential and commercial development over the prior year.

Business-type activities program expenses increased about 3.0% over the previous year. Some of the more significant changes follow:

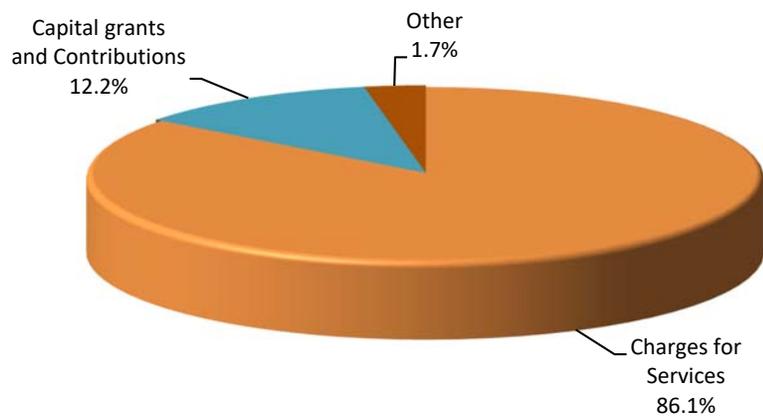
- *Water*—Operating expenses increased about \$0.6 million (3.8%) over the prior year, largely due to increases in personnel services costs of \$0.08 million resulting from the addition of a part-time SCADA Technician and Water Treatment Operator totaling about \$0.12 million and employee compensation package of about \$0.1 million, offset by a realignment of administrative personnel costs among the City’s enterprise operations of about \$0.17 million; an increase in depreciation expense of \$0.17 million due to the addition of about \$2.6 million of capital assets between years; increases in administrative and facilities maintenance charges of about \$0.1 million between years; and increases in water treatment chemical costs between years.
- *Wastewater*—Operating expenses increased about \$0.5 million (4.4%) from the previous year, mainly due to increases in personnel services costs of \$0.23 million resulting from the addition of a part-time SCADA technician and realignment of administrative personnel costs among the City’s enterprise operations; increases in finance and banking fees of \$0.2 million associated with the issuance of the City’s Water and Sewer System Obligations, Series 2016, and Pledged Revenue Refunding Obligations, Series 2016; and increases in depreciation expense of about \$0.1 million due to the addition about \$3.2 million in capital assets between years.
- *Sanitation*—Operating expenses decreased about \$0.16 million (3.4%) from the previous year, mostly due to an increase in personnel services costs of about \$0.17 million resulting from the realignment of administrative personnel costs among the City’s enterprise operations, offset by decreases in depreciation expense of \$0.28 million and administrative and facilities maintenance charges of about \$0.15 million between years. The decreased depreciation expense resulted mainly from certain capital assets reaching the end of their depreciable life.

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



The City’s largest business-type activity is water services with expenses of \$16.2 million and revenues of \$16.3 million, followed by wastewater services with expenses of \$12.4 million and revenues of \$11.6 million, during the year.

**Business-type Activities
Revenues by Source
Fiscal Year 2017**



Charges for services, which consist almost entirely of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$28.9 million or 86.1%, followed by capital grants and contributions of \$4.1 million or 12.2%, which consisted almost entirely of development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The financial performance of the City, as a whole, is reflected in its governmental funds. As of June 30, 2017, the City reported combined fund balance of \$95.7 million, an increase of \$6.7 million (7.5%) over the previous year. About \$15.6 million (16.3%) of the fund balance is unassigned and \$25.4 million (26.5%) is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of nonspendable balances of about \$1.3 million (1.3%), restricted balances of \$30.3 million (31.7%), and committed balances of \$23.1 million (24.2%). More information on fund balances can be found in Note 1 - Summary of Significant Accounting Policies on pages 49-59 and Note 7 - Fund Balances on page 65.

General Fund—accounts for all city financial resources not required to be accounted for in other funds. This fund is the City's primary operating fund and accounts for many major functions of the City such as general government, public safety, health and welfare, economic and community development, and culture and recreation. At year end, fund balance of the General Fund was \$50.8 million compared to \$41.8 million in the prior year, an increase of \$9.0 million (21.5%). The overall increase in fund balance during the year was largely due to the following.

Revenues increased by about \$3.9 million (6.7%) over the previous year. Taxes and intergovernmental revenues increased \$2.2 million (6.6%) and \$0.7 million (3.6%), respectively, and accounted for most of the revenue increase between years. License and permits and charges for services revenue also increased about \$0.7 million (50.5%) and about \$0.5 million (39.5%), respectively between years.

- Taxes revenue increased mainly due to an increase in sales tax revenues of about \$2.2 million (7.6%) from growing retail sales. An increase in sales tax revenues of 4.5% to 6.1% was projected based on collection trends by tax rate classification and assuming a stable population and employment.
- Intergovernmental revenue increased largely from increases in state-shared sales taxes of about \$0.18 million (2.6%) and state-shared income taxes of about \$0.7 million (7.5%), offset by decreases in other intergovernmental revenues. An increase in state-shared sales tax sales taxes of about 4.0% to 5.0% were projected, and an increase in state-shared income tax revenues of about 7.6% were projected based on income taxes collected by the Arizona Department of Revenue for the 2015 tax year.
- License and permit revenue increased mostly due to ongoing increases in residential and commercial development and construction over the prior year.

Expenditures increased by about \$0.7 million (1.5%) over the previous year. An explanation of some of the significant changes by function follows.

- *General government*—Expenditures decreased about \$0.4 million (3.4%) from the prior year. This decrease is largely due to a \$0.4 million (90.2%) decrease in TPT incentive rebates paid from the prior year due to the expiration of development agreements containing incentive rebates, as well as a decrease in legal fees of about \$0.3 million (93.5%) due to the IRS Buy America Bonds settlement in the prior year, offset by an increase in Accelerate Now Program spending of about \$0.25 million (23.1%) to promote residential and commercial growth and economic development within the City.
- *Public safety*—Expenditures increased about \$1.2 million (5.0%) over the previous year. Most of the increase was due to increases in Police and Fire and Medical Department employee compensation packages and the addition of a Police Department Communications Manager, which were budgeted to increase personnel service costs about 4.1% over the prior year. Actual personnel service costs increased about \$1.0 million (5.2%) over the prior year.
- *Health and welfare*—Expenditures decreased about \$0.2 million (11.6%) from the previous year. The decrease was mainly due to Neighborhood and Family Services Department vacancy savings of about \$0.14 million during the year.

Transfers out decreased about \$0.16 million (2.1%) from the previous year, largely due to a decline in transfers to the City's capital project funds to finance capital projects.

Dedicated Sales Tax Revenue Fund—accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems and streets that serve city neighborhoods, as well as transportation projects and services. The tax was approved by the voters and became effective in July 2001, and amended by voters in September 2008, to include transportation projects and services.

Revenues, which consist almost entirely of the half-cent sales tax revenue, increased about \$0.5 million (7.8%) over the previous year. An increase in sales tax revenues of 4.5% to 6.1% was projected. Budgeted and actual expenditures and transfers remained unchanged between years, which was expected. Net fund activities increased fund balance by about \$1.1 million (47.7%) over the previous year.

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

Revenues, which consist almost entirely of the half-cent sales tax revenue, increased about \$0.5 million (7.8%) over the prior year. An increase in sales tax revenues of 4.5% to 6.1% was projected.

Expenditures increased \$1.1 million (21.2%) over the prior fiscal year. Most of the increase was due to increases in Police and Fire and Medical Department employee compensation packages and the addition of seven new police officers, which were budgeted to increase personnel service costs about 20.5% over the prior year. Actual personnel service costs increased about \$0.8 million (17.7%) over the prior year. The remainder of the expenditure increase was due to the purchase of about \$0.2 million of patrol vehicles during the year.

Transfers to other funds increased about \$0.5 million over the previous year, largely due to transfers to the Fire Development Fund to finance upgrades and improvements to Fire Station 172, as well as increases in transfers to the Vehicle Replacement Fund resulting from the purchase of new patrol vehicles. Net fund activities increased fund balance by about \$0.4 million (4.7%) over the previous year.

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

Revenues increased \$1.2 million (57.2%) over the prior year. This increase was mainly due to increases in licenses and permit revenue and intergovernmental revenue of \$0.9 million (44.5%) and \$0.2 million, respectively. The increase in licenses and permits revenue was due to increases in development fee collections from increased residential and commercial development. The increase in intergovernmental revenue was due to an increase in revenue from joint-funded street projects for which other governments reimbursed the City.

Expenditures increased \$6.5 million (155.8%) over the previous year. The increase was mostly due to increased spending on capital projects, including \$2.7 million for McDowell Road bridge improvements, \$0.9 million for Thomas Road mill and overlay – 99th Ave to 103rd Ave., \$0.6 million for Avondale Boulevard and MC 85 road improvements, and \$1.8 million for the Friendship Park and Festival Fields Park improvements and enhancements.

Transfers in increased about \$2.0 million (63.1%) between years largely due to increases in the number and size of capital projects funded between years. Transfer out remained unchanged between years.

Net fund activities decreased fund balance by \$2.5 million (31.6%) from the prior year.

Proprietary Funds—The proprietary fund financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Of the total enterprise funds net position of \$519.1 million, \$449.9 million consisted of net investment in capital assets, \$26.3 million was restricted, and \$42.9 million was unrestricted. The factors concerning the finances of these funds, as well as the changes in net position, have been addressed previously during the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

The City's *Annual Budget and Financial Plan* (council-adopted budget) establishes the legal level of expenditure control. Amendments to the adopted budget may occur throughout the year, in a legally permissible manner, between departments within the General Fund and within funds in all other funds. During the year, budget adjustments did occur. None of the adjustments increased the City's total budget and all budget amendments were routine in nature.

For more information on budgets and budgetary accounting, see Note 1 – Summary of Significant Accounting Policies, pages 53-54.

On August 30, 2016, city voters approved an alternative expenditure limitation (Home Rule Option), the effect of which allowed the City's total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary comparison statements for the General Fund and major special revenue funds can be found on pages 35-37. Budgetary comparison schedules for all other governmental funds can be found on pages 107 and 119-132.

General Fund Budgetary Analysis

General Fund revenues of \$63.0 million exceeded budgeted inflows by \$4.6 million or 7.8%, while expenditures and other financing uses of \$54.4 million was only 87.0% of final budgeted outflows of \$62.5 million. A more detailed analysis of General Fund revenues, expenditures, and other financing sources and use is outlined in the governmental funds section of this analysis.

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

General Government—The original adopted budget was amended and increased by about \$0.1 million during the year. Actual expenditures were less than final budgeted expenditures by about \$6.4 million, largely due to about \$3.0 million of unspent contingency appropriations, vacancy savings of about \$0.35 million in the Information Technology and Finance and Budget Departments, \$1.0 million of unused TPT incentive rebate appropriations, and lower-than-expected Accelerate Now Development Program spending by about \$0.68 million.

Economic and Community Development—The original adopted budget was amended, but remained substantially unchanged during the year. Actual expenditures were less than final budgeted expenditures by about \$0.9 million, largely due to lower economic development and engineering costs than was budgeted. The more significant items include \$0.54 million of Economic Opportunities Program budgetary savings, which was carried over into the 2018 budget, and less spending than expected on contract plan review and other related engineering consulting services by about \$0.19 million.

Culture and Recreation— The original adopted budget was amended, but remained substantially unchanged during the year. Actual expenditures were less than final budgeted expenditures by about \$0.7 million, largely due to \$0.4 million of unspent restricted use appropriations related to library donations and recreation revenues, as well as less than expected spending related to technology contractual maintenance and contractual obligations of about \$0.26 million.

Capital outlay— The original adopted budget was amended and increased by \$0.17 million during the year. Actual expenditures exceeded final budgeted expenditures by about \$0.46 million, largely due to the City acquiring a storage area network under the provisions of a capital lease agreement totaling about \$0.3 million. This acquisition was not programmed into the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of June 30, 2017, the City had invested about \$1.0 billion in governmental and business-type capital assets, net of accumulated depreciation. Total depreciation expense for the year was \$30.1 million, with \$15.7 million attributed to governmental activities and \$14.4 million to business-types activities.

The following schedule presents capital asset balances for the years ended June 30, 2017, and June 30, 2016. Additional information on the City's capital assets can be found in Note 6 - Capital Assets on pages 63-64.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Land	\$ 256,331,391	\$ 256,192,460	\$ 16,273,312	\$ 16,273,312	\$ 272,604,703	\$ 272,465,772	0.1 %
Buildings and improvements	55,029,272	56,465,648	-	-	55,029,272	56,465,648	(2.5)
Improvements other than building	21,880,773	9,317,893	522,342	562,782	22,403,115	9,880,675	126.7
Vehicles, furniture and equipment	11,802,652	10,863,045	5,629,245	5,411,512	17,431,897	16,274,557	7.1
General infrastructure	218,393,067	220,319,057			218,393,067	220,319,057	(0.9)
Water system			210,206,390	213,684,978	210,206,390	213,684,978	(1.6)
Sewer system			149,399,002	153,924,559	149,399,002	153,924,559	(2.9)
Wastewater treatment system			64,246,440	65,248,065	64,246,440	65,248,065	(1.5)
Intangible assets	1,501,237	1,566,746	4,057,222	4,131,736	5,558,459	5,698,482	(2.5)
Construction in progress	1,977,620	11,791,259	3,955,940	3,099,268	5,933,560	14,890,527	(60.2)
Total	<u>\$ 566,916,012</u>	<u>\$ 566,516,108</u>	<u>\$ 454,289,893</u>	<u>\$ 462,336,212</u>	<u>\$ 1,021,205,905</u>	<u>\$ 1,028,852,319</u>	(0.7)

The City's combined capital assets balances remained substantially unchanged between years, with governmental activities increasing by only about \$0.4 million and business-type activities decreasing by about \$8.0 million between years. The changes in capital asset balances were due to the following.

Governmental Activities—The \$0.4 million increase between years was mostly due to \$35.9 million of capital assets additions, offset by \$19.8 million of transfers from construction in progress and \$15.7 million in accumulated depreciation during the year. Capital additions included \$9.9 million of new construction in progress (includes \$3.0 million for McDowell Road bridge improvements, \$1.0 million for Thomas Road mill and overlay – 99th Ave to 103rd Ave., \$1.1 million for 107th Ave. canal improvements – Roosevelt to Van Buren Streets, and \$3.0 million for the Friendship Park and Festival Fields Park improvements), \$13.1 million of improvements other than buildings (includes \$1.4 million for Central Ave. multi-use path – Western Ave. to Van Buren Street, \$2.2 million for 107th Ave. canal improvements – Roosevelt to Van Buren Streets, \$4.2 million for Friendship Park enhancements and improvements, and \$4.5 million for Dysart Rd bike and pedestrian facilities - Van Buren Street to MC85), \$7.7 million of infrastructure (includes \$3.5 million for McDowell Road bridge improvements and \$1.0 million for Thomas Road mill and overlay – 99th Ave to 103rd Ave.), and \$4.2 million of vehicle, machinery and equipment purchases.

Business-type Activities—The \$8.0 million decrease between years largely resulted from \$9.7 million of capital additions, offset by \$3.4 million transferred from construction in progress and \$14.4 million in accumulated depreciation during the year. Capital additions included \$4.2 million of new construction in progress (includes \$1.7 million of water system line replacements and improvements, reservoir repair and rehabilitation, and well head treatments, about \$1.8 million of water reclamation facility upgrades, and \$0.7 million of citywide sewer system improvements and rehabilitation), \$3.4 million of water system and sewer system construction and improvements (includes \$2.6 million of water line replacements and improvements and reservoir repair and rehabilitation and \$0.7 million of citywide sewer system and sewer line replacements and rehabilitation) and \$2.1 million of vehicle, machinery and equipment purchases.

The City has adopted a ten-year capital improvement plan for years 2018 through 2027, with budgeted capital outlays totaling \$433.4 million. The plan, which includes \$95.2 million of budgeted capital outlays for 2018, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for 2018

is through a combination of existing fund balances (42.1%), development (impact) fees (9.0%), bond proceeds (26.3%), outside funding sources such as grants and intergovernmental cost-sharing agreements (0.9%), and operating and non-operating revenues and other financing sources (21.7%). The capital improvement plan is updated annually as part of the City's formal budgetary process.

Debt Administration—As of June 30, 2017, the City had total long-term obligations outstanding of \$134.5 million, up \$13.3 million (11.0%) over the previous year. Of this balance, \$114.3 million (85.0%) was attributable to governmental activities and \$20.2 million (15.0%) was attributable to business-type activities. Of the total outstanding bonds of \$64.8 million, net of unamortized discounts and premiums, \$22.3 million (34.5%) are general obligation bonds backed by the full faith and credit of the City, and \$42.3 million (65.5%) were revenue bonds secured by pledges of specific revenue sources of the City. Of the \$64.8 million of outstanding long-term debt obligations, \$8.3 million is due within one year. Of the remaining long-term obligations, \$60.4 million reflects the City's net pension obligation.

On September 1, 2016, the City issued \$24,215,000 of Pledged Revenue Refunding Obligations, Series 2016, and contributed \$3,997,767 of city funds to refund \$29,970,000 of outstanding MDC Excise Tax Revenue Bonds, Series 2005, 2006, and 2008 and pay related bond issue costs. The refunding was undertaken to reduce future debt services payments by \$9,315,183 and resulted in an economic gain (net present value savings) of \$4,425,268. On September 1, 2017, the City also issued \$8.1 million of Water and Wastewater System Revenue Bonds, Series 2016, to finance a wastewater treatment plant expansion and upgrades.

The Arizona Constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the City's net full cash property assessed value (formerly referred to as secondary assessed valuation). The City's legal debt margin at June 30, 2017, and June 30, 2016, is \$27.6 million and \$25.2 million in the 6% capacity, respectively, and \$70.7 million and \$61.2 million in the 20% capacity, respectively. Additional debt limitation and capacity information can be found in the statistical section of this report.

The following schedule presents a summary of the City's outstanding long-term obligations as of June 30, 2017, and June 30, 2016. Additional information on the City's outstanding long-term obligations can be found in Note 8 – Pension Plans on pages 65-85, Note 9 - Long-term Obligations on pages 85-90, and the required supplementary information section on pages 97-105.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2017	2016	2017	2016	2017	2016	
Compensated absences	\$ 5,710,800	\$ 4,731,268	\$ 754,014	\$ 643,520	\$ 6,464,814	\$ 5,374,788	20.3 %
Capital leases payable	273,100	-	-	-	273,100	-	>100.0
Claims payable	2,579,010	703,998	-	-	2,579,010	703,998	266.3
Municipal Development							
Corporation bonds	-	32,383,034	-	1,176,960	-	33,559,994	(100.0)
General obligation bonds	22,310,000	24,750,000	-	-	22,310,000	24,750,000	(9.9)
Pledged revenue obligations	27,417,070	4,880,000	757,930	-	28,175,000	4,880,000	477.4
Highway user revenue bonds	330,000	720,000	-	-	330,000	720,000	(54.2)
Water and sewer revenue bonds	-	-	9,915,000	2,280,000	9,915,000	2,280,000	334.9
Unamortized premiums and discounts, net	2,762,970	713,388	1,280,618	192,248	4,043,588	905,636	346.5
Net pension obligation	52,945,526	40,987,496	7,486,404	7,023,882	60,431,930	48,011,378	25.9
Total	\$ 114,328,476	\$ 109,869,184	\$ 20,193,966	\$ 11,316,610	\$ 134,522,442	\$ 121,185,794	11.0

ECONOMIC FACTORS

The City remains dependent on sales taxes and other economically sensitive taxes and revenues. Local taxes hit a low point in 2011 due to the lack of consumer confidence coupled with depressed home values. Over the past several years, the trend in most local revenue and state-shared revenue sources indicates a pattern steady growth.

Current year local revenues continued an upward trend, increasing about 8.2% over the previous year. Retail sales have improved significantly over the past several years. Construction sales tax collections had been at a ten-year low during FY 2014 and FY 2015, but due to the City Council's Accelerate Now initiative, housing permits have increased from only 68 in FY 2015 to 215 in FY 2016 and 262 in FY 2017. While residential construction sales tax is not collected until the home sells, construction sales tax has increased by \$1.6 million between FY 2016 and FY 2017.

The City's 2018 budget is structurally balanced and reflects continued growth in recurring General Fund revenues. City management continues to closely monitor its operations and adopted budget to help ensure that public service levels are maintained, while ensuring long-term financial stability of the City. Even though the City's revenue projections reflect steady growth, city management remained conservative in preparing the City's annual budget for fiscal year 2017-18. In an effort to keep ongoing expenditures in line with ongoing funding, the City has been strategically increasing resources and staffing levels, where necessary, to maintain current service levels to its residents, resulting in an increase of only 3.0 full-time equivalents for fiscal year 2017-18.

Request for Information

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

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

FINANCIAL SECTION

Basic Financial Statements

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

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

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

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

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



**CITY OF AVONDALE, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental	Business-type	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 61,282,302	\$ 47,357,533	\$ 108,639,835
Receivables, net:			
Accounts	860,450	5,772,055	6,632,505
Taxes	6,292,336	164,194	6,456,530
Interest	77,337	79,493	156,830
Due from other governments	2,517,255	-	2,517,255
Internal balances	(579,676)	579,676	-
Inventories	500,629	613,856	1,114,485
Prepaid items	767,631	4,315	771,946
Restricted assets:			
Customer deposits	-	2,988,660	2,988,660
Cash with fiscal agents	8,195,112	1,345,051	9,540,163
Total current assets	<u>79,913,376</u>	<u>58,904,833</u>	<u>138,818,209</u>
Noncurrent assets:			
Investments	29,854,271	31,947,593	61,801,864
Equity in joint ventures	614,214	-	614,214
Capital assets:			
Nondepreciable	258,309,011	21,753,007	280,062,018
Depreciable, net	<u>308,607,001</u>	<u>432,536,886</u>	<u>741,143,887</u>
Total noncurrent assets	<u>597,384,497</u>	<u>486,237,486</u>	<u>1,083,621,983</u>
Total assets	<u>677,297,873</u>	<u>545,142,319</u>	<u>1,222,440,192</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	354,084	10,459	364,543
Deferred outflows related to pensions	16,293,018	1,532,981	17,825,999
Total deferred outflows of resources	<u>16,647,102</u>	<u>1,543,440</u>	<u>18,190,542</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,576,729	2,162,078	6,738,807
Accrued payroll and employee benefits	1,146,632	11,220	1,157,852
Accrued liabilities	1,428,728	212,758	1,641,486
Construction contracts payable	154,213	40,235	194,448
Sales taxes payable	-	233,407	233,407
Due to other governments	20,800	-	20,800
Deposits held for others	188,738	2,998,660	3,187,398
Unearned revenues	124,922	222,861	347,783
Claims payable	2,138,336	-	2,138,336
Compensated absences	4,568,640	603,211	5,171,851
Capital leases payable	86,753	-	86,753
General obligation bonds	1,410,315	-	1,410,315
Revenue bonds	5,766,218	1,081,859	6,848,077
Total current liabilities	<u>21,611,024</u>	<u>7,566,289</u>	<u>29,177,313</u>
Noncurrent liabilities:			
Claims payable	440,674	-	440,674
Compensated absences	1,142,160	150,803	1,292,963
Capital leases payable	186,347	-	186,347
General obligation bonds	20,905,048	-	20,905,048
Revenue bonds	24,738,459	10,871,689	35,610,148
Net pension liability	52,945,526	7,486,404	60,431,930
Total noncurrent liabilities	<u>100,358,214</u>	<u>18,508,896</u>	<u>118,867,110</u>
Total liabilities	<u>121,969,238</u>	<u>26,075,185</u>	<u>148,044,423</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	4,261,328	914,452	5,175,780
Total deferred inflows of resources	<u>4,261,328</u>	<u>914,452</u>	<u>5,175,780</u>
NET POSITION			
Net investment in capital assets	514,022,743	449,877,043	963,899,786
Restricted for:			
Transit services	1,605,473	-	1,605,473
Highways and streets	7,452,760	-	7,452,760
Grant and contributor purposes	2,658,918	-	2,658,918
Public safety	8,036,088	-	8,036,088
Debt service	6,133,854	1,345,051	7,478,905
Capital projects	5,903,948	24,952,342	30,856,290
Unrestricted	21,900,625	43,521,686	65,422,311
Total net position	<u>\$ 567,714,409</u>	<u>\$ 519,696,122</u>	<u>\$ 1,087,410,531</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 14,309,548	\$ 1,747,987	\$ 65,189	\$ 2,513,356
Public safety	42,260,573	516,750	1,532,102	496,913
Highways and streets	12,539,013	-	5,196,536	2,060,842
Health and welfare	3,200,864	-	1,882,222	-
Economic and community development	6,418,604	2,637,557	35,942	-
Culture and recreation	5,416,224	369,495	102,582	438,874
Transportation	890,706	-	244,372	-
Interest on long-term debt	2,887,484	-	-	-
Total governmental activities	<u>87,923,016</u>	<u>5,271,789</u>	<u>9,058,945</u>	<u>5,509,985</u>
Business-type activities:				
Water	16,242,773	14,655,947	-	1,650,932
Wastewater	12,389,737	9,133,838	-	2,457,066
Sanitation	4,578,856	5,139,643	-	-
Total business-type activities	<u>33,211,366</u>	<u>28,929,428</u>	<u>-</u>	<u>4,107,998</u>
Total primary government	<u>\$ 121,134,382</u>	<u>\$ 34,201,217</u>	<u>\$ 9,058,945</u>	<u>\$ 9,617,983</u>

General revenues:

Taxes:

Sales and use taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

State-shared revenues, unrestricted

Investment income:

Interest Income

Net decrease in the fair value of investments

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position, July 1, 2016

Net position, June 30, 2017

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (9,983,016)	\$ -	\$ (9,983,016)
(39,714,808)	-	(39,714,808)
(5,281,635)	-	(5,281,635)
(1,318,642)	-	(1,318,642)
(3,745,105)	-	(3,745,105)
(4,505,273)	-	(4,505,273)
(646,334)	-	(646,334)
(2,887,484)	-	(2,887,484)
(68,082,297)	-	(68,082,297)
-	64,106	64,106
-	(798,833)	(798,833)
-	560,787	560,787
-	(173,940)	(173,940)
(68,082,297)	(173,940)	(68,256,237)
46,473,655	-	46,473,655
2,681,915	-	2,681,915
3,275,427	-	3,275,427
1,135,350	-	1,135,350
20,499,811	-	20,499,811
522,444	440,469	962,913
(122,404)	(130,094)	(252,498)
268,568	104,002	372,570
3,036,698	149,584	3,186,282
(150,000)	150,000	-
77,621,464	713,961	78,335,425
9,539,167	540,021	10,079,188
558,175,242	519,156,101	1,077,331,343
\$ 567,714,409	\$ 519,696,122	\$ 1,087,410,531



Governmental Fund Financial Statements

Major Funds

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

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

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

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

Nonmajor Funds

All other governmental funds are nonmajor funds. These funds can be found on pages 108-116.

CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
ASSETS			
Cash and cash equivalents	\$ 22,503,825	\$ 2,384,837	\$ 6,948,477
Investments	22,768,690	-	-
Receivables:			
Taxes	4,326,517	948,961	948,933
Accounts	392,444	374	387
Interest	60,370	-	-
Due from other funds	1,886,808	-	-
Due from other governments	953,679	-	-
Inventories	6,526	-	-
Prepaid items	66,495	-	-
Restricted cash with fiscal agents	-	-	-
Advances to other funds	833,000	-	-
Total assets	<u>\$ 53,798,354</u>	<u>\$ 3,334,172</u>	<u>\$ 7,897,797</u>
LIABILITIES			
Accounts payable	\$ 1,643,612	\$ -	\$ 100,057
Accrued payroll and employee benefits	1,044,077	-	7,662
Accrued liabilities	32,780	-	-
Construction contracts payable	-	-	-
Deposits held for others	183,737	-	-
Due to other governments	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Advances from other funds	-	-	-
Total liabilities	<u>2,904,206</u>	<u>-</u>	<u>107,719</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	9,279	-	-
Unavailable revenue - other	119,605	-	-
Total deferred inflows of resources	<u>128,884</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	906,021	-	-
Restricted	102,794	3,334,172	7,790,078
Committed	21,400,558	-	-
Assigned	12,651,519	-	-
Unassigned	15,704,372	-	-
Total fund balances	<u>50,765,264</u>	<u>3,334,172</u>	<u>7,790,078</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 53,798,354</u>	<u>\$ 3,334,172</u>	<u>\$ 7,897,797</u>

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

Development Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,561,896	\$ 17,612,029	\$ 58,011,064
-	5,065,718	27,834,408
-	67,925	6,292,336
-	687,296	1,080,501
-	13,649	74,019
-	-	1,886,808
-	1,341,905	2,295,584
-	307,706	314,232
-	61,168	127,663
-	8,195,112	8,195,112
-	-	833,000
<u>\$ 8,561,896</u>	<u>\$ 33,352,508</u>	<u>\$ 106,944,727</u>
\$ 1,970,372	\$ 627,441	\$ 4,341,482
-	73,989	1,125,728
-	1,400,948	1,433,728
151,535	2,678	154,213
-	-	183,737
-	20,800	20,800
-	1,843,732	1,843,732
124,922	-	124,922
833,000	-	833,000
<u>3,079,829</u>	<u>3,969,588</u>	<u>10,061,342</u>
-	11,172	20,451
-	1,000,824	1,120,429
-	1,011,996	1,140,880
-	368,874	1,274,895
-	19,121,931	30,348,975
1,628,041	87,428	23,116,027
3,854,026	8,870,181	25,375,726
-	(77,490)	15,626,882
<u>5,482,067</u>	<u>28,370,924</u>	<u>95,742,505</u>
<u>\$ 8,561,896</u>	<u>\$ 33,352,508</u>	<u>\$ 106,944,727</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total fund balances—governmental funds		\$ 95,742,505
Amounts reported for governmental activities in the Statements of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 801,655,524	
Accumulated depreciation	<u>(234,739,512)</u>	566,916,012
Long-term liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Compensated absences	(5,710,800)	
Bonds payable	(50,057,070)	
Claims payable	(1,821,063)	
Capital leases payable	(273,100)	
Net pension liability	<u>(52,945,526)</u>	(110,807,559)
Equity in joint ventures are not financial resources and, therefore, are not reported in the funds.		
		614,214
Some items related to the issuance of bonds are recognized at the time of issuance in the funds, but are amortized over the life of the debt in the government-wide statements.		
Bond discount/premium, net		(2,762,970)
Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred charge on debt refunding	354,084	
Deferred outflows related to pensions	16,293,018	
Deferred inflows related to pensions	<u>(4,261,328)</u>	12,385,774
Internal service funds are used by management to charge the costs of certain activities, including risk management, printing services, and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the Statement of Net Position.		
		4,485,553
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Intergovernmental	1,120,429	
Property taxes	<u>20,451</u>	<u>1,140,880</u>
Net position of governmental activities		<u>\$ 567,714,409</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 BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
Revenues			
Taxes	\$ 35,480,700	\$ 7,430,208	\$ 7,430,074
Licenses and permits	2,141,129	-	-
Intergovernmental	20,981,986	-	-
Charges for services	1,605,554	-	-
Fines, forfeitures, and penalties	1,059,626	-	-
Investment income			
Interest Income	256,839	1,492	11,376
Net decrease in fair value of investments	(93,350)	-	-
Contributions	23,620	-	-
Miscellaneous	1,577,419	-	10,333
Total revenues	<u>63,033,523</u>	<u>7,431,700</u>	<u>7,451,783</u>
Expenditures			
Current:			
General government	11,712,818	4,550	251,465
Public safety	24,664,820	-	5,864,254
Highways and streets	-	-	-
Health and welfare	1,381,735	-	-
Economic and community development	4,232,016	-	-
Culture and recreation	3,766,480	-	-
Transportation	-	-	-
Debt service:			
Principal	31,226	-	-
Interest and other charges	14,774	-	-
Capital outlay	805,052	-	271,822
Total expenditures	<u>46,608,921</u>	<u>4,550</u>	<u>6,387,541</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,424,602</u>	<u>7,427,150</u>	<u>1,064,242</u>
Other financing sources (uses)			
Refunding bonds issued	-	-	-
Payments to refunded bonds escrow agent	-	-	-
Bond premium	-	-	-
Capital leases	304,326	-	-
Sale of capital assets	9,618	-	-
Transfers in	-	-	-
Transfers out	(7,761,509)	(6,350,000)	(712,860)
Total other financing sources (uses)	<u>(7,447,565)</u>	<u>(6,350,000)</u>	<u>(712,860)</u>
Net change in fund balances	8,977,037	1,077,150	351,382
Fund balances, July 1, 2016	<u>41,788,227</u>	<u>2,257,022</u>	<u>7,438,696</u>
Fund balances, June 30, 2017	<u>\$ 50,765,264</u>	<u>\$ 3,334,172</u>	<u>\$ 7,790,078</u>

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

Development Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,280,706	\$ 53,621,688
2,879,968	276,576	5,297,673
277,472	8,405,812	29,665,270
-	71,846	1,677,400
-	-	1,059,626
46,967	178,181	494,855
-	(20,765)	(114,115)
-	339,075	362,695
-	785,645	2,373,397
<u>3,204,407</u>	<u>13,317,076</u>	<u>94,438,489</u>
-	356,664	12,325,497
-	1,360,641	31,889,715
1,303,765	1,269,083	2,572,848
-	1,919,189	3,300,924
-	1,862,445	6,094,461
75,728	7,678	3,849,886
-	772,784	772,784
-	7,100,667	7,131,893
-	3,267,234	3,282,008
<u>9,228,861</u>	<u>3,387,776</u>	<u>13,693,511</u>
<u>10,608,354</u>	<u>21,304,161</u>	<u>84,913,527</u>
<u>(7,403,947)</u>	<u>(7,987,085)</u>	<u>9,524,962</u>
-	23,457,070	23,457,070
-	(29,768,467)	(29,768,467)
-	3,012,110	3,012,110
-	-	304,326
-	273,967	283,585
5,179,993	10,682,369	15,862,362
(302,950)	(855,790)	(15,983,109)
<u>4,877,043</u>	<u>6,801,259</u>	<u>(2,832,123)</u>
(2,526,904)	(1,185,826)	6,692,839
<u>8,008,971</u>	<u>29,556,750</u>	<u>89,049,666</u>
<u>\$ 5,482,067</u>	<u>\$ 28,370,924</u>	<u>\$ 95,742,505</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, 2017**

Total net change in fund balances—governmental funds \$ 6,692,839

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 13,817,004	
Depreciation expense	<u>(15,625,365)</u>	(1,808,361)

The net effect of miscellaneous transactions involving capital assets (e.g., contributions, transfers and disposals) not recorded in governmental funds.		2,313,367
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City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension contributions	4,597,127	
Pension expense	<u>(10,639,690)</u>	(6,042,563)

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

Bond and premium on issuance	(26,469,180)	
Payments to refunded bonds escrow agent	29,768,467	
Principal paid on long-term debt	7,100,667	
Capital lease proceeds	(304,326)	
Principal paid on capital leases	31,226	
Amortization of bond discount/premium	443,933	
Amortization of deferred charge on debt refunding	<u>(84,420)</u>	10,486,367

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities in the Statement of Activities.		205,969
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Some revenues and expenses reported in the Statement of Activities do not provide or use current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

Compensated absences	(970,830)	
Property taxes	(12,414)	
Intergovernmental revenue	(118,358)	
Claims and judgments	(1,821,063)	
Change in equity in joint ventures	<u>614,214</u>	(2,308,451)

Change in net position of governmental activities		<u>\$ 9,539,167</u>
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The notes to the financial statements are an integral part of this statement.

**FINANCIAL
SECTION**

**Major Governmental Funds
Budgetary Comparison Statements**

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 33,755,820	\$ 33,755,820	\$ 35,480,700	\$ 1,724,880
Licenses and permits	1,019,530	1,019,530	2,141,129	1,121,599
Intergovernmental	20,038,758	20,038,758	20,981,986	943,228
Charges for services	1,240,060	1,240,060	1,605,554	365,494
Fines, forfeitures, and penalties	1,361,000	1,360,920	1,059,626	(301,294)
Investment income	210,000	210,000	163,489	(46,511)
Contributions	13,950	13,850	23,620	9,770
Miscellaneous	841,790	841,870	1,577,419	735,549
Total revenues	<u>58,480,908</u>	<u>58,480,808</u>	<u>63,033,523</u>	<u>4,552,715</u>
Expenditures				
Current:				
General government	18,013,788	18,112,202	11,712,818	6,399,384
Public safety	24,919,330	24,786,671	24,664,820	121,851
Health and welfare	1,863,770	1,840,264	1,381,735	458,529
Economic and community development	5,216,820	5,152,204	4,232,016	920,188
Culture and recreation	4,538,710	4,489,810	3,766,480	723,330
Debt service:				
Principal	-	-	31,226	(31,226)
Interest and other charges	-	-	14,774	(14,774)
Capital outlay	172,857	340,984	805,052	(464,068)
Total expenditures	<u>54,725,275</u>	<u>54,722,135</u>	<u>46,608,921</u>	<u>8,113,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,755,633</u>	<u>3,758,673</u>	<u>16,424,602</u>	<u>12,665,929</u>
Other financing sources (uses)				
Capital leases	-	-	304,326	304,326
Sale of capital assets	-	-	9,618	9,618
Transfers out	(7,753,269)	(7,761,509)	(7,761,509)	-
Total other financing sources (uses)	<u>(7,753,269)</u>	<u>(7,761,509)</u>	<u>(7,447,565)</u>	<u>313,944</u>
Net change in fund balance	(3,997,636)	(4,002,836)	8,977,037	12,979,873
Fund balance, July 1, 2016	<u>36,232,984</u>	<u>36,232,984</u>	<u>41,788,227</u>	<u>5,555,243</u>
Fund balance, June 30, 2017	<u>\$ 32,235,348</u>	<u>\$ 32,230,148</u>	<u>\$ 50,765,264</u>	<u>\$ 18,535,116</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,336,923	\$ 7,336,923	\$ 7,430,208	\$ 93,285
Investment income	10	10	1,492	1,482
Total revenues	<u>7,336,933</u>	<u>7,336,933</u>	<u>7,431,700</u>	<u>94,767</u>
Expenditures				
Current:				
General government	4,000	4,000	4,550	(550)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>4,550</u>	<u>(550)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,332,933</u>	<u>7,332,933</u>	<u>7,427,150</u>	<u>94,217</u>
Other financing sources (uses)				
Transfers out	(6,350,000)	(6,350,000)	(6,350,000)	-
Total other financing sources (uses)	<u>(6,350,000)</u>	<u>(6,350,000)</u>	<u>(6,350,000)</u>	<u>-</u>
Net change in fund balance	982,933	982,933	1,077,150	94,217
Fund balance, July 1, 2016	<u>1,715,514</u>	<u>1,715,514</u>	<u>2,257,022</u>	<u>541,508</u>
Fund balance, June 30, 2017	<u>\$ 2,698,447</u>	<u>\$ 2,698,447</u>	<u>\$ 3,334,172</u>	<u>\$ 635,725</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,336,923	\$ 7,336,923	\$ 7,430,074	\$ 93,151
Investment income	1,490	1,490	11,376	9,886
Miscellaneous	-	-	10,333	10,333
Total revenues	<u>7,338,413</u>	<u>7,338,413</u>	<u>7,451,783</u>	<u>113,370</u>
Expenditures				
Current:				
General government	755,520	740,518	251,465	489,053
Public safety	6,208,740	6,232,742	5,864,254	368,488
Capital outlay	340,500	331,500	271,822	59,678
Total expenditures	<u>7,304,760</u>	<u>7,304,760</u>	<u>6,387,541</u>	<u>917,219</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,653</u>	<u>33,653</u>	<u>1,064,242</u>	<u>1,030,589</u>
Other financing sources (uses)				
Transfers out	(712,860)	(712,860)	(712,860)	-
Total other financing sources (uses)	<u>(712,860)</u>	<u>(712,860)</u>	<u>(712,860)</u>	<u>-</u>
Net change in fund balance	(679,207)	(679,207)	351,382	1,030,589
Fund balance, July 1, 2016	<u>6,033,101</u>	<u>6,033,101</u>	<u>7,438,696</u>	<u>1,405,595</u>
Fund balance, June 30, 2017	<u>\$ 5,353,894</u>	<u>\$ 5,353,894</u>	<u>\$ 7,790,078</u>	<u>\$ 2,436,184</u>

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

Proprietary Fund Financial Statements

Major Funds

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

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

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

Internal Service Funds

These funds can be found on pages 134-137.

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business-type Activities—Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 19,054,749	\$ 21,016,125	\$ 7,286,659	\$ 47,357,533	\$ 3,271,238
Receivables:					
Accounts, net	3,181,449	1,660,471	930,135	5,772,055	1,620
State and county taxes	164,194	-	-	164,194	-
Interest	54,962	17,904	6,627	79,493	3,318
Due from other governments	-	-	-	-	-
Inventories	524,581	57,156	32,119	613,856	186,397
Prepaid items	500	2,886	929	4,315	639,968
Restricted assets:					
Customer deposits	2,988,660	-	-	2,988,660	-
Cash with fiscal agents	35,305	1,309,746	-	1,345,051	-
Total current assets	<u>26,004,400</u>	<u>24,064,288</u>	<u>8,256,469</u>	<u>58,325,157</u>	<u>4,102,541</u>
Noncurrent assets:					
Investments	21,664,878	6,242,988	4,039,727	31,947,593	2,019,863
Capital assets:					
Nondepreciable	16,841,874	4,911,133	-	21,753,007	-
Depreciable, net	215,823,120	214,841,683	1,872,083	432,536,886	265,879
Total noncurrent assets	<u>254,329,872</u>	<u>225,995,804</u>	<u>5,911,810</u>	<u>486,237,486</u>	<u>2,285,742</u>
Total assets	<u>280,334,272</u>	<u>250,060,092</u>	<u>14,168,279</u>	<u>544,562,643</u>	<u>6,388,283</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	-	10,459	-	10,459	-
Deferred outflows related to pensions	703,593	456,106	373,282	1,532,981	184,277
Total deferred outflows of resources	<u>703,593</u>	<u>466,565</u>	<u>373,282</u>	<u>1,543,440</u>	<u>184,277</u>
LIABILITIES					
Current liabilities:					
Accounts payable	1,075,146	970,437	116,495	2,162,078	235,247
Accrued payroll and employee benefits	-	3,178	8,042	11,220	20,904
Accrued liabilities	7,733	205,025	-	212,758	-
Construction contracts payable	-	40,235	-	40,235	-
Sales taxes payable	233,407	-	-	233,407	-
Deposits held in custody for others	2,988,660	-	10,000	2,998,660	-
Claims payable	-	-	-	-	317,273
Due to other funds	299	359	-	658	42,418
Unearned revenues	222,861	-	-	222,861	-
Compensated absences	248,848	177,784	176,579	603,211	65,840
Revenue bonds	35,733	1,046,126	-	1,081,859	-
Total current liabilities	<u>4,812,687</u>	<u>2,443,144</u>	<u>311,116</u>	<u>7,566,947</u>	<u>681,682</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	440,674
Compensated absences	62,213	44,445	44,145	150,803	16,459
Revenue bonds	92,523	10,779,166	-	10,871,689	-
Net pension liability	3,611,762	2,116,522	1,758,120	7,486,404	876,121
Total noncurrent liabilities	<u>3,766,498</u>	<u>12,940,133</u>	<u>1,802,265</u>	<u>18,508,896</u>	<u>1,333,254</u>
Total liabilities	<u>8,579,185</u>	<u>15,383,277</u>	<u>2,113,381</u>	<u>26,075,843</u>	<u>2,014,936</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	452,686	249,754	212,012	914,452	106,292
Total deferred outflows of resources	<u>452,686</u>	<u>249,754</u>	<u>212,012</u>	<u>914,452</u>	<u>106,292</u>
NET POSITION					
Net investment in capital assets	232,536,738	215,468,222	1,872,083	449,877,043	265,879
Restricted for:					
Debt service	35,305	1,309,746	-	1,345,051	-
Capital projects	11,462,661	13,489,681	-	24,952,342	-
Unrestricted	27,971,290	4,625,977	10,344,085	42,941,352	4,185,453
Total net position	<u>\$ 272,005,994</u>	<u>\$ 234,893,626</u>	<u>\$ 12,216,168</u>	<u>519,115,788</u>	<u>\$ 4,451,332</u>
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				580,334	
Net position of business-type activities (page 22)				<u>\$ 519,696,122</u>	

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Sanitation	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 14,655,947	\$ 9,133,838	\$ 5,139,643	\$ 28,929,428	\$ 4,364,520
Miscellaneous	44,997	3,723	100,864	149,584	1,897
Total operating revenues	<u>14,700,944</u>	<u>9,137,561</u>	<u>5,240,507</u>	<u>29,079,012</u>	<u>4,366,417</u>
Operating expenses:					
Salaries, wages and benefits	2,677,181	1,915,719	1,609,664	6,202,564	826,220
Contractual services, materials and supplies	6,475,986	3,344,929	2,408,372	12,229,287	1,618,053
Insurance claims and expenses	-	-	-	-	1,498,946
Depreciation and amortization	7,110,186	6,660,279	629,229	14,399,694	110,171
Total operating expenses	<u>16,263,353</u>	<u>11,920,927</u>	<u>4,647,265</u>	<u>32,831,545</u>	<u>4,053,390</u>
Operating income (loss)	<u>(1,562,409)</u>	<u>(2,783,366)</u>	<u>593,242</u>	<u>(3,752,533)</u>	<u>313,027</u>
Nonoperating revenues (expenses):					
Gain on sale of capital assets	40,216	16,960	46,826	104,002	-
Investment income					
Interest Income	278,160	101,818	60,491	440,469	27,589
Net decrease in fair value of investments	(87,925)	(25,590)	(16,579)	(130,094)	(8,289)
Interest expense	(2,253)	(249,874)	-	(252,127)	-
Bond issuance costs	-	(224,799)	-	(224,799)	-
Total non-operating revenues (expenses)	<u>228,198</u>	<u>(381,485)</u>	<u>90,738</u>	<u>(62,549)</u>	<u>19,300</u>
Income (loss) before development fees, capital contributions, and transfers	<u>(1,334,211)</u>	<u>(3,164,851)</u>	<u>683,980</u>	<u>(3,815,082)</u>	<u>332,327</u>
Capital contributions	120,367	124,409	-	244,776	-
Development fees	1,530,565	2,332,657	-	3,863,222	-
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(29,253)
Change in net position	<u>316,721</u>	<u>(557,785)</u>	<u>683,980</u>	<u>442,916</u>	<u>303,074</u>
Net position, July 1, 2016	<u>271,689,273</u>	<u>235,451,411</u>	<u>11,532,188</u>	<u>518,672,872</u>	<u>4,148,258</u>
Net position, June 30, 2017	<u>\$ 272,005,994</u>	<u>\$ 234,893,626</u>	<u>\$ 12,216,168</u>		<u>\$ 4,451,332</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				<u>97,105</u>	
Change in net position of business-type activities (pages 23-24)				<u>\$ 540,021</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, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 14,451,394	\$ 8,992,288	\$ 5,129,113	\$ 28,572,795	\$ 4,362,900
Payments to suppliers for goods and services	(6,009,622)	(2,794,723)	(2,333,611)	(11,137,956)	(3,191,777)
Payments to employees for services	(2,652,103)	(1,913,233)	(1,572,455)	(6,137,791)	(821,398)
Miscellaneous	44,997	3,723	100,864	149,584	1,897
Net cash provided (used) by operating activities	<u>5,834,666</u>	<u>4,288,055</u>	<u>1,323,911</u>	<u>11,446,632</u>	<u>351,622</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	(914)	(465)	(102)	(1,481)	(156,007)
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(29,253)
Net cash provided (used) for noncapital financing activities	<u>(914)</u>	<u>149,535</u>	<u>(102)</u>	<u>148,519</u>	<u>(185,260)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,538,387)	(2,836,569)	(566,110)	(5,941,066)	(103,011)
Bond proceeds	-	10,071,858	-	10,071,858	-
Bond issuance costs	-	(224,799)	-	(224,799)	-
Bonds refunded	-	(937,626)	-	(937,626)	-
Principal payments on capital debt	(31,256)	(683,079)	-	(714,335)	-
Interest payments on capital debt	(6,040)	(414,749)	-	(420,789)	-
Development fees received	1,530,565	2,332,657	-	3,863,222	-
Proceeds from sale of capital assets	40,216	16,960	46,826	104,002	-
Net cash provided (used) for capital and related financing activities	<u>(1,004,902)</u>	<u>7,324,653</u>	<u>(519,284)</u>	<u>5,800,467</u>	<u>(103,011)</u>
Cash flows from investing activities:					
Purchase of investments	(13,554,585)	(3,944,918)	(2,555,709)	(20,055,212)	(1,277,854)
Proceeds from sales and maturities of investments	6,974,484	2,029,903	1,315,069	10,319,456	657,535
Investment income	244,684	92,083	54,185	390,952	24,432
Net cash provided by investing activities	<u>(6,335,417)</u>	<u>(1,822,932)</u>	<u>(1,186,455)</u>	<u>(9,344,804)</u>	<u>(595,887)</u>
Net increase (decrease) in cash and cash equivalents	(1,506,567)	9,939,311	(381,930)	8,050,814	(532,536)
Cash and cash equivalents, July 1, 2016	<u>23,585,281</u>	<u>12,386,560</u>	<u>7,668,589</u>	<u>43,640,430</u>	<u>3,803,774</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 22,078,714</u>	<u>\$ 22,325,871</u>	<u>\$ 7,286,659</u>	<u>\$ 51,691,244</u>	<u>\$ 3,271,238</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (1,562,409)	\$ (2,783,366)	\$ 593,242	\$ (3,752,533)	\$ 313,027
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	7,110,186	6,660,279	629,229	14,399,694	110,171
Pension expense	211,472	136,616	111,174	459,262	51,632
Employer pension contributions	(214,799)	(151,760)	(123,534)	(490,093)	(65,585)
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(368,987)	(141,550)	(10,530)	(521,067)	(1,620)
(Increase) decrease in inventories	(66,360)	(11,634)	20,667	(57,327)	316
(Increase) decrease in prepaid items	1,732	(1,051)	(929)	(248)	3,567
Increase (decrease) in accounts payable	553,927	565,259	55,051	1,174,237	(132,610)
Increase (decrease) in accrued payroll and employee benefits	-	(22,932)	8,042	(14,890)	10,073
Increase (decrease) in accrued liabilities	(3,934)	-	-	(3,934)	-
Increase (decrease) in sales taxes payable	(19,001)	(2,368)	(28)	(21,397)	-
Increase (decrease) in deposits held in custody for others	183,148	-	-	183,148	-
Increase (decrease) in unearned revenue	(18,714)	-	-	(18,714)	-
Increase (decrease) in compensated absences	28,405	40,562	41,527	110,494	8,702
Increase (decrease) in claims payable	-	-	-	-	53,949
Net cash provided (used) by operating activities	<u>\$ 5,834,666</u>	<u>\$ 4,288,055</u>	<u>\$ 1,323,911</u>	<u>\$ 11,446,632</u>	<u>\$ 351,622</u>

Continued

CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Sanitation	Total	Internal Service Funds
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at June 30, 2017 to statement of net position:					
Cash and cash equivalents	\$ 19,054,749	\$ 21,016,125	\$ 7,286,659	\$ 47,357,533	\$ 3,271,238
Restricted:					
Customer deposits	2,988,660	-	-	2,988,660	-
Cash with fiscal agents	35,305	1,309,746	-	1,345,051	-
Total cash and cash equivalents	<u>\$ 22,078,714</u>	<u>\$ 22,325,871</u>	<u>\$ 7,286,659</u>	<u>\$ 51,691,244</u>	<u>\$ 3,271,238</u>
Noncash capital, financing and investing activities:					
Capital contributions	\$ 120,367	\$ 124,409	\$ -	\$ 244,776	\$ -
Amortization of bond premiums, discounts, and deferred charge on refunding	3,162	113,887	-	117,049	-
Amortization of investment discount, net	(135)	(135)	(87)	(357)	(44)
Decrease in fair value of investments	(87,925)	(25,590)	(16,579)	(130,094)	(8,289)

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



FINANCIAL SECTION

Fiduciary Fund Financial Statements

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
VOLUNTEER FIRE FIGHTERS RELIEF AND PENSION FUND
JUNE 30, 2017

	<u>Volunteer Fire Fighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 227,240
Accounts receivable	<u>200</u>
Total assets	<u>227,440</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Net position restricted for pensions	<u>227,440</u>
Total net position	<u><u>\$ 227,440</u></u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEER FIRE FIGHTERS RELIEF AND PENSION FUND
YEAR ENDED JUNE 30, 2017

	<u>Volunteer Fire Fighters Relief and Pension Fund</u>
ADDITIONS	
Investment income	\$ 1,099
Total additions	<u>1,099</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net position	(3,701)
Net position, July 1, 2016	<u>231,141</u>
Net position, June 30, 2017	<u><u>\$ 227,440</u></u>

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



FINANCIAL SECTION

Notes to the Financial Statements

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

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CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The City of Avondale, Arizona (the City) was incorporated in 1946 under the provisions of the Constitution of Arizona and Arizona Revised Statutes (A.R.S.). Avondale operates under the Council-Manager form of government in accordance with its Charter. Legislative authority is vested in a seven-member City Council consisting of a mayor and six councilmembers elected at large for a term of four years. The City Council appoints the City Manager and such other officers deemed necessary and proper for the orderly administration of the City's affairs. The City provides a full range of municipal services including police and fire protection, planning and development, parks and recreation, library, transportation, certain human services, and general administration. The City also owns and operates an enterprise whose activities include water, wastewater and sanitation services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2017, the City implemented the provisions of the GASB Statement No. 77, *Tax Abatement Disclosures*, which establishes standards for disclosing tax abatement agreements the City entered into and other agreements that other governments entered into that reduced the City's tax revenues. The City also implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which provides guidance to improve accounting and financial reporting for in-substance defeasance of debt.

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Interest on long-term debt is not allocated to various functions in the governmental activities so it is reported separately. Program revenues include 1) charges to customers or users who purchase, use or directly benefit from the goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the City levies or imposes, are reported as general revenues. General revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. Net interfund activity and balances between governmental activities and business-type activities are presented in the government-wide financial statements. Certain charges for interfund services provided and used, such as charges between the Enterprise Fund utility segments and various functional activities, were not eliminated if the charges approximated their exchange values. The General Fund charges administrative service fees to other operating funds to support general services (e.g., purchasing, accounting and administration) used by the other operating funds. These administrative fees were not eliminated from the government-wide or fund financial statements.

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and detailed in combining statements included as supplementary information after the basic financial statements. Fiduciary funds are aggregated and reported by fund type.

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

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

Governmental Fund Financial Statements: The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available to finance the City's operations. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The City's principal revenue sources that are susceptible to accrual are sales taxes, property taxes, intergovernmental, and investment income.

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

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

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

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

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

D. Fund Accounting

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

The City reports the following major governmental funds:

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

The *Dedicated Sales Tax Revenue Fund*, a special revenue fund, accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems, streets, and transportation projects and services that serve city neighborhoods. The tax was approved by the voters and became effective in July 2001. In September 2008, voters approved the expanded use of tax revenue to include transportation projects and services.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

The Volunteer Fire Fighters Relief and Pension Fund accounts for pension benefits of volunteer fire fighters not covered under the Public Safety Personnel Retirement System.

E. Budgets and Budgetary Accounting

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

The constitutional amendment includes provisions that require voter approval to establish an alternative expenditure limitation for cities and towns. The alternative expenditure limitation is valid for a period of two to seven years. On August 30, 2016, city voters approved an alternative expenditures limitation (Home Rule Option), the effect of which, allows total budgeted expenditures of the City's adopted budget to become the expenditure limitation for that year on a total budget basis. City voters have approved the Home Rule Option every four years since 1981. This alternative expenditure limitation is effective until June 30, 2021.

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The following provides a brief budgetary overview of the City.

1. The City's fiscal year is established by state law and runs from July 1st through June 30th of each year.
2. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain citizen comments.
3. On or before the first Monday in August, the City Council legally adopts the budget and allocates spending authority to City funds through passage of an ordinance for the ensuing year. Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, Arizona Revised Statutes, and City Charter. These appropriations lapse at the end of the fiscal year.
4. The City Manager is authorized to transfer any unencumbered appropriations balance, or portion thereof, between general classifications of expenditures within a department or fund or between departments within the same function. At the request of the City Manager, the City Council may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures from one department or fund to another.
5. 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, 2017, the original budget was amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.

F. Cash and Investments

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

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

Investments are stated at fair value.

G. Restricted Assets

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

CITY OF AVONDALE, ARIZONA
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projects. Accordingly, these assets are classified as restricted on the Balance Sheet and Statement of Net Position

H. Inventories

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

I. Prepaid Items

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

J. Receivables and Payables

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

K. Capital Assets

Capital assets, including public domain infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, water and sewer systems, lighting systems, and other assets that are immovable and of value only to the City, and intangible assets such as water rights, which lack physical substance, are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life more than one year. The City values these assets at cost or estimated historical cost if purchased or constructed; acquisition value for donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement; and estimated fair market value at the grant or allotment date for water rights. The City's water rights have indefinite useful lives and, therefore, the City does not amortize these intangible assets. Capital assets are reported in the applicable governmental or business-types activities column of the government-wide financial statements and the proprietary fund financial statements. No capital assets, depreciation, or amortization are presented in the governmental fund financial statements.

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

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

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

L. Deferred Outflows and Inflows of Resources

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

M. Compensated Absences

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

Upon resignation, the City compensates employees for 33.3% of their accumulated sick leave at the employees' current hourly rate. Upon retirement, the City compensates employees as follows:

- Employees with 10 years of continuous service with the City will receive 100% of accrued sick leave up to 250 hours at the employees' current hourly rate, or 33.3% of the total balance of accrued sick leave, whichever is greater.
- Employees with 15 years of continuous service with the City will receive 100% of accrued sick leave up to 375 hours at the employees' current hourly rate, or 33.3% of the total balance of accrued sick leave, whichever is greater.
- Employees with 20 years of continuous service with the City will receive 100% of accrued sick leave up to 500 hours at the employees' current hourly rate, or 33.3% of the total balance of accrued sick leave, whichever is greater.

