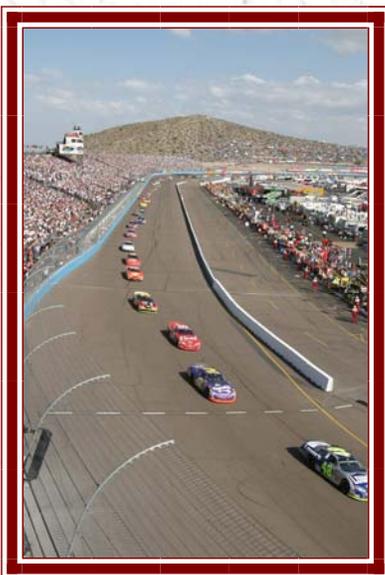
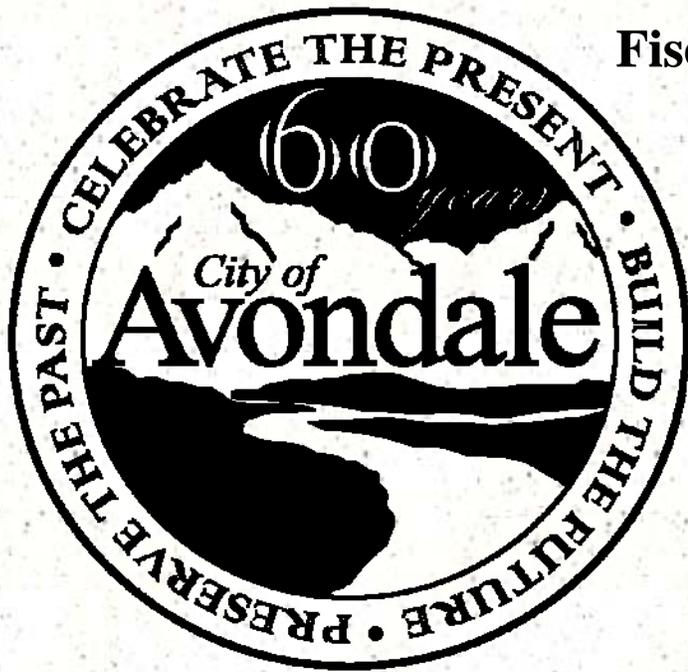


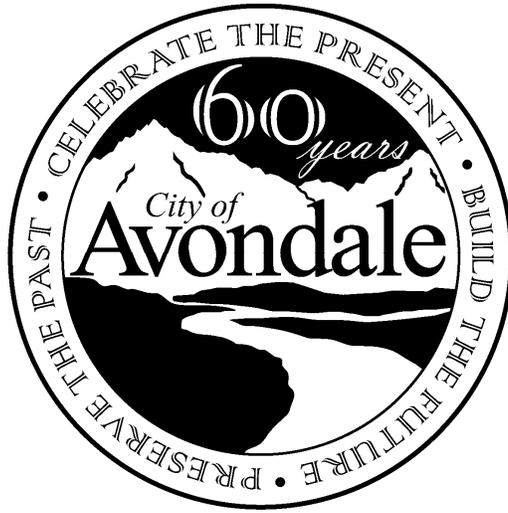
City of Avondale, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007





The year 2006 marks Avondale's 60th anniversary of incorporation. Avondale -- home to less than 2,500 people -- officially became a City on December 16, 1946. D. W. Chisum was named the first Mayor.

Avondale was a community in its own right long before its official incorporation. According to historians, Avondale was founded around 1880 with the arrival of William Graham Moore – or Billy Moore – a reputed outlaw who served as a blacksmith to the Quantrill gang of Civil War guerillas, who sought exile in the Arizona territory. He eventually ended up near the Agua Fria River on 280 acres of land that he named Coldwater, Arizona; established a stage stop, general store and saloon near the corner of what is now Dysart Road and Riley Drive. In 1895, Moore became Postmaster of Coldwater. However, the post office was forced to close in 1905 because Moore ran a saloon in the same building, a violation of postal regulations.

During the First World War, the Goodyear Tire & Rubber Co. started cotton farms to produce the cotton that was used in the making of tire fabric, spawning Avondale's early economic base in agriculture.

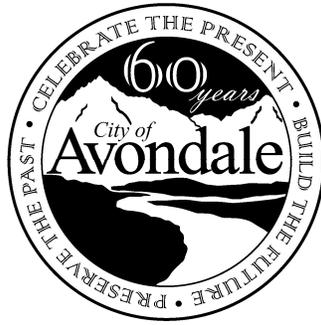
Avondale has since evolved from an old west outpost to a farming community to a bedroom community to a diverse city that is able to attract and support employment in many forms – from office to light industrial. The year 2006 was a dynamic year in Avondale's economic development history with new projects of all types under construction. As the City proudly celebrates its 60th anniversary of incorporation, the fiscal year 2006-07 Comprehensive Annual Financial Report reflects the tremendous strides Avondale continues to make in building a community that its residents are proud to call home.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

City of Avondale
Avondale, Arizona



Prepared by:
Finance and Budget Department



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2007**

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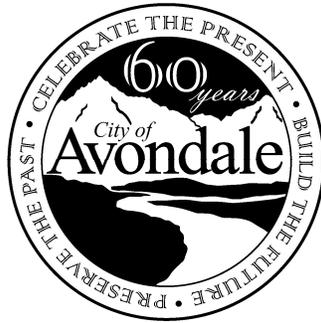
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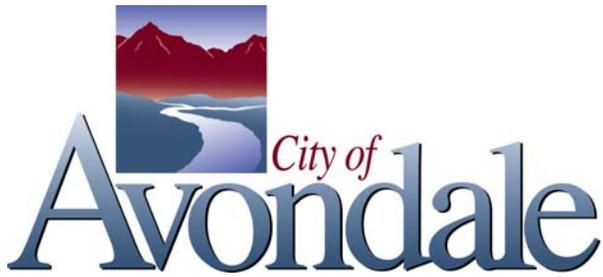
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Finance and Budget Department
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Fax: (623) 333-2011
Website: www.avondale.org

December 21, 2007

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

In accordance with the requirements of the City of Avondale's (the City) Charter, we are pleased to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Henry & Horne, L.L.P., 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 for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally-mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Federal Single Audit Report is included within this report. GAAP require that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Independent Auditors’ Report.