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

N. Long-term Obligations

In the fund financial statements, governmental fund types recognize bond issuance proceeds, bond discounts and premiums, and bond issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses, while

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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premiums received on debt issuances are reported as other financing sources. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide and proprietary fund financial statements, long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond discounts and premiums and deferred charge on debt refunding are amortized over the life of the bonds using the straight-line method.

O. Pensions

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

P. Transactions between Funds

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

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

Q. Fund Balance Classifications

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

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

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

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

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

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

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

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

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

The stabilization reserves shall be used only if:

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

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

Emergency Reserve

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

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

Rainy Day Reserve

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

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

If the reserves are spent down below the minimum required reserve levels, the City shall develop and implement a reserve restoration plan to return the reserves to their required balances. The City shall replenish

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 JUNE 30, 2017**

the emergency and rainy day reserves within two (2) fiscal years and five (5) fiscal years following the fiscal year in which the event occurred, respectively. If the depletion of the reserve occurs during an ongoing economic downturn, the City shall replenish the reserves within two (2) or five (5) years of revenue stabilization. The progress of replenishment shall be reported in the City's *Annual Budget & Financial Plan*.

R. Resource Flow Assumptions

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

S. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations—At June 30, 2017, the City's expenditures in the following funds exceeded appropriations due to unanticipated expenditures during the year. The excess expenditures in the General Obligation Bonds Fund resulted from the City making an extra principal payment of \$380,000 on its outstanding General Obligation Bonds, Series 2010, during the year. The excess expenditures in the Other Debt Service Fund resulted from the issuance costs associated with the City refunding outstanding MDC Excise Tax Revenue Bonds, Series 2005, in September 2016. These overages did not result in violations of any legal provisions.

<u>Fund</u>	<u>Excess</u>
Dedicated Sales Tax Revenue Fund	\$ 550
General Obligation Bonds Fund	374,203
Other Debt Service Fund	12,805

Deficit fund balances—At June 30, 2017, the following funds reported fund balance or net position deficits. The fund balance deficit in the Senior Programs Fund is temporary and expected to be eliminated when the grantor reimburses the City during the upcoming year. Fleet management has been evaluating its operational costs and making incremental changes to the markup on parts and labor rates to begin fully recovering the cost of providing fleet management services to city departments. As a result, the Fleet Management Fund net position deficit decreased \$160,245 from the previous year. Fleet management anticipates that net position deficit will be eliminated over the next couple years.

<u>Fund</u>	<u>Deficit</u>
Senior Programs Fund	\$ 77,490
Fleet Management Fund	625,048

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - CASH AND INVESTMENTS

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

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,140 at June 30, 2017.

Deposits

Cash in bank—The carrying amount of City’s operating account deposits at June 30, 2017, excluding fiduciary fund cash, was \$59,817,560 and the bank balance was \$61,641,596. The difference between the carrying amount and bank balance was due to outstanding checks and deposits, and other reconciling items. The City also held \$354,205 of cash deposits in a U.S. Government securities investment account at June 30, 2017. These balances were either covered by the Federal Depository Insurance Corporation (FDIC) or collateralized at 102 percent of deposits not covered by FDIC.

Restricted cash with fiscal agents—At June 30, 2017, the City had restricted cash with fiscal agents of \$9,540,163. Of this balance, \$50,851 was held in reserve funds, and the remaining cash balance of \$9,489,312 was held by fiscal agents for the City’s July 1, 2017 debt service payments. Of the restricted cash with fiscal agents \$250,000 was covered by the FDIC and \$9,290,163 was uninsured or not collateralized with securities held by the pledging institution or by its trust department or agent.

Fiduciary fund cash—The carrying amount of fiduciary deposits at June 30, 2017, was \$2,059 and the bank balance was also \$2,059.

Fair Value Measurement and Application for Investments

The City’s investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments by Fair Value Level			
Certificates of Deposit	\$ 219,242	\$ -	\$ 219,242
U.S. Agency Securities	10,785,618	-	10,785,618
U.S. Agency Mortgage Backed Securities	6,064,487	-	6,064,487
U.S. Treasury Securities	44,732,517	44,732,517	-
Total Investments by Fair Value Level	61,801,864	\$ 44,732,517	\$ 17,069,347
External Investment Pools Measured at Fair Value			
State Treasurer's Investment Pool 7	51,676,770		
Total Investments Measured at Fair Value	51,676,770		
Total Investments	<u>\$ 113,478,634</u>		

CITY OF AVONDALE, ARIZONA
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Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using institutional bond quotes and evaluations based on various market and industry inputs. Investments in the State Treasurer’s Investment Pool 7 are valued at the pool’s share price multiplied by the number of shares the City held. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s Investment Pool 7.

During the year, the fair value of non-pooled investments decreased \$252,499. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on these investments held at June 30, 2017, was \$71,620. The calculation of realized gains and losses on investments is independent of the calculation of the change in fair value of investments. In addition, gains and losses of the current period include unrealized amounts from the prior period.

Investments

At June 30, 2017, credit risk for the City’s investments was as follows:

Investment Type	Amount	Maturities		Moody's Investors Service	Standard & Poor's
		Less than 1 Year	1-5 Years		
Federal Farm Credit Banks Funding Corp.	\$ 1,988,170	\$ -	\$ 1,988,170	Aaa	AA+
Federal Home Loan Bank	8,797,448	625,269	8,172,179	Aaa	AA+
Federal National Mortgage Association	6,064,487	3,093,797	2,970,690	Aaa	AA+
US Treasury Note	44,732,517	9,968,360	34,764,157	Aaa	AA+
	<u>61,582,622</u>	<u>13,687,426</u>	<u>47,895,196</u>		
Certificates of Deposit	219,242	-	219,242	Unrated	Unrated
Total	<u>61,801,864</u>	<u>\$ 13,687,426</u>	<u>\$ 48,114,438</u>		
		<u>Maturities in Days</u>			
State Treasurer's Investment Pool 7					
Primary government	51,451,589		80	Unrated	Unrated
Fiduciary activities	225,181		80	Unrated	Unrated
Total	<u>51,676,770</u>				
Total investments	<u>\$ 113,478,634</u>				

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal deposit or investment policy for custodial credit risk.

Deposits—At June 30, 2017, \$9,290,163 of the City’s bank balance of \$71,183,818 was exposed to custodial risk because it was uninsured or not collateralized with securities held by the pledging financial institution’s trust department or agent.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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Investments—At June 30, 2017, investments consisted of \$61,582,622 invested in obligations issued or guaranteed by the U.S. Government, \$219,242 invested in certificates of deposit covered by the FDIC or National Credit Union Administration (NCUA), and \$51,676,770 invested in the State Treasurer’s Investment Pool 7, which is not subject to custodial credit risk.

Concentration of Credit Risk

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

At June 30, 2017, the City’s investments included 45.5% invested in the State Treasurer’s Investment Pool 7, 54.3% in obligations issued or guaranteed by the United States, and the remaining 0.2% being invested in certificates of deposit.

Interest Rate Risk

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

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

Credit Risk

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

The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. The City’s investment in the State Treasurer’s Investment Pool 7, which only invests in obligations issued or guaranteed by the United States, does not carry a credit rating.

NOTE 4 - PROPERTY TAX CALENDAR

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

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water, Wastewater, and Sanitation Funds at June 30, 2017, are \$102,863, \$53,696, and \$29,653, respectively. Uncollectible amounts related to current period revenues of the Water, Wastewater, and Sanitation Funds are \$21,847, \$11,781 and \$4,064, respectively.

NOTE 6 - CAPITAL ASSETS

A summary of capital asset activity for governmental activities on the government-wide financial statements for the year ended June 30, 2017, follows:

Governmental Activities	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Non-depreciable assets:				
Land	\$ 256,192,460	\$ 138,931	\$ -	\$ 256,331,391
Construction in progress	11,791,259	9,928,380	(19,742,019)	1,977,620
Total non-depreciable capital assets	<u>267,983,719</u>	<u>10,067,311</u>	<u>(19,742,019)</u>	<u>258,309,011</u>
Depreciable assets:				
Buildings and improvements	81,143,700	773,466	-	81,917,166
Improvements other than buildings	10,085,053	13,123,120	-	23,208,173
Vehicles, furniture, and equipment	39,976,779	4,202,128	(1,268,531)	42,910,376
Infrastructure	385,619,088	7,726,451	-	393,345,539
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	<u>518,789,879</u>	<u>25,825,165</u>	<u>(1,268,531)</u>	<u>543,346,513</u>
Less accumulated depreciation for:				
Buildings and improvements	24,678,052	2,209,842	-	26,887,894
Improvements other than buildings	767,160	560,240	-	1,327,400
Vehicles, furniture and equipment	29,113,734	3,247,504	(1,253,514)	31,107,724
Infrastructure	165,300,031	9,652,441	-	174,952,472
Intangible assets	398,513	65,509	-	464,022
Total accumulated depreciation	<u>220,257,490</u>	<u>15,735,536</u>	<u>(1,253,514)</u>	<u>234,739,512</u>
Total capital assets being depreciated, net	<u>298,532,389</u>	<u>10,089,629</u>	<u>(15,017)</u>	<u>308,607,001</u>
Total governmental activities capital assets, net	<u>\$ 566,516,108</u>	<u>\$ 20,156,940</u>	<u>\$ (19,757,036)</u>	<u>\$ 566,916,012</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2017, follows:

Business-type activities:	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Non-depreciable assets:				
Land	\$ 16,273,312	\$ -	\$ -	\$ 16,273,312
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	3,099,268	4,214,094	(3,357,422)	3,955,940
Total non-depreciable assets	20,896,335	4,214,094	(3,357,422)	21,753,007
Depreciable assets:				
Water system	303,801,283	2,675,919	-	306,477,202
Sewer system	228,476,803	733,946	-	229,210,749
Wastewater treatment system	81,877,353	-	-	81,877,353
Vehicles, furniture and equipment	15,570,719	2,089,740	(446,281)	17,214,178
Intangible Assets	2,980,551	-	-	2,980,551
Improvements other than buildings	808,883	-	-	808,883
Total depreciable capital assets	633,515,592	5,499,605	(446,281)	638,568,916
Less accumulated depreciation for:				
Water system	90,116,305	6,154,507	-	96,270,812
Sewer system	74,552,244	5,259,503	-	79,811,747
Wastewater treatment system	16,629,288	1,001,625	-	17,630,913
Vehicles, furniture and equipment	10,159,207	1,869,105	(443,379)	11,584,933
Intangible Assets	372,570	74,514	-	447,084
Improvements other than buildings	246,101	40,440	-	286,541
Total accumulated depreciation	192,075,715	14,399,694	(443,379)	206,032,030
Total business-type activities capital assets being depreciated, net	441,439,877	(8,900,089)	(2,902)	432,536,886
Total business-type activity capital assets, net	\$ 462,336,212	\$ (4,685,995)	\$ (3,360,324)	\$ 454,289,893

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

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 1,452,384
Public safety	2,183,866
Highways and streets	9,977,044
Health and welfare	56,515
Economic and community development	166,755
Culture and recreation	1,676,087
Transportation	112,714
Internal services	110,171
Total	\$ 15,735,536
Business-type activities:	
Water	\$ 7,110,186
Wastewater	6,660,279
Sanitation	629,229
Total	\$ 14,399,694

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 - FUND BALANCES

The fund balance classifications of the governmental funds as of June 30, 2017, were as follows:

	General Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable:						
Inventory	\$ 6,526	\$ -	\$ -	\$ -	\$ 307,706	\$ 314,232
Prepaid items	66,495	-	-	-	61,168	127,663
Advances to other funds	833,000	-	-	-	-	833,000
Restricted for:						
Transit services	-	-	-	-	1,579,099	1,579,099
Highway and streets	-	-	-	-	7,169,856	7,169,856
Courts	-	-	-	-	613,041	613,041
Grant and contributor purposes	-	-	-	-	1,337,527	1,337,527
Public safety	102,794	-	7,790,078	-	-	7,892,872
Debt service	-	-	-	-	6,117,403	6,117,403
Capital projects	-	-	-	-	1,436,817	1,436,817
Water, sewer, street and transportation projects	-	3,334,172	-	-	724,972	4,059,144
Crime victim advocacy	-	-	-	-	143,216	143,216
Committed to:						
Budgetary stabilization	21,400,558	-	-	-	-	21,400,558
Capital projects	-	-	-	1,628,041	39,690	1,667,731
Crime victim advocacy	-	-	-	-	47,738	47,738
Assigned to:						
Vehicle replacement	-	-	-	-	6,923,450	6,923,450
Equipment replacement	-	-	-	-	1,013,680	1,013,680
Capital projects	-	-	-	3,854,026	933,051	4,787,077
Other purposes	12,651,519	-	-	-	-	12,651,519
Unassigned	15,704,372	-	-	-	(77,490)	15,626,882
Total fund balances	<u>\$ 50,765,264</u>	<u>\$ 3,334,172</u>	<u>\$ 7,790,078</u>	<u>\$ 5,482,067</u>	<u>\$ 28,370,924</u>	<u>\$ 95,742,505</u>

NOTE 8 - PENSION PLANS

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

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities	Business-Type Activities	Total
Statement of Net Position and Statement of Activities			
Net pension liabilities	\$ 52,945,526	\$ 7,486,404	\$ 60,431,930
Deferred outflows of resources	16,293,018	1,532,981	17,825,999
Deferred inflows of resources	4,261,328	914,452	5,175,780
Pension expense	10,691,322	459,262	11,150,584

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The City’s accrued payroll and employee benefits includes \$230,809 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the City reported \$4,597,128 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits.

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

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to

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finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension plan for the year ended June 30, 2017, were \$2,233,763. The City’s OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
<u>Year ended June 30</u>	<u>Fund</u>	<u>Fund</u>
2017	\$ 116,040	\$ 29,010
2016	98,170	23,561
2015	112,720	22,544

During fiscal year 2017, the City paid for ASRS pension and OPEB contributions as follows: 62.2 percent from the General Fund, 23.2 percent from other major funds, and 14.6 percent from other funds.

Pension liability—At June 30, 2017, the City reported a liability of \$33,876,742 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent increases.

The City’s proportion of the net pension liability was based on the City’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2016. The City’s proportion measured as of June 30, 2016, was 0.21 percent, which increased from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$2,133,861. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page:

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ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205,867	\$ 2,330,472
Change in assumptions or other inputs	-	1,792,350
Net difference between projected and actual earnings on pension plan investments	3,671,111	-
Changes in proportion and differences between city contributions and proportionate share of contributions	925,832	20,199
City contributions subsequent to the measurement date	<u>2,233,763</u>	<u>-</u>
Total	<u>\$ 7,036,573</u>	<u>\$ 4,143,021</u>

The \$2,233,763 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Net Outflow/ (Inflow)</u>
2018	\$ (1,107,550)
2019	(821,409)
2020	1,559,379
2021	1,029,369

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

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Discount rate	8.0%
Projected salary increases	3–6.75%
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real

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rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ASRS	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	(7%)	(8%)	(9%)
City's proportionate share of the net pension liability	\$ 43,195,416	\$ 33,876,742	\$ 26,405,199

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

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

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

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

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive month of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	

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

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CORP (Concl'd) **Initial membership date:**
Before January 1, 2012 On or after January 1, 2012

Survivor Benefit

Retired members 80% of retired member’s pension benefit

Active members 40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member’s contributions.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase’s effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member’s compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police	PSPRS Fire	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	24	6	1
Inactive employees entitled to but not yet receiving benefits	28	6	3
Active employees	111	66	8
Total	163	78	12

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police	PSPRS Fire	CORP Detention
Active members—pension	7.65%	7.65%	8.41%
City			
Pension	20.67%	16.88%	10.53%
Health insurance premium benefit	0.43%	0.44%	0.56%

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In addition, statute required the City to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
Pension	9.49%	n/a	n/a
Health insurance premium benefit	0.09%	n/a	n/a

For the agent plans, the City’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
Pension			
Contributions made	\$1,856,995	\$984,911	\$ 59,353
Health Insurance Premium Benefit			
Annual OPEB cost	38,631	25,673	3,160
Contributions made	38,631	25,673	3,160

During fiscal year 2017, the City paid for PSPRS and CORP pension and OPEB contributions as follows: 75.5 percent from the General Fund, 24.1 percent from other major funds, and 0.4 percent from other funds.

Pension liability—At June 30, 2017, the City reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Police	\$16,148,015
PSPRS Fire	9,123,647
CORP Detention	613,673

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefits terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City’s net pension liabilities as a result of these changes is not known.

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

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	3.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP	Long-Term	
Asset Class	Target Allocation	Expected Arithmetic Real Rate of Return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Pension discount rates—At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 percent for the PSPRS Police, PSPRS Fire, and CORP plans from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan	Net
		Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	<u>\$31,175,375</u>	<u>\$ 19,970,374</u>	<u>\$ 11,205,001</u>
Changes for the year:			
Service cost	1,525,046	-	1,525,046
Interest on total pension liability	2,457,622	-	2,457,622
Changes in benefit terms	2,654,715	-	2,654,715
Differences between expected and actual experience in the measurement of the pension liability	(894,754)	-	(894,754)
Changes in assumptions or other inputs	1,538,022	-	1,538,022
Contributions—employer	-	1,683,672	(1,683,672)
Contributions—employee	-	932,789	(932,789)
Net investment income	-	118,764	(118,764)
Benefit payments, including refunds of employee contributions	(1,261,226)	(1,261,226)	-
Administrative expense	-	(17,489)	17,489
Other changes	-	(380,099)	380,099
Net changes	<u>6,019,425</u>	<u>1,076,411</u>	<u>4,943,014</u>
Balances at June 30, 2017	<u>\$37,194,800</u>	<u>\$ 21,046,785</u>	<u>\$ 16,148,015</u>

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan	Net
		Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	<u>\$ 21,398,276</u>	<u>\$ 17,166,254</u>	<u>\$ 4,232,022</u>
Changes for the year:			
Service cost	1,059,427	-	1,059,427
Interest on total pension liability	1,702,937	-	1,702,937
Changes in benefit terms	2,475,378	-	2,475,378
Differences between expected and actual experience in the measurement of the pension liability	216,529	-	216,529
Changes in assumptions or other inputs	1,109,853	-	1,109,853
Contributions—employer	-	940,588	(940,588)
Contributions—employee	-	729,183	(729,183)
Net investment income	-	102,392	(102,392)
Benefit payments, including refunds of employee contributions	(469,042)	(469,042)	-
Administrative expense	-	(15,135)	15,135
Other changes	-	(84,529)	84,529
Net changes	<u>6,095,082</u>	<u>1,203,457</u>	<u>4,891,625</u>
Balances at June 30, 2017	<u>\$ 27,493,358</u>	<u>\$ 18,369,711</u>	<u>\$ 9,123,647</u>

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Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
		(a) - (b)	
Balances at June 30, 2016	\$ 1,515,076	\$ 1,179,133	\$ 335,943
Changes for the year:			
Service cost	81,362	-	81,362
Interest on total pension liability	119,176	-	119,176
Changes in benefit terms	4,546	-	4,546
Differences between expected and actual experience in the measurement of the pension liability	134,537	-	134,537
Changes in assumptions or other inputs	88,502	-	88,502
Contributions—employer	-	58,915	(58,915)
Contributions—employee	-	43,964	(43,964)
Net investment income	-	7,365	(7,365)
Benefit payments, including refunds of employee contributions	(75,176)	(75,176)	-
Administrative expense	-	(1,441)	1,441
Other changes	-	41,590	(41,590)
Net changes	352,947	75,217	277,730
Balances at June 30, 2017	<u>\$ 1,868,023</u>	<u>\$ 1,254,350</u>	<u>\$ 613,673</u>

Sensitivity of the City's net pension liability (asset) to changes in the discount rate—The following table presents the City's net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PSPRS—Police			
Net pension liability	\$ 21,980,409	\$ 16,148,015	\$ 11,439,270
PSPRS—Fire			
Net pension liability	\$ 13,418,625	\$ 9,123,647	\$ 5,631,828
CORP—Detention			
Net pension liability	\$ 904,972	\$ 613,673	\$ 376,283

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

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Pension expense—For the year ended June 30, 2017, the City recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS—Police	\$ 5,250,215
PSPRS—Fire	3,538,192
CORP—Detention	80,827

Pension deferred outflows/inflows of resources—At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS—Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 553,410	\$ 837,959
Changes of assumptions or other inputs	2,590,603	-
Net difference between projected and actual earnings on pension plan investments	1,309,478	-
City contributions subsequent to the measurement date	<u>1,856,995</u>	<u>-</u>
Total	<u>\$ 6,310,486</u>	<u>\$ 837,959</u>
PSPRS—Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 230,349	\$ 105,787
Changes of assumptions or other inputs	1,662,833	-
Net difference between projected and actual earnings on pension plan investments	1,140,411	-
City contributions subsequent to the measurement date	<u>984,911</u>	<u>-</u>
Total	<u>\$ 4,018,504</u>	<u>\$ 105,787</u>

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CORP–Detention	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,477	\$ 49,553
Changes of assumptions or other inputs	88,248	-
Net difference between projected and actual earnings on pension plan investments	77,924	-
City contributions subsequent to the measurement date	59,353	-
Total	\$ 330,002	\$ 49,553

The amounts reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>CORP Detention</u>
2018	\$ 737,486	\$ 460,376	\$ 55,272
2019	737,486	460,377	55,329
2020	918,927	607,783	69,220
2021	762,227	472,943	41,275
2022	337,318	215,267	-
Thereafter	122,088	711,060	-

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the City and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

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PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

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

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Police			
2017	\$38,631	100.0 %	\$ -
2016	31,389	100.0	-
2015	72,613	100.0	-
PSPRS Fire			
2017	25,673	100.0	-
2016	20,499	100.0	-
2015	46,827	100.0	-
CORP Detention			
2017	3,160	100.0	-
2016	3,136	100.0	-
2015	3,803	100.0	-

Agent plan OPEB funded status—The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL as a Percent of Covered Payroll [(b)-(a)]/(c)</u>
PSPRS-Police	\$ 755,544	\$ 844,557	\$ 89,013	89.50 %	\$ 8,099,025	1.10 %
PSPRS-Fire	496,396	634,722	138,326	78.20	5,500,657	2.51
CORP-Detention	33,520	59,661	26,141	56.18	547,891	4.77

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

PSPRS and CORP—OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions	
Investment rate of return	7.50%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

C. Elected Officials Retirement Plan

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

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

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

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EORP (Concl'd)	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 10% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 8, 2017, and 7 percent of the members' annual covered payroll for April 9, 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension plan for the year ended June 30, 2017, were \$17,783. No OPEB contributions were required for the years ended June 30, 2015, 2016 and 2017. During the year, the City paid for EORP contributions 100 percent from the General Fund.

EORP	Health Insurance Fund
Year ended June 30	
2017	\$ -
2016	904
2015	541

Pension liability—At June 30, 2017, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

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City's proportionate share of the EORP net pension liability	\$ 669,853
State's proportionate share of the EORP net pension liability associated with the City	30,824
Total	<u>\$ 700,677</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.07 percent, which was an increase of .006 percent from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's proportionate share of the collective net pension liability as a result of these changes is not known.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the City recognized pension expense for EORP of \$147,489 and revenue of \$37,845 for the City's proportionate share of the State's appropriation to EORP and designated court fees. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,597
Changes of assumptions or other inputs	75,208	-
Net difference between projected and actual earnings on pension plan investments	15,517	-
Changes in proportion and differences between city contributions and proportionate share of contributions	21,926	26,863
City contributions subsequent to the measurement date	17,783	-
Total	<u>\$ 130,434</u>	<u>\$ 39,460</u>

The \$17,783 reported as deferred outflows of resources related to EORP pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

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<u>Year ending June 30</u>	<u>Net Outflow/ (Inflow)</u>
2018	\$ 41,408
2019	23,036
2020	5,639
2021	3,108

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

EORP

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment Rate of Return	7.50%
Projected salary increases	4.25%
Inflation	3.0%
Permanent benefit increase	Members retired on or before July 1, 2011: 3% of benefit. Members retired on or after August 1, 2011: 0.5% of benefit.
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

EORP	Target	Long-Term
<u>Asset Class</u>	<u>Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Short-term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Discount rate—At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the

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current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

Sensitivity of the City’s proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the City’s proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease (2.68%)	Current Discount Rate (3.68%)	1% Increase (4.68%)
City's proportionate share of the net pension liability	\$ 779,742	\$ 669,583	\$ 578,124

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

D. Volunteer Fire Fighters Relief and Pension Fund

The Fund is a single-employer defined contribution pension plan to provide pension benefits to volunteer fire fighters who are not covered under PSPRS, have served 20 years of service, and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3. The plan, which is administered by the City, was created and approved by the City Council under the A.R.S., Section 9-981. The plan is closed to new members.

The assets of the plan are valued annually and the earnings or loss are distributed among participant accounts in the plan. The only deductions from the plan are to pay benefits to the remaining plan members. Fire fighters who have served 20 years of service and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, are entitled to a monthly pension not to exceed \$400. As of June 30, 2017, the plan was fully vested and there was one remaining eligible employee participating in the plan.

The plan has never had an actuarial valuation, but plan benefits cannot exceed plan assets. This employee benefit plan is not separately audited and, therefore, separate audited financial statements are not available. The payroll for the fire fighter covered by the plan for the year ended June 30, 2017, was \$0 and, therefore, neither the City nor the fire fighter made contributions to the plan during the year.

NOTE 9 - LONG-TERM OBLIGATIONS

The City has issued general obligation bonds to acquire and construct water and sewer system improvements, street and highway improvements, library facilities, a multi-purpose recreation center and to refund prior outstanding general obligation bonds. The City has also issued governmental activities pledged revenue refunding obligations and highway user revenue refunding bonds to refund prior outstanding pledged revenue and highway user revenue bonds, as well as business-type activities water and sewer system revenue bonds to finance and acquire improvements to the water production and distribution system, sewer collection and treatment system, and wastewater treatment plant.

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Annual debt service requirements to maturity on these bonds at June 30, 2017, are summarized as follows:

Year Ending June 30	Governmental Activities						Business-type Activities			
	General Obligation Bonds		Pledged Revenue Refunding Obligations		Highway User Revenue Bonds		Water and Sewer Revenue Bonds		Pledged Revenue Refunding Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,020,000	\$ 1,574,438	\$ 4,998,738	\$ 1,062,121	\$ 330,000	\$ -	\$ 835,000	\$ 350,250	\$ 131,262	\$ 31,029
2019	1,215,000	1,511,850	4,941,867	844,278	-	-	810,000	218,600	128,133	24,622
2020	860,000	1,458,530	5,194,671	594,594	-	-	690,000	297,000	135,329	17,856
2021	755,000	1,409,833	4,503,295	379,880	-	-	715,000	274,600	111,705	12,270
2022	805,000	1,355,495	2,179,598	270,900	-	-	315,000	262,000	70,403	8,750
2023-27	5,000,000	5,750,980	5,598,901	192,580	-	-	1,770,000	1,103,200	181,098	6,220
2028-32	7,070,000	3,357,120	-	-	-	-	2,155,000	703,800	-	-
2033-37	5,585,000	455,520	-	-	-	-	2,625,000	218,000	-	-
Total	\$ 22,310,000	\$ 16,873,766	\$ 27,417,070	\$ 3,344,353	\$ 330,000	\$ -	\$ 9,915,000	\$ 3,427,450	\$ 757,930	\$ 100,747

The general obligation bonds are secured by property taxes (ad valorem taxes) levied by the City on all taxable property within the City sufficient to pay all principal and interest on the bonds as they come due.

The City has pledged certain future revenues to repay specific revenue bonded debt as follows:

- The City has pledged future excise tax revenues, including local sales taxes and state-shared sales and income taxes, to repay \$31.5 million of Pledged Revenue Refund Obligations, Series 2013 and 2016. At year end, \$28.2 million in bonds remains outstanding to be repaid with future excise tax revenues over the next 8 years. For the year ended June 30, 2017, the excise taxes available to service debt was \$68.3 million, and the principal and interest on this debt was \$1.9 million (2.8% of the available pledged revenues).
- The City has pledged future highway user revenues, including motor fuel and vehicle license (in lieu) taxes, to repay \$3.2 million of Highway User Revenue Refunding Bonds, Series 2005. At year end, \$0.33 million in bonds remains outstanding to be repaid with future highway user revenues over the next year. For the year ended June 30, 2017, the highway user revenues available to service debt was \$5.2 million, and the principal and interest on this debt was \$0.4 million (.08 % of the available pledged revenues).
- The City has pledged future water and wastewater utility revenues to repay \$18.1 million of Water and Sewer System Revenue Obligations, Series 2010 and 2016. At year end, \$9.9 million in bonds remains outstanding to be repaid with future excise tax revenues over the next 19 years. For the year ended June 30, 2017, the net water and wastewater utility revenues available to service debt was \$13.9 million and the principal, and interest on this debt was \$0.8 million (4.2% of the available net pledged revenues).

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A summary of changes in governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2017, follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental activities:					
Compensated absences	\$ 4,731,268	\$ 3,862,076	\$ 2,882,544	\$ 5,710,800	\$ 4,568,640
Capital leases payable	-	304,326	31,226	273,100	86,753
Claims payable	703,998	2,741,502	866,490	2,579,010	2,138,336
Pledged Revenue Bonds	4,880,000	23,457,070	920,000	27,417,070	4,998,697
MDC Excise Tax Revenue Bonds	32,383,034	-	32,383,034	-	-
General Obligation Bonds	24,750,000	-	2,440,000	22,310,000	1,410,000
Highway User Revenue Bonds	720,000	-	390,000	330,000	330,000
Unamortized premiums and discounts, net	713,388	3,012,110	962,528	2,762,970	437,836
Net pension liability	40,987,496	17,912,816	5,954,786	52,945,526	-
Total	<u>\$109,869,184</u>	<u>\$51,289,900</u>	<u>\$46,830,608</u>	<u>\$ 114,328,476</u>	<u>\$13,970,262</u>

The internal service funds primarily provide services to the governmental funds. Accordingly, their long-term liabilities are reported with governmental activities in the Statement of Net Position. At fiscal year-end, internal service funds compensated absences of \$82,299, risk management claims payable of \$757,947, and \$876,121 of net pension liability are included in the above liabilities.

Compensated Absences—Compensated absences payable are paid from various funds in the same proportion that those funds pay payroll and employee benefit costs. During the year ended June 30, 2017, the City primarily paid for compensated absences from the General Fund.

Capital Leases—The City acquired a storage area network under the provisions of capital lease agreement. The lease expires in fiscal year 2020. The future minimum lease obligation and net present value of lease payments at June 30, 2017, follow:

Year Ending June 30	Governmental Activities
2018	\$ 100,012
2019	100,012
2020	100,012
Total minimum lease payments	300,036
Less: Amount representing interest	(26,936)
Present value of net minimum lease	<u>\$ 273,100</u>

The asset acquired through the capital lease follows:

Class of Property	Governmental Activities
Equipment	\$ 304,326
Less: Accumulated depreciation	(67,498)
Carrying value	<u>\$ 236,828</u>

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Pledged Revenue Refunding Obligations—These obligations were issued to refund outstanding MDC Revenue Bonds and are backed by the City’s general excise taxes. Principal payments are due annually and interest payments are due semiannually.

On September 1, 2016, the City issued \$24,215,000 of Pledged Revenue Refunding Obligations, Series 2016, and contributed \$3,997,767 of city funds to refund \$29,970,000 of outstanding MDC Excise Tax Revenue Bonds, Series 2005, 2006, and 2008 and pay related bond issue costs. The issuance yielded \$26,937,802 of net bond proceeds, including a bond premium of \$3,109,435, less bond issue costs of \$386,633. The City deposited \$19,628,055 of the net bond proceeds and city funds with an escrow agent, who refunded the \$19,480,000 of outstanding MDC Excise Tax Revenue Bonds, Series 2005 and 2006 on September 1, 2016, and deposited the remaining \$11,307,514 of net bond proceeds and city funds in an irrevocable trust. The proceeds and city funds are invested in securities backed by the U.S. Government that are designed to meet all future debt service requirements of the defeased \$10,490,000 of MDC Excise Tax Revenue Bonds, Series 2008. The refunding was undertaken to reduce future debt services payments by \$9,315,183 over the next eight years and resulted in an economic gain (net present value savings) of \$4,425,268.

The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2017</u>
2013 series bonds	2.00 - 4.00%	2020	\$ 3,960,000
2016 series bonds (96.87% of total issue)	2.00 - 5.00%	2024	<u>23,457,070</u>
			<u>\$ 27,417,070</u>

Annual debt service requirements to maturity for the pledged revenue refunding obligations are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,998,738	\$1,062,121
2019	4,941,867	844,278
2020	5,194,671	594,594
2021	4,503,295	379,880
2022	2,179,598	270,900
2023-2027	<u>5,598,901</u>	<u>192,580</u>
Total	<u>\$ 27,417,070</u>	<u>\$ 3,344,353</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2017
2006 series bonds	3.75 - 4.00%	2018	\$ 225,000
2009 series bonds	2.75 - 7.80%	2034	21,695,000
2010 series bonds	2.75 - 3.25%	2018	390,000
			<u>\$ 22,310,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,020,000	\$ 1,574,438
2019	1,215,000	1,511,850
2020	860,000	1,458,530
2021	755,000	1,409,833
2022	805,000	1,355,495
2023-2027	5,000,000	5,750,980
2028-2032	7,070,000	3,357,120
2033-2037	5,585,000	455,520
Total	<u>\$ 22,310,000</u>	<u>\$ 16,873,766</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2017
2005 series bonds	3.00 - 3.875%	2018	\$ 330,000
			<u>\$ 330,000</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>
2018	\$ 330,000	\$ -
Total	<u>\$ 330,000</u>	<u>\$ -</u>

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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, 2017, follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Business-type activities:					
Compensated absences	\$ 643,520	\$ 501,416	\$ 390,922	\$ 754,014	\$ 603,211
Water and Sewer Revenue Bonds	2,280,000	8,110,000	475,000	9,915,000	835,000
Pledged Revenue Bonds	-	757,930	-	757,930	131,304
MDC Excise Tax Revenue Bonds	1,176,960	-	1,176,960	-	-
Unamortized premiums and discounts, net	192,248	1,203,928	115,558	1,280,618	115,555
Net pension liability	7,023,882	1,217,864	755,342	7,486,404	-
Total	<u>\$ 11,316,610</u>	<u>\$ 11,791,138</u>	<u>\$ 2,913,782</u>	<u>\$ 20,193,966</u>	<u>\$ 1,685,070</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 payments are due annually and interest payments are due semiannually.

On September 1, 2016, the City issued \$8,110,000 of Water and Sewer System Revenue Obligations, Series 2016, for the purpose of providing funds to finance improvements to the existing wastewater treatment plant of the City and pay bond issuance costs. The Obligations are secured by pledged revenues derived from City's operation of its water production and distributions system and sewer collection and treatment system.

The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding</u> <u>Principal</u> <u>June 30, 2017</u>
2010 series obligations	3.0 - 5.0%	2020	\$ 1,805,000
2016 series obligations	2.0 - 4.0%	2036	8,110,000
			<u>\$ 9,915,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 835,000	\$ 350,250
2019	810,000	218,600
2020	690,000	297,000
2021	715,000	274,600
2022	315,000	262,000
2023-2027	1,770,000	1,103,200
2028-2032	2,155,000	703,800
2033-2037	2,625,000	218,000
Total	<u>\$ 9,915,000</u>	<u>\$ 3,427,450</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Pledged Revenue Refunding Obligations—These obligations were issued to refund outstanding MDC Revenue Bonds and are backed by the City’s general excise taxes. Principal payments are due annually and interest payments are due semiannually. The following issue is currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2017</u>
2016 series bonds (3.13% of total issue)	2.00 - 5.00%	2024	\$ 757,930
			<u>\$ 757,930</u>

Annual debt service payments to maturity for pledged revenue refunding obligations of business-type activities are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 131,304	\$ 31,029
2019	128,133	24,622
2020	135,329	17,856
2021	111,705	12,270
2022	70,403	8,750
2023-2027	181,056	6,220
Total	<u>\$ 757,930</u>	<u>\$ 100,747</u>

Refunded MDC Excise Tax Revenue Bonds—On September 1, 2016, the City refunded outstanding MDC Excise Tax Revenue Bonds, Series 2005, 2006, and 2008. The City deposited the net bond proceeds from the issuance and city funds with an escrow agent who refunded the MDC Excise Tax Revenue Bonds, Series 2005, on September 1, 2016.

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2017, were as follows:

<u>Advances From/ Due to</u>	<u>Advances To</u>	<u>Due From</u>			<u>Total</u>
	Development Fees Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$ 833,000	\$ 1,843,732	\$ 658	\$ 42,418	\$ 2,719,808

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

About \$1.7 million of the \$2.7 million General Fund interfund receivable is due to temporary borrowing by the General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, and Senior Program Fund to offset temporary cash deficit positions at June 30, 2017. About \$0.8 million is due to an advance to the Development Fees Fund to pay debt service on debt-financed capital projects where development fees have been pledged to repay the debt, but where insufficient development fees have been collected to service the debt. All other interfund receivables and payables were routine in nature.

Interfund activity for the year ended June 30, 2017, primarily consisted of the following transfers:

General Fund transfers included about \$4.1 million to the Development Fees Fund to finance various street construction projects, and city parks and library enhancement and improvement projects, as well as new fire apparatus; \$0.6 million to the Other Capital Projects Fund to finance biking and pedestrian facilities improvement projects; about \$1.5 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment; about \$.5 million to the Transit Fund for improving and maintaining transit operations; about \$.6 million to finance grant and community-related programs; and about \$0.5 million to debt service funds to service debt.

Dedicated Sales Tax Revenue Fund transfers included \$5.5 million to debt service funds to service debt, \$0.5 million to the Development Fees Fund to finance various street construction projects, \$0.2 million to the Transit Fund to finance Transit Center land improvements, and about \$0.15 million to the Wastewater Fund to finance citywide sewer improvements.

Public Safety Sales Tax Revenue Fund transfers include about \$0.36 million to emergency vehicle equipment purchases, and about \$0.35 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment.

Development Fees Fund transfers included about \$4.1 million from the General Fund and about \$1.1 million from other governmental funds to finance various capital projects including citywide street maintenance, bridge construction, and streetlight improvements; purchase of new fire apparatus; and enhancements to the City's Friendship Park and Festival Fields, as well as other park restorations. \$0.3 million was transferred to debt service funds to service debt.

Nonmajor Governmental Fund transfers included about \$5.5 million from the Dedicated Sales Tax Revenue Fund, about \$0.5 million from the General Fund and about \$0.7 million from the Development Fees Fund and other governmental funds for debt service; about \$1.3 million from the General Fund and Dedicated Sales Tax Revenue Fund to finance various capital projects; about \$1.3 million from the General Fund and other governmental funds to accumulate reserves for the future replacement of city vehicles; about \$0.8 million from the General Fund and other governmental funds for equipment replacement; and about \$0.6 million from the General Fund and other governmental funds for grant and community-related programs. About \$0.4 million was transferred to other governmental funds to service debt; about \$0.23 million to the Development Fee Fund for street construction; and about \$0.23 million to the Vehicle and Equipment Replacement Funds.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ (7,761,509)
Dedicated Sales Tax Revenue Fund	-	(6,350,000)
Public Safety Sales Tax Revenue Fund	-	(712,860)
Development Fees Fund	5,179,993	(302,950)
Nonmajor Governmental Funds	10,682,369	(855,790)
Total governmental funds	<u>15,862,362</u>	<u>(15,983,109)</u>
Enterprise funds:		
Wastewater Fund	150,000	-
Total enterprise funds	<u>150,000</u>	<u>-</u>
Internal service funds:		
Grand total	<u>\$ 16,012,362</u>	<u>\$ (16,012,362)</u>

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss and administers and accounts for these risks in the Risk Management Fund, which is an internal service fund.

In fiscal year 2005, the City established a risk management fund to manage losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for the first \$500,000 of any general liability and automobile liability occurrence and purchases commercial insurance to protect from losses in excess of \$500,000. The excess commercial insurance coverages and limits follow:

<u>Coverage</u>	<u>Limit</u>
Property/Boiler & Machinery/ Inland Marine	\$ 166,089,000
Public Entity/Excess Liability	25,500,000
Crime	2,000,000
Privacy and Network Liability	5,000,000
Environmental Liability	2,000,000

The City workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool. The City retains all risks not covered by commercial insurance carriers and the Pool and has effectively managed risk through various employee education and prevention programs. There have not been any losses in excess of the coverages provided by the Risk Management Fund since its inception.

Funds receiving insurance coverage pay monthly premiums to the risk management fund based upon a budget model taking into consideration actuarial analysis and projections, prior loss experience, staffing, and operating budget.

Premium payments to insurance carriers, loss control, and risk management expenses are made directly from the Risk Management Fund.

Based on information provided by the actuary, claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities include case reserves, the

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

development of known claims, claims that have been incurred but not reported, and allocated loss adjustment expenses. The claims liabilities consider the effects inflation, claims settlement trends, such as frequency and severity, and other factors. These liabilities are limited to the self-funded retention and deductibles.

Changes in the balances of claims liabilities during the past two years follows:

	<u>2017</u>	<u>2016</u>
Beginning balance at July 1	\$703,998	\$641,233
Current year claims and changes in estimates	920,439	355,423
Claim payments	(866,490)	(292,658)
Ending balance at June 30	<u>\$757,947</u>	<u>\$703,998</u>

NOTE 12 – CONTINGENCIES, COMMITMENTS AND OTHER CLAIMS

Litigation—The City is in litigation arising in the ordinary course of its operations. The City believes that the liability, if any, in connection with these matters will not have a material adverse effect on the City’s financial position, changes in financial position, or liquidity.

Federal and State Grants—The City received grants from both the federal and state governments during the year end June 30, 2017. Some programs have been audited as of June 30, 2017. The City expects no material disallowance of expenditures.

Pension Judgment—The courts found that a 2011 law's increases in employee contribution rates for active PSPRS plan and EORP members hired prior to the law's effective date were unconstitutional. As a result, these members are entitled to refunds of their excess employee contributions, plus interest. PSPRS has recommended that employers participating in these plans begin providing refunds to their employees who paid the excess contributions. Employers must provide these refunds because IRS regulations prevent PSPRS from issuing them from the plan's trusts. Accordingly, the City refunded about \$1.8 million of excess contributions and related interest during the first half of fiscal year 2018 and recorded the refunds as claims payable and related expenses in the government-wide financial statements.

Contractual Commitments—The City had major contractual commitments related to various capital projects at June 30, 2017. At June 30, 2017, the City had spent \$5,094,067 on these projects and had remaining contractual commitments with contractors of \$13,882,052. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The project categories and remaining commitments at June 30, 2017, follow.

Street construction and improvements	\$ 1,147,076
Park enhancements and land Improvements	426,565
Fire facility improvements	54,400
One-time projects	39,690
Citywide sewer system construction and improvements	4,025,387
Water reclamation facility expansion and upgrades	7,653,426
Water system construction and improvements	535,508
Total	<u>\$ 13,882,052</u>

**CITY OF AVONDALE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 13 - OPERATING LEASES

The City jointly operates and funds the Southwest Family Advocacy Center (SWFAC) with the Avondale, Buckeye and Goodyear Police Departments and the Maricopa County Sheriff's Office. The City leases SWFAC office space under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease were \$317,234 for the year ended June 30, 2017. The following future minimum payments were required under the operating lease at June 30, 2017:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 322,128
2019	214,752
Total	<u>\$ 536,880</u>

NOTE 14 – JOINT VENTURES

The City participates in the Regional Wireless Cooperative (RWC), an Arizona joint venture, multi-jurisdictional organization formed in 2008 to oversee the construction, operation, and maintenance of a regional communications network. The regional communications network was built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around the Phoenix Metropolitan Region. All members share ongoing financial responsibilities based on their relative size, which is measured by the number of subscriber units (radios) on the network. Currently, the City of Phoenix is responsible for the day-to-day operations and maintenance of the network, as well as the management of the RWC's organization and finances.

The City records its share of equity in the joint venture in the City's government-wide financial statements. The City's equity balance as of June 30, 2017, was \$614,214, or 0.75 percent of the RWC's total net position.

The RWC Comprehensive Annual Financial Report is available from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003.

NOTE 15 - TAX ABATEMENTS

Government Property Lease Excise Taxes—The City enters into government property lease agreements with private parties pursuant to A.R.S. Title 42, Chapter 6, Article 5. All property taxes are abated on these lease agreements; however, the private party may be subject to a government property lease excise tax (GPLET) in lieu of property taxes. GPLET is calculated based on rates state statute establishes and the property's square footage and use. The property tax abatement applies to private parties developing or occupying a government property for at least 30 consecutive days.

Under the City's government property lease agreements, private parties committed to the construction of improvements and the operation and maintenance of the improvements. The City committed \$115,320 to the construction of improvements under these agreements other than to abate taxes. The \$115,320 consisted of commitments of \$75,000 and \$40,320 to the improvements of the American Sports Center Complex.

For the year ended June 30, 2017, government property lease agreements the City entered into reduced the City's tax revenues by \$1,349.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Sales Tax Incentive Program—The City of Avondale administers a transaction privilege tax incentive program in accordance with A.R.S. Title 42, Chapter 6, Article 1. The City enters into agreements with specific businesses to return a portion of the transaction privilege tax generated by the business and paid to the Arizona State Department of Revenue. The amount of the taxes paid and returned to the business is done through a review of monthly remittances by the business to the Arizona State Department of Revenue. Based on the individual agreements, a portion of the tax paid is returned to the business. The program will return up to 50% of the taxes generated by the business. The City currently has one agreement with an amusement business. The amount of sales taxes abated during fiscal year 2017 cannot be disclosed in accordance with A.R.S. Title 42, Chapter 2, Article 1.

NOTE 16 – SUBSEQUENT EVENTS

General Obligation Refunding Bonds—On December 14, 2017, the City issued \$14,740,000 of General Obligation Refunding Bonds, Tax-Exempt Series 2017A, with an average interest rate of 4.5%, and \$6,610,000 of General Obligation Refunding Bonds, Taxable Series 2017B, with an average interest rate of 2.19%, and contributed \$245 of city funds to refund \$20,900,000 of outstanding Taxable General Obligation Bonds, Series 2009, with interest rates ranging from 5.9% to 7.8%, and pay related bond issue costs. The issuances yielded \$23,395,316 of net bond proceeds (includes premiums of \$2,464,479, less bond issue costs of \$419,162). The City deposited the net bond proceeds and city funds into an escrow agent irrevocable trust to advance refund \$20,900,000 of outstanding Taxable General Obligation Bonds, Series 2009. The proceeds and city funds are invested in securities backed by the U.S. Government that are designed to meet all future debt service requirements of the defeased bonds. Trust account assets and liabilities for the defeased bonds will be excluded from the City's financial statements. The refunding was undertaken to reduce future debt services payments by \$5,951,683 over the next 17 years and resulted in economic gain (net present value savings) of \$3,543,487. The general obligation refunding obligations are secured by the City's secondary property taxes. Principal will be paid annually and interest will be paid semiannually.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY—
COST-SHARING PENSION PLANS
JUNE 30, 2017**

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
City's proportion of the net pension liability	0.209877%	0.203704%	0.200048%	Information not available
City's proportionate share of the net pension liability	\$ 33,876,740	\$ 31,729,753	\$ 29,600,287	
City's covered payroll	\$ 19,651,484	\$ 18,779,494	\$ 18,032,916	
City's proportionate share of the net pension liability as a percentage of its covered payroll	172.39%	168.96%	164.69%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
City's proportion of the net pension liability	0.070903%	0.065092%	0.089955%	Information not available
City's proportionate share of the net pension liability	\$ 669,853	\$ 508,659	\$ 603,211	
City's covered payroll	\$ 58,272	\$ 24,768	\$ 51,188	
City's proportionate share of the net pension liability as a percentage of its covered payroll	1149.52%	2053.73%	951.08%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS—
AGENT PENSION PLANS
JUNE 30, 2017

Public Safety Personnel Retirement System—
City of Avondale Police Department

Reporting Fiscal Year
(Measurement Date)

	2017	2016	2015	2014
	(2016)	(2015)	(2014)	through
				2008
Total pension liability				Information
Service cost	\$ 1,525,046	\$ 1,415,787	\$ 1,331,141	not available
Interest on the total pension liability	2,457,622	2,231,813	1,846,508	
Changes of benefit terms	2,654,715	-	295,006	
Differences between expected and actual experience in the measurement of the pension liability	(894,754)	367,549	380,206	
Changes of assumptions or other inputs	1,538,022		2,093,103	
Benefit payments, including refunds of employee contributions	(1,261,226)	(1,125,230)	(1,034,663)	
Net change in total pension liability	6,019,425	2,889,919	4,911,301	
Total pension liability—beginning	31,175,375	28,285,456	23,374,155	
Total pension liability—ending (a)	<u>\$ 37,194,800</u>	<u>\$ 31,175,375</u>	<u>\$ 28,285,456</u>	
Plan fiduciary net position				
Contributions—employer	\$ 1,683,672	\$ 1,318,663	\$ 1,232,188	
Contributions—employee	932,789	861,574	743,958	
Net investment income	118,764	689,299	2,121,707	
Benefit payments, including refunds of employee contributions	(1,261,226)	(1,125,230)	(1,034,663)	
Administrative expense	(17,489)	(17,204)	(3,445)	
Other changes	(380,099)	1,164	(472,452)	
Net change in plan fiduciary net position	1,076,411	1,728,266	2,587,293	
Plan fiduciary net position—beginning	19,970,374	18,242,108	15,654,815	
Plan fiduciary net position—ending (b)	<u>\$ 21,046,785</u>	<u>\$ 19,970,374</u>	<u>\$ 18,242,108</u>	
City's net pension liability —ending (a) – (b)	<u>\$ 16,148,015</u>	<u>\$ 11,205,001</u>	<u>\$ 10,043,348</u>	
Plan fiduciary net position as a percentage of the total pension liability	56.59%	64.06%	64.49%	
Covered payroll	\$ 8,099,025	\$ 7,704,528	\$ 7,503,472	
City's net pension liability as a percentage of covered payroll	199.38%	145.43%	133.85%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS—
AGENT PENSION PLANS
JUNE 30, 2017

Public Safety Personnel Retirement System—
City of Avondale Fire Department

	Reporting Fiscal Year			2014 through 2008
	(Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 1,059,427	\$ 980,484	\$ 837,218	
Interest on the total pension liability	1,702,937	1,544,325	1,312,216	
Changes of benefit terms	2,475,378	-	106,903	
Differences between expected and actual experience in the measurement of the pension liability	216,529	(131,687)	50,110	
Changes of assumptions or other inputs	1,109,853	-	932,687	
Benefit payments, including refunds of employee contributions	(469,042)	(355,057)	(352,875)	
Net change in total pension liability	6,095,082	2,038,065	2,886,259	
Total pension liability—beginning	21,398,276	19,360,211	16,473,952	
Total pension liability—ending (a)	<u>\$ 27,493,358</u>	<u>\$ 21,398,276</u>	<u>\$ 19,360,211</u>	
Plan fiduciary net position				
Contributions—employer	\$ 940,588	\$ 851,284	\$ 769,757	
Contributions—employee	729,183	597,484	506,808	
Net investment income	102,392	585,392	1,788,115	
Benefit payments, including refunds of employee contributions	(469,042)	(355,057)	(352,875)	
Administrative expense	(15,135)	(14,673)	(2,904)	
Other changes	(84,529)	(8,867)	(254,889)	
Net change in plan fiduciary net position	1,203,457	1,655,563	2,454,012	
Plan fiduciary net position—beginning	17,166,254	15,510,691	13,056,679	
Plan fiduciary net position—ending (b)	<u>\$ 18,369,711</u>	<u>\$ 17,166,254</u>	<u>\$ 15,510,691</u>	
City's net pension liability —ending (a) – (b)	<u>\$ 9,123,647</u>	<u>\$ 4,232,022</u>	<u>\$ 3,849,520</u>	
Plan fiduciary net position as a percentage of the total pension liability	66.82%	80.22%	80.12%	
Covered payroll	\$ 5,500,657	\$ 5,207,816	\$ 5,123,433	
City's net pension liability as a percentage of covered payroll	165.86%	81.26%	75.14%	

See accompanying notes to the pension plan schedules.

CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS—
AGENT PENSION PLANS
JUNE 30, 2017

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 81,362	\$ 67,896	\$ 84,194	
Interest on the total pension liability	119,176	111,733	99,341	
Changes of benefit terms	4,546	-	-	
Differences between expected and actual experience in the measurement of the pension liability	134,537	(48,157)	(55,439)	
Changes of assumptions or other inputs	88,502	-	49,490	
Benefit payments, including refunds of employee contributions	(75,176)	(11,584)	(11,584)	
Net change in total pension liability	352,947	119,888	166,002	
Total pension liability—beginning	1,515,076	1,395,188	1,229,186	
Total pension liability—ending (a)	<u>\$ 1,868,023</u>	<u>\$ 1,515,076</u>	<u>\$ 1,395,188</u>	
Plan fiduciary net position				
Contributions—employer	\$ 58,915	\$ 49,425	\$ 46,842	
Contributions—employee	43,964	44,647	42,178	
Net investment income	7,365	40,330	118,520	
Benefit payments, including refunds of employee contributions	(75,176)	(11,584)	(11,584)	
Administrative expense	(1,441)	(1,388)	(188)	
Other changes	41,590	18,745	(16,909)	
Net change in plan fiduciary net position	75,217	140,175	178,859	
Plan fiduciary net position—beginning	1,179,133	1,038,958	860,099	
Plan fiduciary net position—ending (b)	<u>\$ 1,254,350</u>	<u>\$ 1,179,133</u>	<u>\$ 1,038,958</u>	
City's net pension liability —ending (a) – (b)	<u>\$ 613,673</u>	<u>\$ 335,943</u>	<u>\$ 356,230</u>	
Plan fiduciary net position as a percentage of the total pension liability	67.15%	77.83%	74.47%	
Covered payroll	\$ 547,891	\$ 480,078	\$ 474,630	
City's net pension liability as a percentage of covered payroll	112.01%	69.98%	75.05%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
JUNE 30, 2017**

Arizona State Retirement System

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 2,233,763	\$ 2,132,186	\$ 2,043,209	\$ 1,929,522	Information not available
City's contributions in relation to the statutorily required contribution	2,233,763	2,132,186	2,043,209	1,929,522	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 20,721,364	\$ 19,651,484	\$ 18,779,494	\$ 18,032,916	
City's contributions as a percentage of covered payroll	10.78%	10.85%	10.88%	10.70%	

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

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 1,856,995	\$ 1,683,672	\$ 1,318,663	\$ 1,232,188	Information not available
City's contributions in relation to the statutorily required contribution	1,856,995	1,683,672	1,318,663	1,232,188	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 8,984,011	\$ 8,099,025	\$ 7,704,528	\$ 7,503,472	
City's contributions as a percentage of covered payroll	20.67%	20.79%	17.12%	16.42%	

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

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 984,911	\$ 940,588	\$ 851,284	\$ 769,757	Information not available
City's contributions in relation to the statutorily required contribution	984,911	940,588	851,284	769,757	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 5,834,781	\$ 5,500,657	\$ 5,207,816	\$ 5,123,433	
City's contributions as a percentage of covered payroll	16.88%	17.10%	16.35%	15.02%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
JUNE 30, 2017**

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

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 59,353	\$ 58,915	\$ 49,425	\$ 46,842	Information not available
City's contributions in relation to the statutorily required contribution	59,353	58,915	49,425	46,842	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 563,656	\$ 547,891	\$ 480,078	\$ 474,630	
City's contributions as a percentage of covered payroll	10.53%	10.75%	10.30%	9.87%	

Elected Officials Retirement Plan

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 17,783	\$ 13,694	\$ 13,694	\$ 19,482	Information not available
City's contributions in relation to the statutorily required contribution	17,783	13,694	13,694	19,482	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 75,672	\$ 58,272	\$ 24,768	\$ 51,188	
City's contributions as a percentage of covered payroll	23.50%	23.50%	55.29%	38.06%	

See accompanying notes to the pension plan schedules.

**CITY OF AVONDALE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO PENSION PLAN SCHEDULES
 JUNE 30, 2017**

NOTE 1 - ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 - FACTORS THAT AFFECT TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS and CORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' and CORP's changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS and CORP required contributions beginning in fiscal year 2016 in the schedule of city pension contributions

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2017**

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability AAL (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll [(b)-(a)]/(c)
PSPRS Police						
June 30, 2016	\$ 755,544	\$ 844,557	\$ 89,013	89.50 %	\$ 8,099,025	1.10 %
June 30, 2015	700,218	805,949	105,731	86.88	7,704,528	1.37
June 30, 2014	625,196	692,225	67,029	90.32	7,503,472	0.89
PSPRS Fire						
June 30, 2016	\$ 496,396	\$ 634,722	\$ 138,326	78.20 %	\$ 5,500,657	2.51 %
June 30, 2015	449,776	573,288	123,512	78.46	5,207,816	2.37
June 30, 2014	385,511	510,499	124,988	75.52	5,123,433	2.44
CORP Detention						
June 30, 2016	\$ 33,520	\$ 59,661	\$ 26,141	56.18 %	\$ 547,891	4.77 %
June 30, 2015	28,247	53,519	25,272	52.78	480,078	5.26
June 30, 2014	23,236	51,425	28,189	45.18	474,630	5.94

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

**CITY OF AVONDALE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
JUNE 30, 2017**

NOTE 1 - FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

SUPPLEMENTARY INFORMATION

Major Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 2,625,850	\$ 2,625,850	\$ 2,879,968	\$ 254,118
Intergovernmental	650,000	650,000	277,472	(372,528)
Investment income	10,420	10,420	46,967	36,547
Total revenues	<u>3,286,270</u>	<u>3,286,270</u>	<u>3,204,407</u>	<u>(81,863)</u>
Expenditures				
Current:				
Highways and streets	-	8,790	1,303,765	(1,294,975)
Culture and recreation	-	992,039	75,728	916,311
Capital outlay	21,274,030	20,385,728	9,228,861	11,156,867
Total expenditures	<u>21,274,030</u>	<u>21,386,557</u>	<u>10,608,354</u>	<u>10,778,203</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,987,760)</u>	<u>(18,100,287)</u>	<u>(7,403,947)</u>	<u>10,696,340</u>
Other financing sources (uses)				
Bonds issued	3,500,000	3,500,000	-	(3,500,000)
Transfers in	5,164,000	5,164,000	5,179,993	15,993
Transfers out	(302,950)	(302,950)	(302,950)	-
Total other financing sources (uses)	<u>4,861,050</u>	<u>4,861,050</u>	<u>4,877,043</u>	<u>15,993</u>
Net change in fund balance	(13,126,710)	(13,239,237)	(2,526,904)	10,712,333
Fund balance, July 1, 2016	<u>10,874,529</u>	<u>10,874,529</u>	<u>8,008,971</u>	<u>(2,865,558)</u>
Fund balance, June 30, 2017	<u>\$ (2,252,181)</u>	<u>\$ (2,364,708)</u>	<u>\$ 5,482,067</u>	<u>\$ 7,846,775</u>

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds Combining Financial Statements

Special Revenue Funds

Highway User Revenue Fund accounts for excise fuel taxes and other fees and charges relating to the registration and operation of motor vehicles on the public highways of the State. These revenues are distributed to cities and towns based on a formula. A constitutional provision requires that these revenues be used for highway and street purposes.

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

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

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

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

Family Advocacy Center Fund accounts for resources to operate the Southwest Family Advocacy Center which provides services to victims of domestic violence and other crimes. The City jointly funds and administers the Center with the municipalities and police departments of Avondale, Buckeye, Goodyear, and the Maricopa County Sheriff's Office through the County of Maricopa.

Environmental Fees Fund accounts for environment fees collected and spent by the City to administer and enforce environmental programs such as the National Pollutant Discharge Elimination System Program and Particulate Matter Program.

Capital Projects Funds

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

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

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

Debt Service Funds

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

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

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

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

**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017**

Special Revenue Funds

	Highway User Revenue	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement	Grants-In-Aid
ASSETS					
Cash and cash equivalents	\$ 6,937,952	\$ 1,587,984	\$ -	\$ 616,822	\$ 1,277,102
Investments	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	75,453	-	309,316
Interest	-	-	-	-	-
Due from other governments	477,962	16,014	-	-	705,079
Inventories	296,420	11,286	-	-	-
Prepaid items	3,103	97	-	7,597	404
Restricted cash with fiscal agents	-	-	-	-	-
Total assets	<u>\$ 7,715,437</u>	<u>\$ 1,615,381</u>	<u>\$ 75,453</u>	<u>\$ 624,419</u>	<u>\$ 2,291,901</u>
LIABILITIES					
Accounts payable	225,143	\$ 3,867	\$ 12,068	\$ 3,781	\$ 187,789
Accrued payroll and employee benefits	-	354	1,978	-	60,572
Accrued liabilities	-	-	-	-	-
Construction contracts payable	-	-	-	-	2,678
Due to other governments	20,800	-	-	-	-
Due to other funds	115	-	113,823	-	12,458
Total liabilities	<u>246,058</u>	<u>4,221</u>	<u>127,869</u>	<u>3,781</u>	<u>263,497</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - other	-	20,678	25,074	-	690,473
Total deferred inflows of resources	<u>-</u>	<u>20,678</u>	<u>25,074</u>	<u>-</u>	<u>690,473</u>
FUND BALANCES					
Nonspendable	299,523	11,383	-	7,597	404
Restricted	7,169,856	1,579,099	-	613,041	1,337,527
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(77,490)	-	-
Total fund balances (deficits)	<u>7,469,379</u>	<u>1,590,482</u>	<u>(77,490)</u>	<u>620,638</u>	<u>1,337,931</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,715,437</u>	<u>\$ 1,615,381</u>	<u>\$ 75,453</u>	<u>\$ 624,419</u>	<u>\$ 2,291,901</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue Funds		Capital Projects Funds		
	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement	Other Capital Projects
ASSETS					
Cash and cash equivalents	\$ 80,019	\$ 716,984	\$ 1,895,310	\$ 1,097,233	\$ 2,416,421
Investments	-	-	5,065,718	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	44,301	-	-	258,226
Interest	-	-	12,079	-	-
Due from other governments	142,850	-	-	-	-
Inventories	-	-	-	-	-
Prepaid items	49,967	-	-	-	-
Restricted cash with fiscal agents	-	-	-	-	-
Total assets	<u>\$ 272,836</u>	<u>\$ 761,285</u>	<u>\$ 6,973,107</u>	<u>\$ 1,097,233</u>	<u>\$ 2,674,647</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 12,429	\$ 33,889	\$ 49,657	\$ 83,553	\$ 11,315
Accrued payroll and employee benefits	8,661	2,424	-	-	-
Accrued liabilities	-	-	-	-	-
Construction contracts payable	-	-	-	-	-
Due to other governments	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>21,090</u>	<u>36,313</u>	<u>49,657</u>	<u>83,553</u>	<u>11,315</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - other	10,825	-	-	-	253,774
Total deferred inflows of resources	<u>10,825</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,774</u>
FUND BALANCES					
Nonspendable	49,967	-	-	-	-
Restricted	143,216	724,972	-	-	1,436,817
Committed	47,738	-	-	-	39,690
Assigned	-	-	6,923,450	1,013,680	933,051
Unassigned	-	-	-	-	-
Total fund balances (deficits)	<u>240,921</u>	<u>724,972</u>	<u>6,923,450</u>	<u>1,013,680</u>	<u>2,409,558</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 272,836</u>	<u>\$ 761,285</u>	<u>\$ 6,973,107</u>	<u>\$ 1,097,233</u>	<u>\$ 2,674,647</u>

Debt Service Funds

General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds	Other Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ 138,188	\$ -	\$ 848,014	\$ 17,612,029
-	-	-	-	5,065,718
67,925	-	-	-	67,925
-	-	-	-	687,296
-	-	1,570	-	13,649
-	-	-	-	1,341,905
-	-	-	-	307,706
-	-	-	-	61,168
1,828,834	336,394	5,612,015	417,869	8,195,112
<u>\$ 1,896,759</u>	<u>\$ 474,582</u>	<u>\$ 5,613,585</u>	<u>\$ 1,265,883</u>	<u>\$ 33,352,508</u>
\$ 3,950	\$ -	\$ -	\$ -	\$ 627,441
-	-	-	-	73,989
808,834	6,395	557,323	28,396	1,400,948
-	-	-	-	2,678
-	-	-	-	20,800
854,000	-	863,336	-	1,843,732
<u>1,666,784</u>	<u>6,395</u>	<u>1,420,659</u>	<u>28,396</u>	<u>3,969,588</u>
11,172	-	-	-	11,172
-	-	-	-	1,000,824
<u>11,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,996</u>
-	-	-	-	368,874
218,803	468,187	4,192,926	1,237,487	19,121,931
-	-	-	-	87,428
-	-	-	-	8,870,181
-	-	-	-	(77,490)
<u>218,803</u>	<u>468,187</u>	<u>4,192,926</u>	<u>1,237,487</u>	<u>28,370,924</u>
<u>\$ 1,896,759</u>	<u>\$ 474,582</u>	<u>\$ 5,613,585</u>	<u>\$ 1,265,883</u>	<u>\$ 33,352,508</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	Highway User Revenue	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement	Grants-In-Aid
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits		-	-	-	-
Intergovernmental	5,196,536	357,919	321,302	-	1,624,881
Charges for services	-	-	-	71,846	-
Interest income	15,285	7,929	677	1,580	832
Net decrease in fair value of investments	-	-	-	-	-
Contributions	-	-	18,635	-	232,411
Miscellaneous	5,303	12,000	-	-	297,711
Total revenue	<u>5,217,124</u>	<u>377,848</u>	<u>340,614</u>	<u>73,426</u>	<u>2,155,835</u>
Expenditures					
Current:					
General government	-	-	-	95,605	20,235
Public safety	-	-	-	-	231,354
Highway and streets	1,269,083	-	-	-	-
Health and welfare	-	-	565,215	-	1,150,084
Economic and community development	1,862,445	-	-	-	-
Culture and recreation	-	-	-	-	7,678
Transportation	-	772,784	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	135,257	52,363	32,800	-	150,465
Total expenditures	<u>3,266,785</u>	<u>825,147</u>	<u>598,015</u>	<u>95,605</u>	<u>1,559,816</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,950,339</u>	<u>(447,299)</u>	<u>(257,401)</u>	<u>(22,179)</u>	<u>596,019</u>
Other financing sources (uses)					
Refunding bonds issued	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Bond premium	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	670,510	221,974	-	151,080
Transfers out	(603,100)	(930)	(6,780)	-	(226,230)
Total other financing sources (uses)	<u>(603,100)</u>	<u>669,580</u>	<u>215,194</u>	<u>-</u>	<u>(75,150)</u>
Net change in fund balances	1,347,239	222,281	(42,207)	(22,179)	520,869
Fund balances, July 1, 2016	<u>6,122,140</u>	<u>1,368,201</u>	<u>(35,283)</u>	<u>642,817</u>	<u>817,062</u>
Fund balances, June 30, 2017	<u>\$ 7,469,379</u>	<u>\$ 1,590,482</u>	<u>\$ (77,490)</u>	<u>\$ 620,638</u>	<u>\$ 1,337,931</u>

(continued on next page)

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds		Capital Projects Funds		
(continuation)	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement	Other Capital Projects
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	276,576	-	-	-
Intergovernmental	905,174	-	-	-	-
Charges for services	-	-	-	-	-
Interest income	72	476	61,985	2,089	4,429
Net increase in the fair value of investments	-	-	(20,765)	-	-
Contributions	40,000	-	-	-	48,029
Miscellaneous	-	-	-	-	-
Total revenue	945,246	277,052	41,220	2,089	52,458
Expenditures					
Current:					
General government	-	-	431	233,483	6,910
Public safety	1,129,287	-	-	-	-
Highway and streets	-	-	-	-	-
Health and welfare	-	203,890	-	-	-
Economic and community development	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Transportation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay	30,338	-	1,958,957	621,337	406,259
Total expenditures	1,159,625	203,890	1,959,388	854,820	413,169
Excess (deficiency) of revenues over (under) expenditures	(214,379)	73,162	(1,918,168)	(852,731)	(360,711)
Other financing sources (uses)					
Refunding bonds issued	-	-	-	-	-
Payments to refunded bonds escrow agent	-	-	-	-	-
Bond premium	-	-	-	-	-
Sale of capital assets	-	-	273,967	-	-
Transfers in	255,055	-	1,295,850	814,950	600,000
Transfers out	(17,820)	(930)	-	-	-
Total other financing sources (uses)	237,235	(930)	1,569,817	814,950	600,000
Net change in fund balances	22,856	72,232	(348,351)	(37,781)	239,289
Fund balances, July 1, 2016	218,065	652,740	7,271,801	1,051,461	2,170,269
Fund balances, June 30, 2017	\$ 240,921	\$ 724,972	\$ 6,923,450	\$ 1,013,680	\$ 2,409,558

Debt Service Funds

General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds	Other Debt Service	Total Nonmajor Governmental Funds
\$ 3,280,706	\$ -	\$ -	\$ -	\$ 3,280,706
-	-	-	-	276,576
-	-	-	-	8,405,812
-	-	-	-	71,846
8,282	657	68,928	4,960	178,181
-	-	-	-	(20,765)
-	-	-	-	339,075
470,631	-	-	-	785,645
<u>3,759,619</u>	<u>657</u>	<u>68,928</u>	<u>4,960</u>	<u>13,317,076</u>
-	-	-	-	356,664
-	-	-	-	1,360,641
-	-	-	-	1,269,083
-	-	-	-	1,919,189
-	-	-	-	1,862,445
-	-	-	-	7,678
-	-	-	-	772,784
2,440,000	390,000	3,866,753	403,914	7,100,667
1,655,943	12,788	1,520,392	78,111	3,267,234
-	-	-	-	3,387,776
<u>4,095,943</u>	<u>402,788</u>	<u>5,387,145</u>	<u>482,025</u>	<u>21,304,161</u>
<u>(336,324)</u>	<u>(402,131)</u>	<u>(5,318,217)</u>	<u>(477,065)</u>	<u>(7,987,085)</u>
-	-	22,178,518	1,278,552	23,457,070
-	-	(28,186,063)	(1,582,404)	(29,768,467)
-	-	2,847,932	164,178	3,012,110
-	-	-	-	273,967
-	400,000	5,802,950	470,000	10,682,369
-	-	-	-	(855,790)
<u>-</u>	<u>400,000</u>	<u>2,643,337</u>	<u>330,326</u>	<u>6,801,259</u>
<u>(336,324)</u>	<u>(2,131)</u>	<u>(2,674,880)</u>	<u>(146,739)</u>	<u>(1,185,826)</u>
<u>555,127</u>	<u>470,318</u>	<u>6,867,806</u>	<u>1,384,226</u>	<u>29,556,750</u>
<u>\$ 218,803</u>	<u>\$ 468,187</u>	<u>\$ 4,192,926</u>	<u>\$ 1,237,487</u>	<u>\$ 28,370,924</u>



SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 5,114,100	\$ 5,114,100	\$ 5,196,536	\$ 82,436
Investment income	2,870	2,870	15,285	12,415
Miscellaneous	-	-	5,303	5,303
Total revenues	<u>5,116,970</u>	<u>5,116,970</u>	<u>5,217,124</u>	<u>100,154</u>
Expenditures				
Current:				
General government	254,090	254,090	-	254,090
Highways and streets	1,546,394	1,546,394	1,269,083	277,311
Economic and community development	2,726,410	2,658,715	1,862,445	796,270
Capital outlay	74,800	142,495	135,257	7,238
Total expenditures	<u>4,601,694</u>	<u>4,601,694</u>	<u>3,266,785</u>	<u>1,334,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>515,276</u>	<u>515,276</u>	<u>1,950,339</u>	<u>1,435,063</u>
Other financing sources (uses)				
Transfers out	<u>(603,100)</u>	<u>(603,100)</u>	<u>(603,100)</u>	<u>-</u>
Total other financing sources (uses)	<u>(603,100)</u>	<u>(603,100)</u>	<u>(603,100)</u>	<u>-</u>
Net change in fund balance	(87,824)	(87,824)	1,347,239	1,435,063
Fund balance, July 1, 2016	<u>4,958,313</u>	<u>4,958,313</u>	<u>6,122,140</u>	<u>1,163,827</u>
Fund balance, June 30, 2017	<u>\$ 4,870,489</u>	<u>\$ 4,870,489</u>	<u>\$ 7,469,379</u>	<u>\$ 2,598,890</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 411,180	\$ 411,180	\$ 357,919	\$ (53,261)
Interest income	2,010	2,010	7,929	5,919
Miscellaneous	22,150	22,150	12,000	(10,150)
Total revenues	<u>435,340</u>	<u>435,340</u>	<u>377,848</u>	<u>(57,492)</u>
Expenditures				
Current:				
Transportation	1,045,900	1,045,900	772,784	273,116
Capital outlay	-	-	52,363	(52,363)
Total expenditures	<u>1,045,900</u>	<u>1,045,900</u>	<u>825,147</u>	<u>220,753</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,045,900)</u>	<u>(1,045,900)</u>	<u>(447,299)</u>	<u>598,601</u>
Other financing sources (uses)				
Transfers in	670,510	670,510	670,510	-
Transfers out	(930)	(930)	(930)	-
Total other financing sources (uses)	<u>669,580</u>	<u>669,580</u>	<u>669,580</u>	<u>-</u>
Net change in fund balance	(376,320)	(376,320)	222,281	598,601
Fund balance, July 1, 2016	<u>990,925</u>	<u>990,925</u>	<u>1,368,201</u>	<u>377,276</u>
Fund balance, June 30, 2017	<u>\$ 614,605</u>	<u>\$ 614,605</u>	<u>\$ 1,590,482</u>	<u>\$ 975,877</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 330,000	\$ 321,700	\$ 321,302	\$ (398)
Interest income	170	170	677	507
Contributions	23,370	15,998	18,635	2,637
Total revenues	<u>353,540</u>	<u>337,868</u>	<u>340,614</u>	<u>2,746</u>
Expenditures				
Current:				
Health and welfare	568,734	596,413	565,215	31,198
Capital outlay	32,800	32,800	32,800	-
Total expenditures	<u>601,534</u>	<u>629,213</u>	<u>598,015</u>	<u>31,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(247,994)</u>	<u>(291,345)</u>	<u>(257,401)</u>	<u>33,944</u>
Other financing sources (uses)				
Transfers in	221,974	221,974	221,974	-
Transfers out	(6,780)	(6,780)	(6,780)	-
Total other financing sources (uses)	<u>215,194</u>	<u>215,194</u>	<u>215,194</u>	<u>-</u>
Net change in fund balance	(32,800)	(76,151)	(42,207)	33,944
Fund deficit, July 1, 2016	<u>(14,530)</u>	<u>(14,530)</u>	<u>(35,283)</u>	<u>(20,753)</u>
Fund deficit, June 30, 2017	<u>\$ (47,330)</u>	<u>\$ (90,681)</u>	<u>\$ (77,490)</u>	<u>\$ 13,191</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 122,110	\$ 122,110	\$ 71,846	\$ (50,264)
Interest income	530	530	1,580	1,050
Total revenues	<u>122,640</u>	<u>122,640</u>	<u>73,426</u>	<u>(49,214)</u>
Expenditures				
Current:				
General government	207,530	207,530	95,605	111,925
Total expenditures	<u>207,530</u>	<u>207,530</u>	<u>95,605</u>	<u>111,925</u>
Net change in fund balance	(84,890)	(84,890)	(22,179)	(161,139)
Fund balance, July 1, 2016	<u>657,831</u>	<u>657,831</u>	<u>642,817</u>	<u>(15,014)</u>
Fund balance, June 30, 2017	<u>\$ 572,941</u>	<u>\$ 572,941</u>	<u>\$ 620,638</u>	<u>\$ 47,697</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,633,067	\$ 2,362,842	\$ 1,624,881	\$ (737,961)
Interest income	100	100	832	732
Contributions	163,940	303,189	232,411	(70,778)
Miscellaneous	5,688,610	4,513,576	297,711	(4,215,865)
Total revenues	<u>7,485,717</u>	<u>7,179,707</u>	<u>2,155,835</u>	<u>(5,023,872)</u>
Expenditures				
Current:				
General government	5,095,440	4,076,460	20,235	4,056,225
Public safety	-	260,990	231,354	29,636
Health and welfare	2,866,090	3,104,637	1,150,084	1,954,553
Culture and recreation	-	48,200	7,678	40,522
Capital outlay	90,240	219,518	150,465	69,053
Total expenditures	<u>8,051,770</u>	<u>7,709,805</u>	<u>1,559,816</u>	<u>6,149,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,053)</u>	<u>(530,098)</u>	<u>596,019</u>	<u>1,126,117</u>
Other financing sources (uses)				
Transfers in	151,080	151,080	151,080	-
Transfers out	(230,230)	(226,280)	(226,230)	50
Total other financing sources (uses)	<u>(79,150)</u>	<u>(75,200)</u>	<u>(75,150)</u>	<u>50</u>
Net change in fund balance	(645,203)	(605,298)	520,869	1,126,167
Fund balance, July 1, 2016	<u>2,218,926</u>	<u>2,218,926</u>	<u>817,062</u>	<u>(1,401,864)</u>
Fund balance, June 30, 2017	<u>\$ 1,573,723</u>	<u>\$ 1,613,628</u>	<u>\$ 1,337,931</u>	<u>\$ (275,697)</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 765,165	\$ 1,086,847	\$ 905,174	\$ (181,673)
Interest income	-	-	72	72
Contributions	200,000	200,000	40,000	(160,000)
Miscellaneous	170	170	-	(170)
Total revenues	<u>965,335</u>	<u>1,287,017</u>	<u>945,246</u>	<u>(341,771)</u>
Expenditures				
Current:				
Public safety	1,202,570	1,440,468	1,129,287	311,181
Capital Outlay	-	-	30,338	(30,338)
Total expenditures	<u>1,202,570</u>	<u>1,440,468</u>	<u>1,159,625</u>	<u>280,843</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(237,235)</u>	<u>(153,451)</u>	<u>(214,379)</u>	<u>(60,928)</u>
Other financing sources (uses)				
Transfers in	255,055	255,055	255,055	-
Transfers out	<u>(17,820)</u>	<u>(17,820)</u>	<u>(17,820)</u>	-
Total other financing sources (uses)	<u>237,235</u>	<u>237,235</u>	<u>237,235</u>	-
Net change in fund balance	-	83,784	22,856	(60,928)
Fund balance, July 1, 2016	<u>222,905</u>	<u>222,905</u>	<u>218,065</u>	<u>(4,840)</u>
Fund balance, June 30, 2017	<u>\$ 222,905</u>	<u>\$ 306,689</u>	<u>\$ 240,921</u>	<u>\$ (65,768)</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL FEES FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 268,370	\$ 268,370	\$ 276,576	\$ 8,206
Interest income	-	-	476	476
Total revenues	<u>268,370</u>	<u>268,370</u>	<u>277,052</u>	<u>8,682</u>
Expenditures				
Current:				
Health and welfare	342,660	342,660	203,890	138,770
Total expenditures	<u>342,660</u>	<u>342,660</u>	<u>203,890</u>	<u>138,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,290)</u>	<u>(74,290)</u>	<u>73,162</u>	<u>147,452</u>
Other financing sources (uses)				
Transfers out	(930)	(930)	(930)	-
Total other financing sources (uses)	<u>(930)</u>	<u>(930)</u>	<u>(930)</u>	<u>-</u>
Net change in fund balance	(75,220)	(75,220)	72,232	147,452
Fund balance, July 1, 2016	<u>536,557</u>	<u>536,557</u>	<u>652,740</u>	<u>116,183</u>
Fund balance, June 30, 2017	<u>\$ 461,337</u>	<u>\$ 461,337</u>	<u>\$ 724,972</u>	<u>\$ 263,635</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 6,500	\$ 6,500	\$ 41,220	\$ 34,720
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>41,220</u>	<u>34,720</u>
Expenditures				
Current:				
General government	-	-	431	(431)
Capital outlay	4,119,243	3,759,913	1,958,957	1,800,956
Total expenditures	<u>4,119,243</u>	<u>3,759,913</u>	<u>1,959,388</u>	<u>1,800,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,112,743)</u>	<u>(3,753,413)</u>	<u>(1,918,168)</u>	<u>1,835,245</u>
Other financing sources (uses)				
Sale of capital assets	-	-	273,967	273,967
Transfers in	1,295,850	1,295,850	1,295,850	-
Total other financing sources (uses)	<u>1,295,850</u>	<u>1,295,850</u>	<u>1,569,817</u>	<u>273,967</u>
Net change in fund balance	(2,816,893)	(2,457,563)	(348,351)	2,109,212
Fund balance, July 1, 2016	<u>6,943,269</u>	<u>6,943,269</u>	<u>7,271,801</u>	<u>328,532</u>
Fund balance, June 30, 2017	<u>\$ 4,126,376</u>	<u>\$ 4,485,706</u>	<u>\$ 6,923,450</u>	<u>\$ 2,437,744</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 500	\$ 500	\$ 2,089	\$ 1,589
Total revenues	<u>500</u>	<u>500</u>	<u>2,089</u>	<u>1,589</u>
Expenditures				
Current:				
General government	314,700	299,700	233,483	66,217
Capital outlay	<u>757,000</u>	<u>772,000</u>	<u>621,337</u>	<u>150,663</u>
Total expenditures	<u>1,071,700</u>	<u>1,071,700</u>	<u>854,820</u>	<u>216,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,071,200)</u>	<u>(1,071,200)</u>	<u>(852,731)</u>	<u>218,469</u>
Other financing sources (uses)				
Transfers in	<u>814,950</u>	<u>814,950</u>	<u>814,950</u>	<u>-</u>
Total other financing sources (uses)	<u>814,950</u>	<u>814,950</u>	<u>814,950</u>	<u>-</u>
Net change in fund balance	(256,250)	(256,250)	(37,781)	218,469
Fund balance, July 1, 2016	<u>1,024,327</u>	<u>1,024,327</u>	<u>1,051,461</u>	<u>27,134</u>
Fund balance, June 30, 2017	<u>\$ 768,077</u>	<u>\$ 768,077</u>	<u>\$ 1,013,680</u>	<u>\$ 245,603</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,102,500	\$ 2,102,500	\$ -	\$ (2,102,500)
Interest income	20	20	4,429	4,409
Contributions	-	-	48,029	48,029
Total revenues	<u>2,102,520</u>	<u>2,102,520</u>	<u>52,458</u>	<u>(2,050,062)</u>
Expenditures				
Current:				
General government	-	1,815,500	6,910	1,808,590
Capital outlay	<u>28,363,244</u>	<u>26,435,217</u>	<u>406,259</u>	<u>26,028,958</u>
Total expenditures	<u>28,363,244</u>	<u>28,250,717</u>	<u>413,169</u>	<u>27,837,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,260,724)</u>	<u>(26,148,197)</u>	<u>(360,711)</u>	<u>25,787,486</u>
Other financing sources (uses)				
Bonds issued	25,000,000	25,000,000	-	(25,000,000)
Transfers in	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,600,000</u>	<u>25,600,000</u>	<u>600,000</u>	<u>(25,000,000)</u>
Net change in fund balance	(660,724)	(548,197)	239,289	787,486
Fund balance, July 1, 2016	<u>1,609,267</u>	<u>1,609,267</u>	<u>2,170,269</u>	<u>561,002</u>
Fund balance, June 30, 2017	<u>\$ 948,543</u>	<u>\$ 1,061,070</u>	<u>\$ 2,409,558</u>	<u>\$ 1,348,488</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,229,810	\$ 3,229,810	\$ 3,280,706	\$ 50,896
Investment income	1,080	1,080	8,282	7,202
Miscellaneous	521,932	521,932	470,631	(51,301)
Total revenues	<u>3,752,822</u>	<u>3,752,822</u>	<u>3,759,619</u>	<u>6,797</u>
Expenditures				
Debt service:				
Principal	2,060,000	2,060,000	2,440,000	(380,000)
Interest and other charges	1,641,740	1,661,740	1,655,943	5,797
Total expenditures	<u>3,701,740</u>	<u>3,721,740</u>	<u>4,095,943</u>	<u>(374,203)</u>
Net change in fund balance	51,082	31,082	(336,324)	381,000
Fund balance, July 1, 2016	<u>182,463</u>	<u>182,463</u>	<u>555,127</u>	<u>372,664</u>
Fund balance, June 30, 2017	<u>\$ 233,545</u>	<u>\$ 213,545</u>	<u>\$ 218,803</u>	<u>\$ 5,258</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 130	\$ 130	\$ 657	\$ 527
Total revenues	<u>130</u>	<u>130</u>	<u>657</u>	<u>527</u>
Expenditures				
Debt service:				
Principal	390,000	390,000	390,000	-
Interest and other charges	12,790	17,790	12,788	5,002
Total expenditures	<u>402,790</u>	<u>407,790</u>	<u>402,788</u>	<u>5,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(402,660)</u>	<u>(407,660)</u>	<u>(402,131)</u>	<u>5,529</u>
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(2,660)	(7,660)	(2,131)	5,529
Fund balance, July 1, 2016	<u>475,599</u>	<u>475,599</u>	<u>470,318</u>	<u>(5,281)</u>
Fund balance, June 30, 2017	<u>\$ 472,939</u>	<u>\$ 467,939</u>	<u>\$ 468,187</u>	<u>\$ 248</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEDICATED SALES TAX REVENUE BONDS FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 3,190	\$ 3,190	\$ 68,928	\$ 65,738
Total revenues	<u>3,190</u>	<u>3,190</u>	<u>68,928</u>	<u>65,738</u>
Expenditures				
Debt service:				
Principal	4,270,667	4,223,667	3,866,753	356,914
Interest and other charges	1,468,870	1,483,870	1,520,392	(36,522)
Total expenditures	<u>5,739,537</u>	<u>5,707,537</u>	<u>5,387,145</u>	<u>320,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,736,347)</u>	<u>(5,704,347)</u>	<u>(5,318,217)</u>	<u>386,130</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	22,178,518	22,178,518
Payments to refunded bonds escrow agent	-	-	(28,186,063)	(28,186,063)
Bond premium	-	-	2,847,932	2,847,932
Transfers in	5,802,950	5,802,950	5,802,950	-
Total other financing sources (uses)	<u>5,802,950</u>	<u>5,802,950</u>	<u>2,643,337</u>	<u>(3,159,613)</u>
Net change in fund balance	66,603	98,603	(2,674,880)	(2,773,483)
Fund balance, July 1, 2016	<u>6,784,949</u>	<u>6,784,949</u>	<u>6,867,806</u>	<u>82,857</u>
Fund balance, June 30, 2017	<u>\$ 6,851,552</u>	<u>\$ 6,883,552</u>	<u>\$ 4,192,926</u>	<u>\$ (2,690,626)</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 50	\$ 50	\$ 4,960	\$ 4,910
Total revenues	<u>50</u>	<u>50</u>	<u>4,960</u>	<u>4,910</u>
Expenditures				
Debt service:				
Principal	403,920	403,920	403,914	6
Interest and other charges	63,300	65,300	78,111	(12,811)
Total expenditures	<u>467,220</u>	<u>469,220</u>	<u>482,025</u>	<u>(12,805)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(467,170)</u>	<u>(469,170)</u>	<u>(477,065)</u>	<u>(7,895)</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	1,278,552	1,278,552
Payments to refunded bonds escrow agent	-	-	(1,582,404)	(1,582,404)
Bond premium	-	-	164,178	164,178
Transfers in	470,000	470,000	470,000	-
Total other financing sources (uses)	<u>470,000</u>	<u>470,000</u>	<u>330,326</u>	<u>(139,674)</u>
Net change in fund balance	2,830	830	(146,739)	(147,569)
Fund balance, July 1, 2016	<u>1,169,832</u>	<u>1,169,832</u>	<u>1,384,226</u>	<u>214,394</u>
Fund balance, June 30, 2017	<u>\$ 1,172,662</u>	<u>\$ 1,170,662</u>	<u>\$ 1,237,487</u>	<u>\$ 66,825</u>



SUPPLEMENTARY INFORMATION

Internal Service Funds Combining Financial Statements

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

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

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

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,448,339	\$ 822,899	\$ -	\$ 3,271,238
Receivables	-	1,620	-	1,620
Interest receivable	3,318	-	-	3,318
Inventories	-	-	186,397	186,397
Prepaid items	634,944	1,622	3,402	639,968
Total current assets	<u>3,086,601</u>	<u>826,141</u>	<u>189,799</u>	<u>4,102,541</u>
Noncurrent assets:				
Investments	2,019,863	-	-	2,019,863
Capital assets, depreciable (net)	56,120	122,220	87,539	265,879
Total noncurrent assets	<u>2,075,983</u>	<u>122,220</u>	<u>87,539</u>	<u>2,285,742</u>
Total assets	<u>5,162,584</u>	<u>948,361</u>	<u>277,338</u>	<u>6,388,283</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	39,712	-	144,565	184,277
Total deferred outflows of resources	<u>39,712</u>	<u>-</u>	<u>144,565</u>	<u>184,277</u>
LIABILITIES				
Current liabilities:				
Accounts payable	72,943	-	162,304	235,247
Accrued payroll and employee benefits	-	-	20,904	20,904
Claims payable	317,273	-	-	317,273
Due to other funds	-	-	42,418	42,418
Compensated absences	6,758	-	59,082	65,840
Total current liabilities	<u>396,974</u>	<u>-</u>	<u>284,708</u>	<u>681,682</u>
Noncurrent liabilities:				
Claims payable	440,674	-	-	440,674
Compensated absences	1,690	-	14,769	16,459
Net pension liability	210,150	-	665,971	876,121
Total noncurrent liabilities	<u>652,514</u>	<u>-</u>	<u>680,740</u>	<u>1,333,254</u>
Total liabilities	<u>1,049,488</u>	<u>-</u>	<u>965,448</u>	<u>2,014,936</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	24,789	-	81,503	106,292
Total deferred inflows of resources	<u>24,789</u>	<u>-</u>	<u>81,503</u>	<u>106,292</u>
NET POSITION				
Net investment in capital assets	56,120	122,220	87,539	265,879
Unrestricted	4,071,899	826,141	(712,587)	4,185,453
Total net position (deficit)	<u>\$ 4,128,019</u>	<u>\$ 948,361</u>	<u>\$ (625,048)</u>	<u>\$ 4,451,332</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,881,340	\$ 291,045	\$ 2,192,135	\$ 4,364,520
Miscellaneous	-	-	1,897	1,897
Total operating revenues	<u>1,881,340</u>	<u>291,045</u>	<u>2,194,032</u>	<u>4,366,417</u>
Operating expenses:				
Salaries, wages and benefits	175,636	-	650,584	826,220
Contractual services, materials and supplies	178,195	72,919	1,366,939	1,618,053
Insurance claims and expenses	1,498,946	-	-	1,498,946
Depreciation	26,458	75,779	7,934	110,171
Total operating expenses	<u>1,879,235</u>	<u>148,698</u>	<u>2,025,457</u>	<u>4,053,390</u>
Operating income (loss)	<u>2,105</u>	<u>142,347</u>	<u>168,575</u>	<u>313,027</u>
Nonoperating revenues:				
Interest income	25,789	1,800	-	27,589
Net decrease in fair value of investments	(8,289)	-	-	(8,289)
Total non-operating revenues	<u>17,500</u>	<u>1,800</u>	<u>-</u>	<u>19,300</u>
Income before transfers	19,605	144,147	168,575	332,327
Transfers out	(20,923)	-	(8,330)	(29,253)
Change in net position	<u>(1,318)</u>	<u>144,147</u>	<u>160,245</u>	<u>303,074</u>
Net position, July 1, 2016	<u>4,129,337</u>	<u>804,214</u>	<u>(785,293)</u>	<u>4,148,258</u>
Net position, June 30, 2017	<u>\$ 4,128,019</u>	<u>\$ 948,361</u>	<u>\$ (625,048)</u>	<u>\$ 4,451,332</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,881,340	\$ 289,425	\$ 2,192,135	\$ 4,362,900
Payments to suppliers for goods and services	(1,598,971)	(287,294)	(1,305,512)	(3,191,777)
Payments to employees for services	(173,708)	-	(647,690)	(821,398)
Miscellaneous	-	-	1,897	1,897
Net cash provided (used) by operating activities	<u>108,661</u>	<u>2,131</u>	<u>240,830</u>	<u>351,622</u>
Cash flows from noncapital financing activities:				
Interfund borrowing	(51)	-	(155,956)	(156,007)
Transfers out	(20,923)	-	(8,330)	(29,253)
Net cash provided (used) for noncapital financing activities	<u>(20,974)</u>	<u>-</u>	<u>(164,286)</u>	<u>(185,260)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(26,467)	-	(76,544)	(103,011)
Net cash provided (used) for capital and related financing activities	<u>(26,467)</u>	<u>-</u>	<u>(76,544)</u>	<u>(103,011)</u>
Cash flows from investing activities:				
Purchase of investments	(1,277,854)	-	-	(1,277,854)
Proceeds from sales and maturities of investments	657,535	-	-	657,535
Investment income	22,632	1,800	-	24,432
Net cash provided by investing activities	<u>(597,687)</u>	<u>1,800</u>	<u>-</u>	<u>(595,887)</u>
Net increase (decrease) in cash and cash equivalents	(536,467)	3,931	-	(532,536)
Cash and cash equivalents, July 1, 2016	2,984,806	818,968	-	3,803,774
Cash and cash equivalents, June 30, 2017	<u>\$ 2,448,339</u>	<u>\$ 822,899</u>	<u>\$ -</u>	<u>\$ 3,271,238</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,105	\$ 142,347	\$ 168,575	\$ 313,027
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	26,458	75,779	7,934	110,171
Pension expense	10,604	-	41,028	51,632
Employer pension contributions	(14,079)	-	(51,506)	(65,585)
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(1,620)	-	(1,620)
(Increase) decrease in inventories	-	-	316	316
(Increase) decrease in prepaid items	5,236	(1,622)	(47)	3,567
Increase (decrease) in accounts payable	18,985	(212,753)	61,158	(132,610)
Increase (decrease) in accrued payroll and employee benefits	-	-	10,073	10,073
Increase (decrease) in compensated absences	5,403	-	3,299	8,702
Increase (decrease) in claims payable	53,949	-	-	53,949
Net cash provided (used) by operating activities	<u>\$ 108,661</u>	<u>\$ 2,131</u>	<u>\$ 240,830</u>	<u>\$ 351,622</u>
Reconciliation of cash and cash equivalents at June 30, 2017 to statement of net position:				
Cash and cash equivalents	\$ 2,448,339	\$ 822,899	\$ -	\$ 3,271,238
Total cash and cash equivalents	<u>\$ 2,448,339</u>	<u>\$ 822,899</u>	<u>\$ -</u>	<u>\$ 3,271,238</u>
Noncash capital, financing and investing activities:				
Amortization of investment discount, net	\$ (44)	\$ -	\$ -	\$ (44)
Decrease in fair value of investments	(8,289)	-	-	(8,289)

SUPPLEMENTARY INFORMATION

Capital Assets Used in the Operation of Governmental Activities

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2017

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings
General government	\$ 13,114,861	\$ 19,013,517	\$ 80,693
Public safety	307,003	18,010,245	229,476
Highways and streets	234,475,766	1,224,963	9,805,198
Health and welfare	215,948	1,016,876	94,537
Economic and community development	51,711	362,020	2,174,989
Culture and recreation	6,677,463	41,882,725	8,771,846
Transportation	1,488,639	406,820	2,051,434
Total	\$ 256,331,391	\$ 81,917,166	\$ 23,208,173

Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	Total
\$ 17,847,058	\$ -	\$ -	\$ 22,242	\$ 50,078,371
19,056,537	-	1,965,259	173,247	39,741,767
3,259,832	392,966,424	-	1,244,130	642,976,313
372,960	-	-	-	1,700,321
372,581	-	-	-	2,961,301
2,001,408	379,115	-	538,001	60,250,558
-	-	-	-	3,946,893
<u>\$ 42,910,376</u>	<u>\$ 393,345,539</u>	<u>\$ 1,965,259</u>	<u>\$ 1,977,620</u>	<u>\$ 801,655,524</u>

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2017

Function and Activity	Capital Assets June 30, 2016	Additions	Deletions	Capital Assets June 30, 2017
General government	\$ 48,930,663	\$ 1,528,370	\$ 380,662	\$ 50,078,371
Public safety	39,041,711	1,484,302	784,246	39,741,767
Highways and streets	629,265,743	24,252,370	10,541,800	642,976,313
Health and welfare	1,397,911	485,999	183,589	1,700,321
Economic and community development	2,683,996	277,305	-	2,961,301
Culture and recreation	61,506,681	7,811,767	9,067,890	60,250,558
Transportation	3,946,893	52,363	52,363	3,946,893
Total	\$ 786,773,598	\$ 35,892,476	\$ 21,010,550	\$ 801,655,524

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
YEAR ENDED JUNE 30, 2017

Governmental fund capital assets:

Land	\$ 256,331,391
Buildings and improvements	81,917,166
Improvements other than buildings	23,208,173
Vehicles, furniture and equipment	42,910,376
Infrastructure	393,345,539
Intangible assets	1,965,259
Construction in progress	1,977,620
Total	<u>\$ 801,655,524</u>

Investment in governmental activities capital assets by source:

General Fund	\$ 24,752,859
Special Revenue Funds	10,658,056
Capital Projects Funds	765,190,142
Internal Service Funds	1,054,467
Total	<u>\$ 801,655,524</u>



STATISTICAL SECTION

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

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Financial Trends		
These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
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Revenue Capacity		
These schedules contain information to help users understand and assess the City's local revenue sources such as property taxes and transaction privilege taxes.		
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These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.		
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These schedules present economic and demographic indicators to help users understand the environment within which the City's financial activities take place.		
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Operating Information		
These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.		
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CITY OF AVONDALE, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 480,355,653	\$ 486,881,869	\$ 466,763,910	\$ 484,872,851
Restricted	48,127,562	39,386,916	57,592,957	30,174,849
Unrestricted	42,848,985	39,653,933	36,971,792	45,218,881
Total governmental activities net position	<u>\$ 571,332,200</u>	<u>\$ 565,922,718</u>	<u>\$ 561,328,659</u>	<u>\$ 560,266,581</u>
Business-type activities				
Net investment in capital assets	\$ 454,628,362	\$ 494,353,666	\$ 497,810,394	\$ 488,787,961
Restricted	36,367,868	16,598,095	14,798,748	14,520,330
Unrestricted	38,511,906	37,775,176	41,606,778	44,374,708
Total business-type activities net position	<u>\$ 529,508,136</u>	<u>\$ 548,726,937</u>	<u>\$ 554,215,920</u>	<u>\$ 547,682,999</u>
Primary government				
Net investment in capital assets	\$ 934,984,015	\$ 981,235,535	\$ 964,574,304	\$ 973,660,812
Restricted	84,495,430	55,985,011	72,391,705	44,695,179
Unrestricted	81,360,891	77,429,109	78,578,570	89,593,589
Total primary government net position	<u>\$ 1,100,840,336</u>	<u>\$ 1,114,649,655</u>	<u>\$ 1,115,544,579</u>	<u>\$ 1,107,949,580</u>

¹ In 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The 2014 net position has been restated for comparative purposes to reflect the implementation.

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

Schedule 1

2012	2013	2014 ¹	2015	2016	2017
\$ 489,161,664	\$ 494,754,961	\$ 499,739,936	\$ 504,180,483	\$ 503,290,685	\$ 514,022,743
27,637,885	20,548,326	23,376,185	27,279,288	31,111,470	31,791,041
45,541,352	50,737,518	14,469,385	16,252,006	23,773,087	21,900,625
<u>\$ 562,340,901</u>	<u>\$ 566,040,805</u>	<u>\$ 537,585,506</u>	<u>\$ 547,711,777</u>	<u>\$ 558,175,242</u>	<u>\$ 567,714,409</u>
\$ 482,912,493	\$ 479,033,932	\$ 474,668,428	\$ 469,377,530	\$ 458,698,957	\$ 449,877,043
15,358,409	12,092,990	8,607,019	7,247,176	11,795,732	26,297,393
44,766,194	46,511,771	42,327,797	43,955,822	48,661,412	43,521,686
<u>\$ 543,037,096</u>	<u>\$ 537,638,693</u>	<u>\$ 525,603,244</u>	<u>\$ 520,580,528</u>	<u>\$ 519,156,101</u>	<u>\$ 519,696,122</u>
\$ 972,074,157	\$ 973,788,893	\$ 974,408,364	\$ 973,558,013	\$ 961,989,642	\$ 963,899,786
42,996,294	32,641,316	31,983,204	34,526,464	42,907,202	58,088,434
90,307,546	97,249,289	56,797,182	60,207,828	72,434,499	65,422,311
<u>\$ 1,105,377,997</u>	<u>\$ 1,103,679,498</u>	<u>\$ 1,063,188,750</u>	<u>\$ 1,068,292,305</u>	<u>\$ 1,077,331,343</u>	<u>\$ 1,087,410,531</u>

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

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 17,792,047	\$ 14,968,809	\$ 12,862,710	\$ 15,364,915
Public safety	25,841,680	26,634,975	24,168,796	25,139,168
Highways and streets	10,898,173	11,069,079	12,322,104	13,246,764
Health and welfare	2,404,144	2,545,061	2,470,031	2,511,615
Economic and community development	8,665,232	6,808,330	7,985,413	5,091,504
Culture and recreation	2,665,257	3,327,765	3,190,869	3,268,540
Transportation	2,701,817	867,173	1,902,347	1,581,404
Interest on long-term debt	2,921,420	3,246,602	5,129,250	4,849,805
Total governmental activities expenses	<u>73,889,770</u>	<u>69,467,794</u>	<u>70,031,520</u>	<u>71,053,715</u>
Business-type activities:				
Water utility	14,797,982	15,542,394	15,442,478	16,686,715
Wastewater utility	9,850,598	10,555,903	10,252,684	11,361,012
Sanitation utility	4,361,538	4,117,318	3,613,617	3,530,472
Total business-type activities expenses	<u>29,010,118</u>	<u>30,215,615</u>	<u>29,308,779</u>	<u>31,578,199</u>
Total primary government expenses	<u><u>\$ 102,899,888</u></u>	<u><u>\$ 99,683,409</u></u>	<u><u>\$ 99,340,299</u></u>	<u><u>\$ 102,631,914</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,924,171	\$ 1,787,153	\$ 1,656,665	\$ 1,465,160
Public safety	716,940	665,937	407,961	415,243
Economic and community development	2,354,229	805,550	576,436	895,233
Culture and recreation	402,105	492,988	575,046	257,614
Operating grants and contributions	9,004,224	8,386,128	12,712,420	10,449,880
Capital grants and contributions	25,442,212	8,855,743	1,795,711	3,639,920
Total governmental activities program revenues	<u>39,843,881</u>	<u>20,993,499</u>	<u>17,724,239</u>	<u>17,123,050</u>
Business-type activities:				
Charges for Services:				
Water	11,689,072	10,903,178	11,097,099	11,315,015
Wastewater	7,720,602	7,124,168	7,220,779	7,466,785
Sanitation	4,346,931	4,414,342	4,732,011	4,845,058
Capital grants and contributions	14,128,878	8,216,300	1,648,926	719,803
Total business-type activities program revenues	<u>37,885,483</u>	<u>30,657,988</u>	<u>24,698,815</u>	<u>24,346,661</u>
Total primary government program revenues	<u><u>\$ 77,729,364</u></u>	<u><u>\$ 51,651,487</u></u>	<u><u>\$ 42,423,054</u></u>	<u><u>\$ 41,469,711</u></u>

Schedule 2

2012	2013	2014	2015	2016	2017
\$ 12,194,735	\$ 12,769,952	\$ 12,331,057	\$ 12,920,373	\$ 13,902,546	\$ 14,309,548
24,509,660	26,087,882	27,920,756	29,193,364	31,025,502	42,260,573
12,514,335	12,144,322	12,363,230	14,148,176	12,849,769	12,539,013
2,748,093	3,937,970	3,491,716	3,086,230	3,509,117	3,200,864
5,015,366	5,036,147	5,489,089	5,318,125	6,205,863	6,418,604
3,675,781	3,813,472	4,783,299	5,048,110	5,576,173	5,416,224
1,824,128	1,236,160	1,280,435	890,857	744,751	890,706
4,573,048	4,357,797	3,788,220	3,574,631	3,368,741	2,887,484
<u>67,055,146</u>	<u>69,383,702</u>	<u>71,447,802</u>	<u>74,179,866</u>	<u>77,182,462</u>	<u>87,923,016</u>
15,517,184	15,879,676	15,313,614	14,978,673	15,648,760	16,242,773
11,232,156	11,500,364	11,992,043	12,039,948	11,862,023	12,389,737
3,748,396	3,860,578	4,373,521	4,573,971	4,742,323	4,578,856
<u>30,497,736</u>	<u>31,240,618</u>	<u>31,679,178</u>	<u>31,592,592</u>	<u>32,253,106</u>	<u>33,211,366</u>
<u>\$ 97,552,882</u>	<u>\$ 100,624,320</u>	<u>\$ 103,126,980</u>	<u>\$ 105,772,458</u>	<u>\$ 109,435,568</u>	<u>\$ 121,134,382</u>
\$ 1,543,248	\$ 1,962,825	\$ 1,791,970	\$ 2,024,897	\$ 1,959,842	\$ 1,747,987
290,321	458,799	469,192	515,920	493,996	516,750
614,765	862,360	800,438	1,118,951	1,501,234	2,637,557
413,832	360,924	333,734	404,179	404,776	369,495
8,665,735	9,373,853	9,393,303	8,653,787	8,362,914	9,058,945
1,642,679	1,973,402	1,118,868	2,044,100	2,552,008	5,509,985
<u>13,170,580</u>	<u>14,992,163</u>	<u>13,907,505</u>	<u>14,761,834</u>	<u>15,274,770</u>	<u>19,840,719</u>
12,241,675	11,882,083	12,227,233	11,527,730	12,840,329	14,655,947
7,695,007	7,746,807	7,963,581	7,988,157	8,247,723	9,133,838
4,909,423	4,954,195	5,032,187	5,055,904	5,104,181	5,139,643
444,983	1,042,780	653,419	1,299,643	3,590,768	4,107,998
<u>25,291,088</u>	<u>25,625,865</u>	<u>25,876,420</u>	<u>25,871,434</u>	<u>29,783,001</u>	<u>33,037,426</u>
<u>\$ 38,461,668</u>	<u>\$ 40,618,028</u>	<u>\$ 39,783,925</u>	<u>\$ 40,633,268</u>	<u>\$ 45,057,771</u>	<u>\$ 52,878,145</u>

(continued on next page)

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

(Continuation)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense) Revenue				
Governmental activities	\$ (34,045,889)	\$ (48,474,295)	\$ (52,307,281)	\$ (53,930,665)
Business-type activities	8,875,365	442,373	(4,609,964)	(7,231,538)
Total primary government net (expenses) revenues	<u>\$ (25,170,524)</u>	<u>\$ (48,031,922)</u>	<u>\$ (56,917,245)</u>	<u>\$ (61,162,203)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Sales and use taxes	\$ 38,291,070	\$ 33,021,053	\$ 30,298,359	\$ 30,417,802
Property taxes, levied for general purposes	1,815,527	1,916,742	2,063,316	2,210,771
Property taxes, levied for debt service	4,135,646	5,061,320	4,716,859	3,473,069
Franchise taxes	1,001,905	1,033,993	1,047,312	1,950,000
State shared revenues, unrestricted	18,983,659	18,249,722	15,644,558	14,410,652
Investment income	2,984,483	592,542	417,727	318,931
Gain on sale of capital assets	140,504	217,001	25,307	7,794
Miscellaneous	610,011	934,675	2,376,003	1,084,568
Transfers	(2,800,000)	(17,962,235)	(8,876,219)	(150,000)
Total governmental activities	<u>65,162,805</u>	<u>43,064,813</u>	<u>47,713,222</u>	<u>53,723,587</u>
Business-type activities:				
Investment income	2,658,608	574,400	195,602	166,893
Gain on sale of capital assets	51,442	77,747	75,345	-
Miscellaneous	158,707	162,046	135,320	381,724
Transfers	2,800,000	17,962,235	8,876,219	150,000
Total business-type activities	<u>5,668,757</u>	<u>18,776,428</u>	<u>9,282,486</u>	<u>698,617</u>
Total primary government	<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>	<u>\$ 54,422,204</u>
Changes in Net Position				
Governmental activities	\$ 31,116,916	\$ (5,409,482)	\$ (4,594,059)	\$ (1,062,078)
Business-type activities	14,544,122	19,218,801	4,672,522	(6,532,921)
Total primary government	<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>	<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>

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

Schedule 2

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (53,884,566)	\$ (54,391,539)	\$ (57,540,297)	\$ (59,418,032)	\$ (61,907,692)	\$ (68,082,297)
(5,206,648)	(5,614,753)	(5,802,758)	(5,721,158)	(2,470,105)	(173,940)
<u>\$ (59,091,214)</u>	<u>\$ (60,006,292)</u>	<u>\$ (63,343,055)</u>	<u>\$ (65,139,190)</u>	<u>\$ (64,377,797)</u>	<u>\$ (68,256,237)</u>
\$ 32,914,546	\$ 35,929,759	\$ 37,639,556	\$ 40,955,916	\$ 43,352,256	\$ 46,473,655
2,278,643	2,302,649	2,421,361	2,478,599	2,607,457	2,681,915
2,985,899	2,268,323	3,209,741	3,373,624	3,336,779	3,275,427
1,096,920	1,101,693	1,132,811	1,150,766	1,090,135	1,135,350
14,870,469	16,617,488	17,896,107	19,151,120	19,590,959	20,499,811
282,485	(127,021)	408,645	342,423	399,174	400,040
33,435	19,498	56,600	138,810	248,858	268,568
1,646,489	1,170,396	1,571,790	2,103,045	1,895,539	3,036,698
(150,000)	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)
<u>55,958,886</u>	<u>59,132,785</u>	<u>64,186,611</u>	<u>69,544,303</u>	<u>72,371,157</u>	<u>77,621,464</u>
196,973	(69,172)	279,812	286,576	381,482	310,375
-	-	83,030	25,231	155,204	104,002
213,772	263,193	241,999	236,635	358,992	149,584
150,000	150,000	150,000	150,000	150,000	150,000
<u>560,745</u>	<u>344,021</u>	<u>754,841</u>	<u>698,442</u>	<u>1,045,678</u>	<u>713,961</u>
<u>\$ 56,519,631</u>	<u>\$ 59,476,806</u>	<u>\$ 64,941,452</u>	<u>\$ 70,242,745</u>	<u>\$ 73,416,835</u>	<u>\$ 78,335,425</u>
\$ 2,074,320	\$ 4,741,246	\$ 6,646,314	\$ 10,126,271	\$ 10,463,465	\$ 9,539,167
(4,645,903)	(5,270,732)	(5,047,917)	(5,022,716)	(1,424,427)	540,021
<u>\$ (2,571,583)</u>	<u>\$ (529,486)</u>	<u>\$ 1,598,397</u>	<u>\$ 5,103,555</u>	<u>\$ 9,039,038</u>	<u>\$ 10,079,188</u>

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

	2008	2009	2010	2011¹
General Fund				
Reserved	\$ 51,796	\$ 12,435	\$ 77,125	\$ -
Unreserved	35,854,897	32,285,521	29,013,029	-
Nonspendable:				
Inventory	-	-	-	3,783
Prepaid items	-	-	-	164,012
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	326,879
Committed to:				
Budgetary stabilization	-	-	-	20,107,819
Assigned to:				
Other purposes	-	-	-	2,150,250
Unassigned	-	-	-	3,036,074
Total General Fund	<u>\$ 35,906,693</u>	<u>\$ 32,297,956</u>	<u>\$ 29,090,154</u>	<u>\$ 25,788,817</u>
All other governmental funds				
Reserved	\$ 13,221,123	\$ 16,565,285	\$ 30,429,893	\$ -
Unreserved, reported in:				
Special Revenue Funds	11,769,069	9,383,952	9,323,672	-
Capital Projects Funds	28,023,908	18,585,349	22,958,296	-
Nonspendable:				
Inventory	-	-	-	225,904
Prepaid items	-	-	-	612,457
Restricted for:				
Transit services	-	-	-	61,744
Highway and streets	-	-	-	3,249,085
Court	-	-	-	516,711
Grant and contributor purposes	-	-	-	1,139,954
Public safety	-	-	-	1,233,782
Debt service	-	-	-	12,648,785
Capital projects	-	-	-	8,810,461
Water, sewer and street projects	-	-	-	523,204
Crime victim advocacy	-	-	-	93,903
Committed to:				
Capital projects	-	-	-	2,871,197
Crime victim advocacy	-	-	-	46,951
Assigned to:				
Vehicle replacement	-	-	-	6,442,998
Equipment replacement	-	-	-	1,033,740
Capital projects	-	-	-	4,536,974
Transit services	-	-	-	2,945,885
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 53,014,100</u>	<u>\$ 44,534,586</u>	<u>\$ 62,711,861</u>	<u>\$ 46,993,735</u>

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

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

Schedule 3

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
3,176	2,202	449	-	434	6,526
271,673	131,888	131,306	342,255	112,432	66,495
-	1,200,000	4,156,428	3,838,468	833,000	-
-	-	-	-	-	833,000
349,992	171,150	130,205	335,058	254,758	102,794
16,192,523	15,389,437	18,934,773	19,405,505	20,092,995	21,400,558
7,253,410	5,453,049	8,721,580	4,882,920	3,997,254	12,651,519
7,916,399	10,382,138	1,800,250	7,521,330	16,497,354	15,704,372
<u>\$ 31,987,173</u>	<u>\$ 32,729,864</u>	<u>\$ 33,874,991</u>	<u>\$ 36,325,536</u>	<u>\$ 41,788,227</u>	<u>\$ 50,765,264</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
220,837	281,218	309,973	320,636	305,262	307,706
771,513	671,092	688,572	361,123	400,766	61,168
1,688,441	1,627,956	1,137,018	977,138	1,356,976	1,579,099
3,334,517	3,601,986	3,853,579	4,673,503	5,826,016	7,169,856
554,471	613,134	634,184	657,831	639,778	613,041
955,553	119,721	597,631	914,738	817,062	1,337,527
2,090,147	3,362,724	4,685,520	6,033,061	7,438,683	7,790,078
11,726,347	5,830,512	7,879,134	8,430,380	8,912,477	6,117,403
4,073,188	2,442,036	792,935	1,291,443	1,388,787	1,436,817
420,781	1,099,439	1,765,548	2,251,750	2,908,567	4,059,144
155,389	154,178	131,924	163,340	141,475	143,216
668,344	3,956,556	322,646	263,234	3,544,816	1,667,731
77,694	51,393	43,974	54,447	47,158	47,738
7,062,662	8,438,757	8,171,863	7,519,081	7,271,801	6,923,450
331,294	335,328	664,109	762,199	1,051,461	1,013,680
4,288,987	4,588,564	7,178,750	7,728,456	5,245,637	4,787,077
-	-	-	-	-	-
-	(185,532)	(632,375)	(741,111)	(35,283)	(77,490)
<u>\$ 38,420,165</u>	<u>\$ 36,989,062</u>	<u>\$ 38,224,985</u>	<u>\$ 41,661,249</u>	<u>\$ 47,261,439</u>	<u>\$ 44,977,241</u>

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

	2008	2009	2010	2011
Revenues				
Taxes	\$ 45,103,331	\$ 40,966,295	\$ 38,227,410	\$ 37,206,864
Licenses and permits	8,640,183	3,134,769	1,996,430	1,073,233
Intergovernmental	28,703,206	27,035,675	27,626,462	26,755,077
Charges for services	1,726,235	1,179,405	944,332	1,322,030
Fines, forfeitures, and penalties	1,467,011	1,357,050	1,262,853	1,152,077
Investment income	2,946,716	580,422	415,395	315,685
Contributions	874,006	1,137,849	942,440	813,886
Miscellaneous	377,544	261,427	2,431,170	1,117,621
Total revenues	<u>89,838,232</u>	<u>75,652,892</u>	<u>73,846,492</u>	<u>69,756,473</u>
Expenditures				
General government	16,334,100	10,970,755	9,477,910	12,077,265
Public safety	23,478,075	23,939,534	22,881,143	23,717,192
Highways and streets	1,833,928	2,177,687	2,605,224	3,472,183
Health and welfare	2,120,063	2,719,779	4,931,655	2,660,252
Economic and community development	7,312,754	6,588,345	5,528,640	4,886,947
Culture and recreation	3,379,661	4,021,204	3,396,173	3,409,346
Transportation	2,693,561	870,662	1,895,324	1,580,838
Debt Service				
Principal	6,547,759	7,684,563	8,620,474	8,585,695
Interest and other charges	3,264,547	3,855,789	5,427,681	5,023,373
Capital outlay	14,807,347	22,182,625	15,262,429	23,240,459
Total expenditures	<u>81,771,795</u>	<u>85,010,943</u>	<u>80,026,653</u>	<u>88,653,550</u>
Excess of revenues over (under) expenditures	8,066,437	(9,358,051)	(6,180,161)	(18,897,077)
Other Financing Sources (Uses)				
Bond issuance	-	15,000,000	29,800,000	-
Refunding bonds issued	-	-	2,815,000	-
Payment to refunding bonds escrow agent	-	-	(2,753,893)	-
Bond premium (discount)	-	91,235	48,388	-
Capital leases	-	-	116,358	-
Sale of capital assets	224,347	223,770	-	7,794
Transfer in	19,867,345	18,277,333	41,785,235	12,859,860
Transfer out	(22,910,645)	(36,322,538)	(50,661,454)	(12,990,040)
Total other financing sources (uses)	<u>(2,818,953)</u>	<u>(2,730,200)</u>	<u>21,149,634</u>	<u>(122,386)</u>
Net change in fund balances	<u>\$ 5,247,484</u>	<u>\$ (12,088,251)</u>	<u>\$ 14,969,473</u>	<u>\$ (19,019,463)</u>
Debt service as a percentage of noncapital expenditures	14.7%	18.4%	21.7%	20.8%

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

Schedule 4

2012	2013	2014	2015	2016	2017
\$ 39,383,889	\$ 41,645,010	\$ 44,454,517	\$ 48,121,583	\$ 50,433,911	\$ 53,621,688
1,342,998	2,076,599	1,435,548	2,532,559	3,687,377	5,297,673
23,743,672	25,607,050	26,568,228	27,061,879	27,914,071	29,665,270
891,777	1,129,782	1,111,375	1,244,710	1,233,719	1,677,400
1,175,041	1,357,243	1,219,003	1,403,457	1,255,197	1,059,626
279,999	(130,638)	406,914	335,873	375,359	380,740
1,042,296	268,399	814,318	320,386	315,948	362,695
1,364,648	1,222,169	1,682,888	2,345,170	2,087,860	2,373,397
69,224,320	73,175,614	77,692,791	83,365,617	87,303,442	94,438,489
11,049,852	11,679,121	11,106,677	11,269,744	12,885,068	12,325,497
23,360,386	24,810,275	26,267,504	27,588,742	29,453,443	31,889,715
2,518,264	1,766,303	1,943,651	3,645,538	2,354,255	2,572,848
2,766,874	3,966,243	3,542,511	3,109,810	3,590,178	3,300,924
5,015,247	5,055,207	5,341,635	5,491,412	6,049,229	6,094,461
2,484,829	2,480,049	3,509,702	3,851,074	3,716,124	3,849,886
1,823,627	1,234,845	1,277,281	894,655	704,440	772,784
8,554,217	13,712,314	5,278,486	6,324,153	6,436,835	7,131,893
4,706,601	4,621,821	3,844,374	3,614,285	3,409,627	3,282,008
9,223,066	4,656,036	12,992,364	11,544,285	7,799,212	13,693,511
71,502,963	73,982,214	75,104,185	77,333,698	76,398,411	84,913,527
(2,278,643)	(806,600)	2,588,606	6,031,919	10,905,031	9,524,962
-	-	-	-	-	-
-	9,275,000	-	-	-	23,457,070
-	(9,469,388)	-	-	-	(29,768,467)
-	427,048	-	-	-	3,012,110
-	-	-	-	-	304,326
38,369	19,498	58,094	187,050	295,690	283,585
10,356,562	18,827,399	15,114,320	19,485,856	15,549,460	15,862,362
(10,491,502)	(18,961,369)	(15,379,970)	(19,818,016)	(15,687,300)	(15,983,109)
(96,571)	118,188	(207,556)	(145,110)	157,850	(2,832,123)
\$ (2,375,214)	\$ (688,412)	\$ 2,381,050	\$ 5,886,809	\$ 11,062,881	\$ 6,692,839
21.3%	26.4%	14.7%	15.1%	14.4%	14.6%

CITY OF AVONDALE, ARIZONA
ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Residential Historical Property
2017	\$ 137,409,818	\$ 90,426,563	\$ 118,616,719	\$ 88,235,352	\$ 333,596	\$ 25,525
2016	128,105,887	88,843,605	117,207,777	87,680,276	366,205	31,770
2015	132,908,565	93,145,393	118,877,122	93,364,094	394,449	146,376
2014	113,438,968	75,890,104	116,797,461	99,601,422	363,777	166,031
2013	134,867,886	67,361,870	132,735,913	102,602,512	358,763	-
2012	151,109,673	72,776,766	157,022,411	117,887,415	335,769	-
2011	196,235,454	85,274,561	212,453,689	149,830,377	364,145	-
2010	292,044,995	92,215,354	212,214,174	154,112,452	376,314	-
2009	373,154,615	92,685,824	186,089,522	135,969,538	415,276	-
2008	322,476,066	70,412,295	149,002,237	109,719,498	435,213	-

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Residential Historical Property
2017	10.0 %	10.0 %	18.0 %	15.0 %	15.0 %	5.0 %
2016	10.0	10.0	18.0	15.0	14.0	5.0
2015	10.0	10.0	18.5	16.0	15.0	5.0
2014	10.0	10.0	19.0	16.0	16.0	5.0
2013	10.0	10.0	19.5	16.0	15.0	5.0
2012	10.0	10.0	20.0	16.0	15.0	5.0
2011	10.0	10.0	20.0	16.0	15.0	5.0
2010	10.0	10.0	21.0	16.0	17.0	5.0
2009	10.0	10.0	21.0	16.0	18.0	5.0
2008	10.0	10.0	24.0	16.0	21.0	5.0

¹ Prior to FY 2016, secondary assessed property value was used for secondary ad valorem taxes levied for debt service. Beginning in FY 2016, with a voter-approved Constitutional amendment, secondary ad valorem taxes are now levied on limited assessed property value.

² Property in Maricopa County is required to be reassessed yearly. Tax rates are determined using assessed using property assessed values and the required tax levy. The assessed value divided by 100 multiplied by the tax rate determines the taxes billed.

³ The assessment ratios for each property classification is applied to the total property assessed value to determine the respective assessed valuation for tax levy purposes.

⁴ Includes tax exempt property.

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

Municipal Property Improvements	Gross Valuation	Less: Tax Exempt Real Property	Total Property Assessed Value¹	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value⁴
\$ 44,438	\$ 435,092,011	\$ (85,989,407)	\$ 349,102,604	\$ 1.70	\$ 3,534,105,675	12.31 %
-	422,235,520	(85,077,008)	337,158,512	1.75	3,355,310,655	12.58
59,574	438,895,573	(88,208,960)	350,686,613	1.75	3,478,927,843	12.62
-	406,257,763	(91,282,079)	314,975,684	1.80	3,118,036,373	13.03
-	437,926,944	(92,254,812)	345,672,132	1.33	3,329,277,135	13.15
-	499,132,034	(96,728,376)	402,403,658	1.33	3,762,818,468	13.26
-	644,158,226	(119,852,877)	524,305,349	1.11	4,765,228,782	13.52
-	750,963,289	(109,200,312)	641,762,977	1.11	5,772,182,553	13.01
-	788,314,775	(84,159,774)	704,155,001	1.11	6,319,124,006	12.48
-	652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.45

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

Fiscal Year		Direct Rate	Overlapping Rates ¹				
		City of Avondale, Arizona	County		Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92
			County-wide	Community College			
2017	Primary	0.77	1.40	1.24	2.22	2.27	2.16
	Secondary	<u>0.93</u> 1.70	0.00	0.23	2.59	1.29	4.53
2016	Primary	0.78	1.36	1.26	2.07	2.40	2.53
	Secondary	<u>0.97</u> 1.75	0.00	0.23	2.71	1.61	4.35
2015	Primary	0.78	1.32	1.28	1.98	2.86	2.68
	Secondary	<u>0.97</u> 1.75	0.00	0.24	2.59	1.68	4.51
2014	Primary	0.79	1.28	1.29	1.92	3.22	2.76
	Secondary	<u>1.02</u> 1.81	0.00	0.24	2.27	2.27	4.51
2013	Primary	0.68	1.24	1.16	2.38	2.30	2.05
	Secondary	<u>0.66</u> 1.34	0.00	0.22	1.67	2.54	4.33
2012	Primary	0.58	1.24	1.01	2.47	1.96	1.82
	Secondary	<u>0.75</u> 1.33	0.00	0.20	2.46	2.11	4.79
2011	Primary	0.45	1.05	0.79	2.19	1.51	1.69
	Secondary	<u>0.65</u> 1.10	0.00	0.18	3.11	1.21	4.11
2010	Primary	0.36	0.99	0.72	0.98	1.06	1.77
	Secondary	<u>0.74</u> 1.10	0.00	0.16	2.93	1.04	3.44
2009	Primary	0.37	1.03	0.78	2.46	1.60	1.90
	Secondary	<u>0.73</u> 1.11	0.00	0.16	1.69	1.01	3.02
2008	Primary	0.41	1.10	0.82	2.06	1.62	1.99
	Secondary	<u>0.70</u> 1.11	0.00	0.15	2.15	1.24	3.32

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

Source: Maricopa County Finance Department web publication, 2017 Tax Rates Maricopa County, Arizona.

Overlapping Rates¹

Litchfield Elementary School District No. 79	Avondale Elementary School District No. 44	Agua Fria Union High School District No. 216	Littleton Elementary School District No. 65	Liberty Elementary School District No. 25
2.24	3.31	2.08	2.33	2.00
1.57	3.09	1.39	3.64	1.80
2.26	3.11	2.07	2.48	2.55
1.57	3.12	1.19	3.45	1.72
2.33	2.74	2.99	2.59	2.80
1.45	3.06	1.21	3.31	1.70
2.44	2.31	2.29	2.42	1.91
1.54	2.33	1.28	3.55	1.55
2.31	2.02	2.04	2.45	2.07
1.58	2.31	1.13	1.93	1.47
1.94	2.77	1.69	1.33	1.87
1.32	2.03	0.99	2.47	1.33
1.62	1.51	1.62	1.60	1.96
1.30	1.43	0.83	1.87	1.34
1.62	1.96	2.04	2.51	1.49
1.01	1.36	0.65	1.26	1.18
1.76	1.87	1.88	2.38	1.70
0.77	1.76	0.52	1.39	1.00
1.82	1.91	1.62	2.33	2.28
0.90	1.89	1.01	1.61	1.34

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

Schedule 7

Taxpayer	2017			2008		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value
Inland Westland Avondale McDowell LLC	\$ 5,307,783	1	1.52 %	\$ 7,933,353	2	1.35 %
Phoenix Speedway Corp	4,667,434	2	1.34	8,574,845	1	1.46
J&J Coldwater LLC	4,261,147	3	1.22	-	-	-
Arizona Public Service Company	3,889,811	4	1.11	-	-	-
Gateway Crossing SC LLC	3,622,138	5	1.04	-	-	-
Moreland Arizona Properties LLC	3,064,138	6	0.88	5,326,671	4	0.91
Smiths Food & Drug Centers INC	3,018,225	7	0.86	4,549,019	6	0.78
PRCP-Avondale I LLC	2,957,646	8	0.85	-	-	-
Mechanic (AZ) QRS 15-41 INC	2,954,827	9	0.85	4,469,004	7	0.76
Crystal Springs Apartments LLC	2,862,190	10	0.82	-	-	-
Raintree Pad 2 LLC	-	-	-	6,583,678	3	1.12
D H Ventures LLC	-	-	-	4,555,793	5	0.78
Taylor Woodrow/AZ INC	-	-	-	4,412,570	8	0.75
Harkins Phoenix Cinemas LLC	-	-	-	3,843,634	9	0.66
Avondale Commerce Center Phase 1 LLC	-	-	-	3,704,104	10	0.63
Total	\$ 36,605,339		10.49 %	\$ 53,952,671		9.20 %

¹ Prior to FY 2016, secondary assessed property value was used for secondary ad valorem taxes levied for debt service. Beginning in FY 2016, with a voter-approved Constitutional amendment, secondary ad valorem taxes are now levied on limited assessed property value.

Source: Maricopa County Assessor records.

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

Schedule 8

Fiscal Year	Original Property Tax Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 5,913,568	\$ 5,825,124	98.50 %	\$ 79,359	\$ 5,904,483	99.85 %
2016	5,882,634	5,781,431	98.28	72,903	5,854,334	99.52
2015	5,948,064	5,830,887	98.03	68,212	5,899,099	99.18
2014	5,659,729	5,545,279	97.98	33,176	5,578,455	98.56
2013	4,589,635	4,474,610	97.49	103,740	4,578,350	99.75
2012	5,294,450	5,131,506	96.92	111,331	5,242,837	99.03
2011	5,632,413	5,413,477	96.11	133,448	5,546,925	98.48
2010	6,843,611	6,526,469	95.37	250,342	6,776,811	99.02
2009	7,102,059	6,710,295	94.48	305,457	7,015,752	98.78
2008	5,906,911	5,639,466	95.47	188,933	5,828,399	98.67

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, 2017*.

**DIRECT AND OVERLAPPING NET ASSESSED PROPERTY VALUES FOR TAX PURPOSES AND TAX RATES
PER \$100 NET ASSESSED PROPERTY VALUE FOR TAX PURPOSES**

Overlapping Jurisdiction	2016-17 Net Limited Assessed Value for Tax Purposes	2016-17 Total Tax Rate Per \$100 Net Limited Assessed Value for Tax Purposes
State of Arizona	\$ 56,589,592,481	None
Maricopa County	36,135,494,474	\$ 1.9019 (a)
Maricopa County Community College District	36,135,494,474	1.4651
Maricopa County Fire District Assistance Tax	36,135,494,474	0.0112
Maricopa County Special Health Care District	36,135,494,474	0.3053
Maricopa County Library District	36,135,494,474	0.0556
Maricopa County Flood Control District	32,624,765,419	0.1792
Central Arizona Water Conservation District	36,135,494,474	0.1400
Tolleson Elementary School District No. 17	156,819,948	4.8021
Liberty Elementary School District No. 25	206,821,603	3.7922
Avondale Elementary School District No. 44	327,524,984	6.4037
Littleton Elementary School District No. 65	216,865,601	5.9690
Litchfield Elementary School District No. 79	703,245,154	3.8142
Pendergast Elementary School District No. 92	282,212,106	6.6931
Agua Fria Union High School District No. 216	1,030,770,138	3.4734
Buckeye Union High School District No. 201	652,565,804	3.4041
Tolleson Union High School District No. 214	987,529,742	3.5652
Western Maricopa Education Center	13,286,755,160	0.0840
City of Avondale	349,102,604	1.6952

(a) Includes the "State Equalization Assistance Property Tax." The State Equalization Assistance Property Tax in fiscal year 2016-17 has been set at \$0.5010 and is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276.

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.



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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Retail	\$ 23,538,506	\$ 19,845,087	\$ 18,244,074	\$ 18,832,147
Construction	4,443,542	3,693,612	2,061,391	1,188,487
Real Estate & Rentals	3,507,850	3,477,613	3,487,130	3,890,097
Communication & Utilities	2,015,740	1,997,716	2,061,554	2,022,346
Restaurants & Bars	2,591,479	2,434,741	2,277,265	2,459,856
Amusement	868,406	751,050	661,557	592,433
Use Tax	247,415	212,186	204,191	201,255
Equipment Rental	605,606	549,111	518,471	531,363
All Others	313,069	297,480	353,481	302,290
Total	<u>\$ 38,131,613</u>	<u>\$ 33,258,596</u>	<u>\$ 29,869,114</u>	<u>\$ 30,020,274</u>

	<u>Year-over-Year Increase (Decrease)</u>			
Retail	(6.8) %	(15.7) %	(8.1) %	3.2
Construction	(45.5)	(16.9)	(44.2)	(42.3)
Real Estate & Rentals	41.2	(0.9)	0.3	11.6
Communication & Utilities	7.5	(0.9)	3.2	(1.9)
Restaurants & Bars	8.0	(6.0)	(6.5)	8.0
Amusement	(2.4)	(13.5)	(11.9)	(10.4)
Use Tax	(20.8)	(14.2)	(3.8)	(1.4)
Equipment Rental	(12.4)	(9.3)	(5.6)	2.5
All Others	89.8	(5.0)	18.8	(14.5)
Total	<u>(9.7) %</u>	<u>(12.8) %</u>	<u>(10.2) %</u>	<u>0.5</u>

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

Source: City records.

2012	2013	2014	2015	2016	2017
\$ 20,938,049	\$ 22,749,307	\$ 24,510,356	\$ 26,986,156	\$ 28,562,740	\$ 30,102,662
1,415,172	1,323,781	1,139,469	1,155,268	1,346,678	2,952,141
4,131,206	3,909,022	4,025,883	4,278,607	4,280,205	4,300,470
2,041,519	2,082,661	2,049,404	2,031,513	2,142,543	2,022,266
2,695,339	2,875,647	3,226,930	3,164,390	3,487,810	3,780,226
590,559	616,874	666,567	679,671	734,094	672,178
249,884	235,002	278,274	340,492	346,127	440,636
541,950	579,379	665,089	739,617	805,719	1,135,654
284,956	311,003	318,829	385,657	430,470	466,508
<u>\$ 32,888,634</u>	<u>\$ 34,682,676</u>	<u>\$ 36,880,801</u>	<u>\$ 39,761,371</u>	<u>\$ 42,136,386</u>	<u>\$ 45,872,741</u>

Year-over-Year Increase (Decrease)					
11.2 %	8.7 %	7.7 %	10.1 %	5.8 %	5.4 %
19.1	(6.5)	(13.9)	1.4	16.6	119.2
6.2	(5.4)	3.0	6.3	0.0	0.5
0.9	2.0	(1.6)	(0.9)	5.5	(5.6)
9.6	6.7	12.2	(1.9)	10.2	8.4
(0.3)	4.5	8.1	2.0	8.0	(8.4)
24.2	(6.0)	18.4	22.4	1.7	27.3
2.0	6.9	14.8	11.2	8.9	40.9
(5.7)	9.1	2.5	21.0	11.6	8.4
<u>9.6 %</u>	<u>5.5 %</u>	<u>6.3 %</u>	<u>7.8 %</u>	<u>6.0 %</u>	<u>8.9 %</u>

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

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities ¹				
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds ²	Pledged Revenue Refunding Obligations ²	Capital Leases
2017	\$ 22,315	\$ 330	\$ -	\$ 30,175	\$ 273
2016	24,762	720	32,902	5,063	-
2015	26,540	1,093	34,899	7,474	-
2014	28,598	1,451	36,823	9,580	-
2013	31,596	1,800	38,679	9,641	137
2012	34,449	2,133	58,144	-	551
2011	37,237	2,456	63,275	-	948
2010	40,085	2,780	67,350	-	1,329
2009	13,450	3,085	72,042	-	1,727
2008	16,365	3,375	61,110	-	2,139

¹ Amounts are presented net of unamortized discounts and premiums.

² The City issued Pledged Revenue Refunding Obligations and refunded all outstanding Municipal Development Corporation Bonds in fiscal year 2017.

³ See Demographics and Economic Statistics Schedule on page 183 for personal income and population data.

Source: City records.

Business-Type Activities¹								
Water and Sewer System Revenue Obligations	Municipal Development Corporation Bonds²	Pledged Revenue Refunding Obligations²	WIFA Loans	Total Primary Government	Percentage of Personal Income³	Per Capita³		
\$ 11,110	\$ -	\$ 843	\$ -	\$ 65,046	1.81 %	812		
2,472	1,177	-	-	67,096	2.02	851		
2,980	1,240	-	-	74,226	2.25	951		
3,190	1,589	-	-	81,231	2.49	1,048		
4,770	1,696	-	-	88,319	2.79	1,116		
6,785	1,800	-	-	103,862	3.74	1,327		
8,625	2,166	-	-	114,707	4.07	1,482		
8,625	2,085	-	-	122,254	4.29	1,604		
1,225	6,038	-	7,235	104,802	3.69	1,356		
1,320	6,935	-	8,054	99,298	3.29	1,296		

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Property Assessed Value ²	\$ 586,169,088	\$ 704,155,001	\$ 641,762,977	\$ 524,305,349
<u>20% Limitation</u>				
Debt limit	117,233,818	140,831,000	128,352,595	104,861,070
Net debt applicable to limit	<u>14,185,000</u>	<u>11,785,000</u>	<u>38,570,000</u>	<u>35,805,000</u>
Legal debt margin	<u>\$ 103,048,818</u>	<u>\$ 129,046,000</u>	<u>\$ 89,782,595</u>	<u>\$ 69,056,070</u>
Total net debt applicable to the limit as a percentage of debt limit	12.1%	8.4%	30.1%	34.1%

6% Limitation

Debt limit	\$ 35,170,145	\$ 42,249,300	\$ 38,505,779	\$ 31,458,321
Net debt applicable to limit	<u>2,180,000</u>	<u>1,665,000</u>	<u>1,515,000</u>	<u>1,355,000</u>
Legal debt margin	<u>\$ 32,990,145</u>	<u>\$ 40,584,300</u>	<u>\$ 36,990,779</u>	<u>\$ 30,103,321</u>
Total net debt applicable to the limit as a percentage of debt limit	6.2%	3.9%	3.9%	4.3%

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

² Prior to FY 2016, property assessed value was based on secondary assessed property value. Beginning in FY 2016, with a voter-approved Constitutional amendment, property assessed value is based on full cash assessed property value.

Source: Maricopa County Assessor and City records.

Legal Debt Margin Calculation for Fiscal Year 2017

Net assessed valuation:	463,069,349
Debt limit (20% of assessed value):	92,613,870
Less amount of debt applicable to limit:	
General obligation bonds outstanding	22,085,000
Less fund balance available for repayment of general obligation debt	<u>(218,803)</u>
Total net debt applicable to the limit	<u>21,866,197</u>
Legal debt margin	<u><u>70,747,673</u></u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016²</u>	<u>2017²</u>
\$ 402,403,658	\$ 345,672,132	\$ 314,975,684	\$ 350,686,613	\$ 427,620,861	\$ 463,069,349
80,480,732	69,134,426	62,995,137	70,137,323	85,524,172	92,613,870
<u>33,195,000</u>	<u>30,530,000</u>	<u>27,730,000</u>	<u>25,880,000</u>	<u>24,315,000</u>	<u>21,866,197</u>
<u>\$ 47,285,732</u>	<u>\$ 38,604,426</u>	<u>\$ 35,265,137</u>	<u>\$ 44,257,323</u>	<u>\$ 61,209,172</u>	<u>\$ 70,747,673</u>
41.2%	44.2%	44.0%	36.9%	28.4%	23.6%

Legal Debt Margin Calculation for Fiscal Year 2017

Net assessed valuation:	463,069,349
Debt limit (6% of assessed value):	27,784,161
Less amount of debt applicable to limit:	
General obligation bonds outstanding	<u>225,000</u>
Less fund balance available for repayment of general obligation debt	<u>-</u>
Total net debt applicable to the limit	<u>225,000</u>
Legal debt margin	<u><u>27,559,161</u></u>

\$ 24,144,219	\$ 20,740,328	\$ 18,898,541	\$ 21,041,197	\$ 25,657,252	\$ 27,784,161
<u>1,190,000</u>	<u>1,015,000</u>	<u>830,000</u>	<u>635,000</u>	<u>435,000</u>	<u>225,000</u>
<u>\$ 22,954,219</u>	<u>\$ 19,725,328</u>	<u>\$ 18,068,541</u>	<u>\$ 20,406,197</u>	<u>\$ 25,222,252</u>	<u>\$ 27,559,161</u>
4.9%	4.9%	4.4%	3.0%	1.7%	0.8%

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total operating revenues ¹	\$ 19,436,132	\$ 18,073,444	\$ 18,357,018	\$ 18,416,763
Total operating expenses ²	13,259,794	14,419,200	13,843,483	14,591,625
Net operating income	<u>6,176,338</u>	<u>3,654,244</u>	<u>4,513,535</u>	<u>3,825,138</u>
Other revenues	<u>7,100,983</u>	<u>3,563,462</u>	<u>1,846,783</u>	<u>874,992</u>
Net revenues before debt service	<u>\$ 13,277,321</u>	<u>\$ 7,217,706</u>	<u>\$ 6,360,318</u>	<u>\$ 4,700,130</u>
Debt service ³	\$ 2,444,879	\$ 2,441,059	\$ 2,437,250	\$ 775,518
Debt service coverage	5.43	2.96	2.61	6.06

¹ Includes all water and sewer operating revenues.

² Excludes depreciation and interest expenses.

³ Debt service includes all bonds having a water and sewer system revenue pledge, which includes the following outstanding debt: Water and Sewer System Revenue Bonds, Series 2010 and 2016.

Note: See Note 9 - Long-term Obligations on pages 84-90 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 13

2012	2013	2014	2015	2016	2017
\$ 19,984,828	\$ 19,715,295	\$ 20,231,533	\$ 19,580,966	\$ 21,267,916	\$ 23,838,505
13,850,258	14,301,632	14,321,784	14,030,221	13,969,692	14,413,815
6,134,570	5,413,663	5,909,749	5,550,745	7,298,224	9,424,690
633,797	544,163	773,554	1,560,864	3,714,467	4,431,637
<u>\$ 6,768,367</u>	<u>\$ 5,957,826</u>	<u>\$ 6,683,303</u>	<u>\$ 7,111,609</u>	<u>\$ 11,012,691</u>	<u>\$ 13,856,327</u>
\$ 2,486,512	\$ 2,275,017	\$ 1,819,169	\$ 675,553	\$ 671,544	\$ 577,300
2.72	2.62	3.67	10.53	16.40	24.00

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

Source	2008	2009	2010	2011
City sales tax	\$37,549,019	\$32,618,773	\$29,664,531	\$30,079,230
State sales tax	6,374,091	5,518,183	5,089,719	5,351,475
State revenue sharing	9,806,105	10,195,604	8,208,394	6,750,611
Utility and cable franchise fees	1,001,905	1,033,993	1,067,061	1,095,000
Licenses and permits	2,405,938	972,685	1,810,205	810,508
Fines and forfeitures	1,387,841	850,862	1,328,659	1,032,246
Totals	\$58,524,899	\$51,190,100	\$47,168,569	\$45,119,070

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

Source: City records.

Schedule 14

2012	2013	2014	2015	2016	2017
\$32,639,353	\$35,455,829	\$37,387,063	\$40,533,299	\$43,026,818	\$46,288,365
5,957,260	6,240,221	6,635,966	6,967,295	7,217,550	7,402,225
6,434,543	7,787,548	8,497,693	9,229,081	9,179,045	9,871,106
1,096,920	1,101,693	1,132,811	1,150,766	1,090,134	1,135,350
827,949	1,041,295	846,554	1,263,670	1,580,691	2,652,563
1,047,582	1,166,102	1,000,841	1,208,797	1,105,057	937,816
<u>\$48,003,607</u>	<u>\$52,792,688</u>	<u>\$55,500,928</u>	<u>\$60,352,908</u>	<u>\$63,199,295</u>	<u>\$68,287,425</u>

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

Schedule 15

Fiscal Year	Property Assessed Value^{1,2}	General Obligation Bonds⁴	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonded Debt⁴	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property	Per Capita³
2017	\$ 349,102,604	\$ 22,315,363	\$ 218,803	\$ 22,096,560	6.33 %	\$ 276
2016	337,158,512	24,761,775	555,127	24,206,648	7.18	307
2015	350,686,613	26,539,823	182,462	26,357,361	7.52	338
2014	314,975,684	28,597,872	52,625	28,545,247	9.06	368
2013	345,672,132	31,595,918	1,158,775	30,437,143	8.81	385
2012	402,403,658	34,448,966	3,126,687	31,322,279	7.78	400
2011	524,305,349	37,237,014	4,343,222	32,893,792	6.27	425
2010	641,762,977	40,085,000	5,371,632	34,713,368	5.41	449
2009	704,155,001	13,450,000	5,406,716	8,043,284	1.14	104
2008	586,169,088	16,365,000	3,797,761	12,567,239	2.14	164

¹ Prior to FY 2016, secondary assessed property value was used for secondary ad valorem taxes levied for debt service. Beginning in FY 2016, with a voter-approved Constitutional amendment, secondary ad valorem taxes are now levied on limited assessed property value.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 155 for property assessed valuation data.

³ See Demographics and Economic Statistics Schedule on page 183 for population data.

⁴ Bonds amounts are presented net of unamortized discounts and premiums.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2016)* and city records.

CITY OF AVONDALE, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
(amounts expressed in thousands)

Schedule 16

Governmental Unit	Debt Outstanding²	Estimated Share of Overlapping Debt	
		Percent	Amount
Overlapping debt—General obligation bonded debt:			
State of Arizona	None	0.62 %	None
Maricopa County	None	0.97	None
Maricopa County Community College District	\$ 509,430	0.97	\$ 4,941
Maricopa County Special Health Care District	106,000	0.97	1,028
Tolleson Elementary School District No. 17	6,885	8.76	603
Avondale Elementary School District No. 44	32,065	14.91	4,781
Littleton Elementary School District No. 65	23,120	55.94	12,933
Litchfield Elementary School District No. 79	44,425	10.44	4,638
Pendergast Elementary School District No. 92	37,955	32.42	12,305
Agua Fria Union High School District No. 216	91,530	11.86	10,855
Tolleson Union High School District No. 214	28,600	22.94	6,561
Western Maricopa Education Center District No. 402	141,255	2.63	3,715
Total overlapping repaid with property taxes			<u>\$ 62,360</u>
Direct debt—City of Avondale:			
General obligation bonded debt	22,315	100.00	\$ 22,315
HURF bonds	330	100.00	330
Pledged revenue refunding obligations	30,175	100.00	30,175
Capital lease	273	100.00	273
Total direct debt			<u>\$ 53,093</u>
Total Direct and Overlapping Debt			<u><u>\$ 115,453</u></u>

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

² Direct bonded debt is presented net of unamortized bond discounts and premiums.

Source: The various entities, Property Tax Rates and Assessed Values, Arizona Tax Research Association, Treasurer and Assessor of Maricopa County records, and city records.

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

Schedule 17

Debt Service Payable During Year Ended June 30³	Actual Excise tax Revenues²	Total Actual and Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2005	\$ 49,478,255	\$ 4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	51,190,101	7,955,796	6.43
2010	47,168,569	8,695,150	5.42
2011	45,119,070	8,021,765	5.62
2012	48,003,607	7,879,354	6.09
2013	52,792,688	7,461,517	7.08
2014	55,500,928	3,436,919	16.15
2015	60,352,908	3,540,088	17.05
2016	63,199,295	3,532,600	17.89
2017	68,287,425	n/a	n/a

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

² The City has pledged excise tax revenues to secure MDC revenue bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 169).

³ The City refunded all MDC revenue bonds in September 2017.

Note: See Note 9 - Long-term Obligations on pages 84-90 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule 18

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2017	\$ 5,196,536	\$ 402,788	12.90
2016	4,916,826	402,900	12.20
2015	4,719,669	401,963	11.74
2014	4,299,561	405,463	10.60
2013	4,174,775	403,150	10.36
2012	3,817,593	404,875	9.43
2011	4,109,134	405,844	10.12
2010	3,942,434	405,688	9.72
2009	4,161,313	399,838	10.41
2008	4,764,909	257,308	18.52

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

Note: See Note 9 - Long-term Obligations on pages 84-90 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 19

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2017	\$ 5,196,536
2016	4,916,826
2015	4,719,669
2014	4,299,561
2013	4,174,775
2012	3,817,593
2011	4,109,134
2010	3,942,434
2009	4,161,313
2008	4,764,909

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

Source: City records.

**CITY OF AVONDALE, ARIZONA
SOURCES OF THE WATER SYSTEM
LAST FIVE CALENDAR YEARS**

Schedule 20

Legal Availability (Acre-Feet)	2012	2013	2014	2015	2016
Central Arizona Project (CAP) ²	5,416	5,416	5,416	5,416	5,416
Salt River Project (SRP) ³	15,913	15,950	15,950	16,030	15,364
City-owned wells ⁴	35,779	35,779	35,779	35,779	35,779
Reclaimed water delivered to City's underground storage facility (USF) ⁵	3,830	6,131	6,131	5,766	5,616
Underground Storage Facility (USF) ⁶	<u>15,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>75,938</u>	<u>83,276</u>	<u>83,276</u>	<u>82,991</u>	<u>82,175</u>
Volume Produced (Acre-Feet)					
Central Arizona Project (CAP) ⁷	6,648	5,416	5,416	5,380	5,416
Salt River Project (SRP) ⁸	5,724	6,482	6,204	3,712	5,855
City-owned wells ⁹	14,463	14,393	13,177	13,727	13,974
Reclaimed water delivered to City's underground storage facility (USF) ¹⁰	2,092	4,308	5,695	4,808	5,616
Underground Storage Facility (USF) ¹¹	<u>12,121</u>	<u>10,790</u>	<u>11,936</u>	<u>9,533</u>	<u>11,471</u>
	<u>41,048</u>	<u>41,389</u>	<u>42,428</u>	<u>37,160</u>	<u>42,332</u>
Volume Produced (Gallons in Millions)					
Central Arizona Project (CAP)	2,166	1,765	1,765	1,753	1,765
Salt River Project (SRP)	1,865	2,112	2,022	1,210	1,907
City-owned wells	4,713	4,690	4,294	4,473	4,553
Reclaimed water delivered to City's underground storage facility (USF)	682	1,404	1,856	1,567	1,830
Underground Storage Facility (USF)	<u>3,950</u>	<u>3,515</u>	<u>3,889</u>	<u>3,106</u>	<u>3,737</u>
	<u>13,376</u>	<u>13,486</u>	<u>13,826</u>	<u>12,109</u>	<u>13,792</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2012 so only five years are presented. The City monitors and reports its water rights and related activities on a calendar year basis. This schedule is presented on the same basis.

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

³ According to SRP records, there were 4,700 acres of land legally eligible to receive SRP allocation of 3.3 acre-feet per acre.

⁴ Represents the capacity of active wells if run 24 hours a day, 365 days a year. The City can legally pump as much as its wells can produce.

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

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

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

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

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

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

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

Source: City Public Works Department.

CITY OF AVONDALE, ARIZONA
SCHEDULE OF WATER AND SEWER SALES, NUMBER OF CUSTOMERS,
AND OTHER FEES AND REVENUE
LAST SEVEN FISCAL YEARS

Water System	2011	2012	2013
Water Sales ²			
Residential	\$ 6,913,307	\$ 7,473,951	\$ 7,499,382
Commercial	3,888,735	4,204,097	4,163,085
Total	<u>\$ 10,802,042</u>	<u>\$ 11,678,048</u>	<u>\$ 11,662,467</u>
Number of Water Customers ³			
Residential	20,051	20,561	20,719
Commercial ⁴	1,304	1,342	1,346
Total	<u>21,355</u>	<u>21,903</u>	<u>22,065</u>
Other Fees and Revenue			
Meter Installation	\$ 20,290	\$ 13,620	\$ 17,210
Turn-on Fees	498,511	520,560	479,091
Interest Earnings	91,916	105,241	81,571
Total	<u>\$ 610,717</u>	<u>\$ 639,421</u>	<u>\$ 577,872</u>
Sewer System			
Sewer Sales ²			
Residential	\$ 6,639,027	\$ 6,846,885	\$ 6,946,342
Commercial	820,553	846,244	793,124
Total	<u>\$ 7,459,580</u>	<u>\$ 7,693,129</u>	<u>\$ 7,739,466</u>
Number of Sewer Customers ³			
Residential	20,048	20,316	20,476
Commercial ⁴	1,244	1,287	1,288
Total	<u>21,292</u>	<u>21,603</u>	<u>21,764</u>
Other Fees and Revenue			
Tap Fees	\$ 12,900	\$ 5,100	\$ 9,900
Interest Earnings	69,657	86,915	57,036
Total	<u>\$ 82,557</u>	<u>\$ 92,015</u>	<u>\$ 66,936</u>

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2011, so only seven years are presented.

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

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

⁴ Commercial customers include industrial and multi-unit customers. The City imposes the same user rates and fees on all commercial customers.

Source: City records.

Schedule 21

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 7,628,120	\$ 7,267,073	\$ 8,049,255	\$ 8,677,097
4,233,400	3,885,595	4,334,215	5,255,829
<u>\$ 11,861,520</u>	<u>\$ 11,152,668</u>	<u>\$ 12,383,470</u>	<u>\$ 13,932,926</u>
20,804	21,053	21,260	26,032
1,436	1,359	1,353	1,343
<u>22,240</u>	<u>22,412</u>	<u>22,613</u>	<u>27,375</u>
\$ 26,640	\$ 45,060	\$ 124,283	\$ 135,593
479,471	455,755	425,777	457,448
66,008	148,629	126,072	208,814
<u>\$ 572,119</u>	<u>\$ 649,444</u>	<u>\$ 676,132</u>	<u>\$ 801,855</u>
\$ 7,042,305	\$ 7,025,034	\$ 7,413,869	\$ 8,081,505
842,036	885,157	916,321	894,066
<u>\$ 7,884,341</u>	<u>\$ 7,910,191</u>	<u>\$ 8,330,190</u>	<u>\$ 8,975,571</u>
20,640	20,806	21,012	25,187
1,295	1,296	1,280	618
<u>21,935</u>	<u>22,102</u>	<u>22,292</u>	<u>25,805</u>
\$ 15,600	\$ 23,400	\$ 72,300	\$ 81,143
54,127	58,242	40,392	60,775
<u>\$ 69,727</u>	<u>\$ 81,642</u>	<u>\$ 112,692</u>	<u>\$ 141,918</u>

**CITY OF AVONDALE, ARIZONA
CURRENT YEAR STATISTICS
LAST SIX FISCAL YEARS**

Statistics	2012	2013
General Obligation Bonds Outstanding	\$ 34,385,000	\$ 31,545,000
Water and Sewer System Revenue Obligations Outstanding	8,200,719	6,129,507
Street and Highway User Revenue Bonded Debt Outstanding	2,140,000	1,805,000
Excise Tax Revenue Bonded Debt Outstanding	57,329,000	472,585,492
Net Limited Assessed Property Value (formerly referred to as Primary Assessed Valuation)	400,801,769	344,925,286
Net Full Cash Assessed Value (formerly referred to as Secondary Assessed Valuation)	402,403,958	345,672,132
Estimated Net Full Cash Value	3,033,609,972	2,627,923,084

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2012 so only six years are presented.

Source: City records and State of Arizona Department of Revenue, *Abstract of the Assessment Roll*.

Schedule 22

2014	2015	2016	2017
\$ 28,560,000	\$ 26,515,000	\$ 24,750,000	\$ 22,310,000
4,490,978	3,980,130	3,456,965	9,915,000
1,455,000	1,095,000	720,000	330,000
45,479,021	41,559,868	37,263,034	28,175,000
311,630,868	327,955,701	337,158,512	349,102,604
314,975,684	350,686,613	427,620,861	463,069,349
2,417,444,609	2,779,735,083	3,490,967,838	3,812,520,675

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

Schedule 23

Fiscal Year	Population⁴	Personal Income (in thousands)¹	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2017	80,073	\$ 3,594,077	\$ 44,885	14,811	4.6 %	5.1 %
2016	78,885	3,317,351	42,053	14,404	5.2	5.8
2015	78,090	3,256,665	41,704	13,915	6.0	6.4
2014	77,511	3,267,554	42,156	14,507	7.0	7.5
2013	79,132	3,162,590	39,966	14,444	7.9	8.0
2012	78,256	2,778,566	35,506	14,562	9.1	8.9
2011	77,388	2,818,267	36,417	15,093	8.4	9.6
2010	76,238	2,847,642	37,352	14,273	8.4	9.5
2009	77,276	2,836,570	36,707	13,980	6.1	7.0
2008	76,613	3,016,177	39,369	12,702	3.4	4.1

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

² Obtained from Estrella Mountain Community College.

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

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

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

Schedule 24

Employer	2017			2008		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
City of Avondale	540	1	1.35 %	530	3	1.46 %
Fry's Food Stores	400	2	1.00	400	5	1.10
Avondale Elementary School District No. 44	390	3	0.97	550	1	1.51
Littleton Elementary School District No. 65	320	4	0.80	410	4	1.13
Tolleson Union High School District No. 214	300	5	0.75	330	6	0.91
Walmart	300	6	0.75	540	2	1.48
Agua Fria Union High School District No. 216	290	7	0.72	310	7	0.85
Maricopa County Community College District	280	8	0.70	210	9	0.58
Costco	280	9	0.70	200	10	0.55
Pendergast Elementary School District No. 92	240	10	0.60	-	-	-
Avondale Automotive INC	-		-	270	8	0.74
Total	3,340		8.34 %	3,750		10.31 %

Source: Maricopa Association of Governments Employer Database and U.S. Department of Labor, Bureau of Labor Statistics - MAG 2016 and 2008 Employer Database

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

Function	2008	2009	2010	2011	2012
General government					
City administration	9.0	9.0	9.0	10.0	10.0
Finance and budget	29.5	29.5	27.5	28.5	28.5
City court	13.5	14.0	14.0	13.0	13.0
Planning and building services	29.0	25.0	23.0	0.0	0.0
Other	48.0	40.0	37.2	36.2	36.2
Public safety					
Police					
Officers	107.5	112.5	121.8	120.8	120.8
Civilians	54.5	50.5	50.0	46.0	46.0
Fire					
Firefighters and officers	50.0	50.0	50.0	49.0	49.0
Civilians	13.0	10.0	8.0	8.0	8.0
Highways and streets					
Engineering and development services	21.0	19.0	18.0	34.0	34.0
Maintenance	14.0	14.0	10.0	10.0	10.0
Health and welfare	21.5	27.5	22.5	21.0	21.0
Economic and community development	3.0	3.0	1.0	3.0	3.0
Sanitation	20.0	20.0	18.0	19.0	19.0
Culture and recreation	49.0	45.0	38.0	29.0	29.0
Water resources	40.5	42.5	37.0	37.1	37.1
Sewer	16.5	20.5	19.0	18.9	18.9
Total	<u>539.5</u>	<u>532.0</u>	<u>504.0</u>	<u>483.5</u>	<u>483.5</u>

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

Schedule 25

2013	2014	2015	2016	2017
9.0	9.0	11.0	10.0	10.0
28.5	28.5	28.5	29.5	29.5
13.0	13.0	13.0	13.0	13.0
0.0	0.0	0.0	0.0	0.0
28.0	40.0	40.0	45.5	40.5
133.0	124.0	127.0	128.0	128.0
37.0	47.0	45.0	47.0	54.0
56.0	71.0	63.0	63.0	65.0
3.0	3.0	11.0	12.0	10.0
20.0	28.0	17.0	16.0	29.0
23.0	12.0	10.0	12.0	9.3
17.0	19.8	10.0	10.0	24.5
9.0	4.0	4.0	4.0	4.0
21.2	18.0	35.8	36.8	20.3
33.0	28.3	33.0	26.3	27.8
33.9	35.1	33.1	33.1	34.5
20.9	20.9	21.1	21.1	21.5
<u>485.5</u>	<u>501.5</u>	<u>502.5</u>	<u>507.3</u>	<u>520.9</u>

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

Function	2008	2009	2010	2011
Police				
Calls for service	72,872	74,929	73,884	78,961
Citations	7,239	4,950	6,167	6,487
Physical arrests	4,121	4,113	3,080	4,234
Fire				
Number of emergency responses	5,583	6,002	5,965	6,057
Inspections	4,479	3,881	3,077	3,296
Number of fires extinguished	49	503	493	451
Sanitation				
Refuse collected (tons per day)	143	146	134	141
Recyclables collected (tons per day)	49	49	46	52
Water				
New connections	22,600	22,925	22,992	23,251
Water mains breaks	17	26	12	10
Average daily consumption (thousands of gallons)	11,850	11,664	11,850	11,300
Wastewater				
Average daily sewage treatment (thousands of gallons)	4,974	4,883	4,886	5,159

¹ Indicators are not available for the general government function.

Source: City departments.

Schedule 26

2012	2013	2014	2015	2016	2017
77,800	80,901	73,718	76,687	74,491	76,704
7,348	6,461	4,930	7,165	5,238	2,497
3,461	3,727	3,792	4,635	4,418	4,355
6,601	8,307	8,471	9,861	10,004	10,578
3,041	3,286	3,265	3,529	3,384	2,151
241	233	245	416	557	403
132	133	134	143	145	146
48	44	46	47	47	49
23,616	23,839	23,058	23,150	24,560	27,375
14	13	6	7	9	-
13,992	13,694	13,835	12,849	12,863	13,698
5,310	5,740	6,092	5,810	5,627	5,718

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

Function	2008	2009	2010	2011
Public Safety				
Police:				
Stations	2	4	4	4
Patrol units	84	90	93	116
Fire stations				
Stations	3	3	3	3
Regional training academy				
Fire trucks	7	7	7	7
Fire vehicles (excl. fire trucks)	17	16	16	16
Sanitation				
Collection trucks	18	17	18	18
Highways and streets				
Streets (miles)	284	284	285	285
Streetlights	7,952	8,016	7,739	7,739
Traffic signals	36	42	42	46
Culture and recreation				
Parks acreage	265	265	265	265
Parks	11	11	11	11
Racquetball courts	0	0	0	0
Basketball courts	14	14	14	18
Volleyball courts	0	0	0	0
Baseball fields	4	4	4	4
Softball fields	7	7	7	7
Soccer fields	12	12	12	14
Swimming pools	0	0	0	0
Tennis courts	2	2	2	2
Community centers	2	1	1	1
Dog park	1	1	1	1
Playgrounds	8	8	8	8
Amphitheatre	2	2	2	2
Ramadas	12	12	12	12
Football Field	0	0	1	1
Splash Pad	0	0	0	0
Pickleball Courts	0	0	0	0
Water				
Number of service connections	22,600	22,925	22,992	23,251
Water mains (miles)	314	316	318	330
Fire hydrants	2,624	2,686	2,703	2,711
Sewer				
Number of service connections	21,416	21,453	21,471	21,479
Sanitary sewers (miles)	235	235	235	235
Storm sewers (miles)	32	32	37	37
Wastewater				
Treatment plants	1	1	1	1

¹ Indicators are not available for the general government function.

Source: City departments.

Schedule 27

2012	2013	2014	2015	2016	2017
5	5	5	5	5	5
101	101	102	107	108	116
3	3	4	4	4	4
7	8	9	10	10	10
16	14	18	12	12	18
18	20	17	22	19	19
286	286	294	294	266	283
7,771	7,829	7,829	7,843	7,958	7,964
46	46	47	47	48	47
265	265	265	265	265	265
11	11	11	11	11	11
0	0	0	0	0	0
18	18	18	18	18	18
0	0	0	2	2	2
4	4	4	4	4	4
7	7	7	7	7	7
14	14	14	14	12	12
0	0	0	0	0	0
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2
12	12	12	12	15	15
1	1	1	1	1	1
0	0	0	0	1	1
0	0	0	0	4	4
23,616	23,839	23,058	23,150	23,276	23,610
330	330	450	451	444	335
2,714	2,719	2,728	2,733	2,733	2,831
21,852	21,979	22,042	22,125	22,130	22,683
235	235	237	237	237	243
39	39	60	60	58	58
1	1	1	1	1	1



**SINGLE AUDIT
SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale, Arizona (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2017-001 to 2017-002 to be material weaknesses.

Honorable Mayor and City Council
City of Avondale, Arizona

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-003 to 2017-004 to be significant deficiencies.

Compliance and Other Matters

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

The City's Responses to Findings

City of Avondale, Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
March 22, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Avondale, Arizona (City)'s compliance with the types of compliance requirements described in the *OMB 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, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Avondale, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-005, which we consider to be a significant deficiency.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Phoenix, Arizona
March 22, 2018

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

<u>Federal Agency/Program Title/Cluster/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Cooperative Forestry Assistance, passed through the Arizona Department of Forestry and Fire Management	10.664	TREE 14-103	\$ 5,000
Total U.S. Department of Agriculture			<u>5,000</u>
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218	Direct Grant	542,124 *
Total CDBG - Entitlement Grants Cluster - CFDA No. 14.218			<u>542,124</u>
Home Investment Partnerships Program, passed through the Maricopa County Human Services Department			
	14.239	M-12-DC-04-0227 C-22-14-043-3-02 C-22-15-031-3-01 C-22-16-027-3-00	214,394
Total Home Investment Partnerships Program			<u>214,394</u>
Total U.S. Department of Housing and Urban Development			<u>756,518</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2015-214 2015-354	58,647 128,426
Total Crime Victim Assistance Program - CFDA No. 16.575			<u>187,073</u>
Bulletproof Vest Partnership Program	16.607	Direct Grant	18,144
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct Grant	33,354
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers, passed through the Western Regional Children's Advocacy Center	16.758	2013-CI-FX-K003	959
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers, passed through the National Children's Alliance	16.758	3-GOOD-AZ-SA16	8,604
Total Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers - CFDA No. 16.758			<u>9,563</u>
Total U.S. Department of Justice			<u>248,134</u>
U.S. Department of Transportation			
Highway Safety Cluster			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2017-CIOT-001	3,000
National Priority Safety Programs, passed through the Arizona Governor's Office of Highway Safety	20.616	2017-405D-051 2017-II-001	47,000 35,329
Total Highway Safety Cluster - CFDA Nos. 20.600 and 20.616			<u>85,329</u>
Total U.S. Department of Transportation			<u>85,329</u>

(Continued)

* Denotes major program

See accompanying notes to schedule.

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

<u>Federal Agency/Program Title/Cluster/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
<i>(Continuation)</i>			
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	UNKNOWN	24,088
Total Institute of Museum and Library Services			<u>24,088</u>
U.S. Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers, passed through the Area Agency on Aging, Region One, Inc.	93.044	2017-06-AVO	87,224
Special Programs for the Aging_Title III, Part C_Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2017-06-AVO	132,922
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2017-06-AVO	20,033
Total Aging Cluster - CFDA Nos. 93.044, 93.045, and 93.053			<u>240,179</u>
477 Cluster			
Community Services Block Grant, passed through the Maricopa County Department of Human Services	93.569	C-22-17-001-3-00	22,562
Total 477 Cluster - CFDA No. 93.569			<u>22,562</u>
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-17-001-3-00	29,473
Social Services Block Grant, passed through the Area Agency on Aging, Region One Inc.	93.667	2017-06-AVO	15,945
Total Social Services Block Grant - CFDA No. 93.667			<u>45,418</u>
Total U.S. Department of Health and Human Services			<u>308,159</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program	97.024	Direct Grant	25,000
Total U.S. Department of Homeland Security			<u>25,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,452,228</u></u>

* Denotes major program

See accompanying notes to schedule.

CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the City of Avondale, Arizona, federal grant activity for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBER

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the *2017 Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

NOTE 4 - INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

City of Avondale, Arizona (An Arizona Municipality)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG – Entitlement Grant Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

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

2017-001:Bank Reconciliations

Type of Finding: Material Weakness

Repeat Finding: No

Condition: During the fiscal year 2017, bank reconciliations were not prepared, reviewed, and approved within a reasonable time period following month end. Upon completion of the bank reconciliations, the City identified several reconciling items that were required to be recorded in the general ledger. Certain items were not recorded in the City's general ledger at year and other items were incorrectly recorded in the City's general ledger.

Criteria: Internal controls would dictate that adequate internal controls be designed and implemented to ensure the financial statements include all transactions and are reported in accordance with generally accepted accounting principles.

Context: At times during the year, the City was more than six months behind in reconciling the general account. The City completed all monthly reconciliations through June 30, 2017; however, we noted several reconciling items that had not been recorded in the City's general ledger or were incorrectly recorded in the City's general ledger.

Effect: The lack of adequate internal controls over the bank reconciliations could result in a material misstatement going undetected and uncorrected. Audit adjustments were proposed to correct certain reconciling items related to accounts payable and immaterial revenues were not reflected in the City's general ledger (most notably court receipts).

Cause: Due to staff turnover and the limited staffing in the finance department, the City was unable to reconcile the bank accounts timely and identify and rectify all reconciling items.

Recommendation: We recommend the City evaluate its internal controls over bank reconciliations and develop and implement procedures that would allow timely preparation, review and approval of all bank accounts following each month end.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Steven Montague, Acting Director

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

2017-002:Material Audit Adjustments

Type of Finding: Material Weakness

Repeat Finding: No

Condition: During the course of our audit, we proposed and the City subsequently recorded material audit adjustments to correct various account balances.

Criteria: Internal controls would dictate that adequate internal controls be designed and implemented to record all transactions in accordance with generally accepted accounting principles.

Context: Material audit adjustments were proposed to properly record accounts payable at year-end, write off accounts payable and retainage payable balances that should have been adjusted in previous years, adjust accounts payable for procurement card purchases, adjust various year-end accruals and deferred inflows of resources, and adjust prepaid assets.

Effect: Material audit adjustments were proposed and subsequently recorded by management to record activity in accordance with generally accepted accounting principles.

Cause: Due to staff turnover and the limited staffing in the finance department, the City was unable to adequately perform all year-end duties necessary to identify misstatements within various account balances.

Recommendation: We recommend the City evaluate its internal controls over the year-end closeout and drafting of the financial statements to determine significant account balances are properly reconciled and adjusted to the appropriate year-end balance.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Steven Montague, Acting Director

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

2017-003: Policies and Procedures

Type of Finding: Significant Deficiency

Repeat Finding: No

Condition/Context: The City did not update the procurement policy to comply with the requirements of the Uniform Grant Guidance.

Criteria: With the implementation of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the federal government enacted more stringent federal procurement requirements which are applicable to expenditures of federal awards by non-federal entities. These requirements include procurement thresholds set by the Federal Acquisition Regulation (48 CFR Subpart 2.1), and establishes guidelines for procurement that must be followed by non-federal entities in the event that the federal rules are *more restrictive* than the policies in place at the non-federal entity. These procurement requirements are outlined at 2 CFR Part 200, Subpart D §200.320.

Effect: The City adopted the three-year grace period for implementation of the requirements set forth in 2 CFR Part 200, Subpart D §200.320. However, the City had not adopted new procurement policies by July 1, 2017 and therefore a matter of noncompliance could go undetected and uncorrected.

Cause: Policies and procedures were related to the procurement policy was not updated within a reasonable time period to allow for timely implementation.

Recommendation: We recommend all City policies be reviewed by management and City council on a regular basis to allow sufficient time to update procedures based on City ordinance, resolution, federal or state regulations or changes in technology or operations of the City.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Steven Montague, Acting Director

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)

2017-004: Procurement Cards

Type of Finding: Significant Deficiency

Repeat Finding: No

Condition: Procurement card activity was not posted timely during the fiscal year and certain purchases did not provide an invoice or receipt in sufficient detail to support the purchase of goods and/or services.

Criteria: Internal controls would dictate that procurement card transactions should be reviewed and recorded within a reasonable time period following month end. In addition, the review of procurement card transactions should include a reconciliation and review of detailed procurement card transactions to the procurement card statement. The invoice or receipt provided to support the purchase should be in sufficient detail to allow the reviewer to determine the purchase was for legitimate City business.

Context: During the first six months of the fiscal year, the City was several months behind in recording procurement card transactions and stale procurement card liabilities had not been properly adjusted throughout the year. In addition, for one of twenty-five procurement card transactions tested, the City lacked an invoice or receipt that provided sufficient detail to determine the purchase was for legitimate City business.

Effect: The lack of timely posting of the procurement cards and the lack of detailed invoices or receipts to support the purchase of goods and/or services, could result in an error going undetected and uncorrected. In addition, audit adjustments were proposed and subsequently recorded to adjust the accounts payable balance for procurement card payables that should have been adjusted in previous years.

Cause: Due to staff turnover and the limited staffing in the finance department, the City was unable to adequately perform all duties necessary to post transactions timely and identify misstatements within various account balances.

Recommendation: We recommend all City design and implement procedures that require the timely review, approval, and posting of procurement card transactions. In addition, the procedures should require users of the procurement card to provide an invoice or receipt that provides sufficient detail to support the purchase was made for official City business.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Steven Montague, Acting Director

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

2017-005

U.S. Department of Housing and Urban Development

CDBG – Entitlement Grant Cluster

CFDA Number: 14.218

Direct Grant

Award Number: B-16-mc-04-0513

Grant Funding Year: July 1, 2016 through September 1, 2023

Type of Finding: Significant Deficiency in Controls Over Compliance

Repeat Finding: No

Cash Management

Condition: Requests for reimbursement were not submitted timely following the expenditure of funds eligible for reimbursement.

Criteria: Although a matter of noncompliance was not noted, in order to ensure future compliance, the City should have adequate controls designed and implemented to allow for timely submission of the requests for reimbursement.

Context: The City only made two requests for reimbursement during the fiscal year under audit. In addition, funds expended in previous fiscal years have not yet been requested for reimbursement.

Effect: The lack of adequate internal controls over the timeliness of reimbursement requests could result in the period of performance of the grant lapsing and expenditures becoming ineligible for reimbursement or the City may be unable to provide detailed information to support the request for reimbursement.

Questioned Cost: None

Cause: The City maintains a running total of all federal expenditures eligible for reimbursement from the CDBG grant and requests reimbursement periodically throughout the year. However, we noted that a balance remained from the previous and current fiscal year that had not been requested for reimbursement as of our report date.

Recommendation: We recommend the City develop and implement a system of internal controls that requires requests for reimbursements to be prepared, reviewed and approved within a reasonable time period following the expenditure of federal funds.

View of Responsible Official: The City concurs with this recommendation.

Responsible Official: Steven Montague, Acting Director