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix metropolitan area, and is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 66,000. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

This report includes financial statements on both a government-wide and fund basis for the primary government, as well as its component units. Component units are legally separate entities that are included in the reporting entity due to the significance of their financial or operational relationship with the City. Blended component units, although legally separate entities, are in substance part of the City’s operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 of the notes to the financial statements.

The annual budget serves as the foundation for the City of Avondale’s financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget

includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including a citizen appreciation/budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At a regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Fund, Development Fees Fund, Local Transportation Assistance Fund, Judicial Collection Enhancement Fund, Grants-in-Aid Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these individual funds.

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

Factors Affecting Economic Condition and Outlook

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having a direct impact on the City of Avondale. Revenues from building permits, development fees and construction sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2006-07. The City has prepared for future growth rates to be significantly less than ten-year historical growth rates. Appropriations in the fiscal year 2007-08 budget have been reduced by over \$2 million and the City's multi-year forecasts have been modified to reflect flat revenue growth into fiscal year 2009-10.

Avondale continues to be successful in attracting new shopping and employment opportunities for residents and visitors. Many new businesses including major retailers, restaurants, office buildings, hotels, and business parks broke ground, opened, or began the approval process. Avondale has made the successful transition from a bedroom community to a city that is able to attract and support employment in many forms, from office to light industrial.

Retail

The City of Avondale worked closely with retail developers in the following ways: To define the quality and types of retail best suited to the community, to consistently provide the information necessary to the decision making process, and to actively market

Avondale to retailers and developers in order to establish the City as a key development location in the Phoenix metro area. Specific activities included:

Gateway Pavilions (99th Avenue and McDowell Road)

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

Gateway Crossing (99th Avenue and McDowell Road)

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

Coldwater Plaza (Dysart Road south of Van Buren Street)

Ashley's Furniture and Lane Furniture were the latest to locate at Coldwater Plaza, joining Sam's Club, Home Depot, and others to create a 450,000 square-foot shopping destination.

Alameda Crossing (Northeast corner of Dysart and McDowell)

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

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

The Avondale Auto Mall now boasts 14 new car dealerships and one motor cycle dealership. Two undeveloped lots remain in the auto mall.

Hilton Hotels (Avondale Boulevard and I-10)

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

Dysart Commons (Northeast corner of Dysart and Thomas)

A new neighborhood shopping center features Gold's Gym, a neighborhood market, and several restaurants.

Office and Employment Development

Avondale Civic Center (Coldwater Springs and Avondale Boulevard)

Adjacent to Avondale City Hall, Sundt Corp. completed a 32,000 square-foot, "Class A" office building. Phoenix International Raceway's corporate headquarters occupies 12,000 square-feet. Maricopa County and Performance Real Estate occupy an

additional 8,000 square-feet. This is the first phase of a proposed three-phase development on approximately 8 acres at Coldwater and Avondale Boulevard.

Santa Fe Professional Center (McDowell Road, east of Dysart Road)

Seventeen tenants have located in both phases of this 80,000 square-foot medical office complex.

Gateway Office Park (Loop 101 and I-10, adjacent to Gateway Pavilions)

Construction was completed on 14 buildings with suites for sale or lease from 2,600 to over 8,000 square feet. Tenants include law, engineering, insurance, medical and real estate offices, and Northern Arizona University.

Universal Technical Institute (107th Avenue and Pierce Street)

Universal Technical Institute (UTI), a nationwide leader in automotive technical education training, opened a new 25-acre, \$21 million campus located at 107th Avenue and Pierce Street. The 275,000 square-foot facility houses 250 employees and maintains a rolling enrollment equivalent to 3,000 students annually.

Desert Lakes Professional Plaza (107th Avenue and McDowell)

Desert Lakes Professional Plaza, an office and medical/dental condominium development, has been completed. Sales are brisk on this 7-building project, offering space from 1,800 to 7,500 square feet. Tenants include wine sales, restaurants, and professional and medical offices.

Indian School Crossing (East of Dysart on Indian School Road)

Office users at this 39,000 square-foot facility include the USDA, insurance and real estate offices, and retail clients including a frame shop, dance studio, crafts, fitness facility, and others.

Residential Activity

Avondale's excellent freeway access, attractive suburban lifestyle, along with the new commercial development, has continued to attract new housing communities to the City. During fiscal year 2007, 834 residential building permits were issued and the City experienced a 51% increase in secondary assessed valuation going from \$386,790,640 to \$583,884,953 for fiscal year 2007.

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

Estrella Mountain's service area, which is expected to grow to a half-million people by 2020.

Major Accomplishments and Initiatives

During fiscal year 2007, the City continued or planned for several significant projects.

Regional Library at Avondale Civic Center – The City completed the construction of a 32,000 square-foot regional library at the Avondale Civic Center.

Old Town Library – The City has entered into a contract to construct a 12,700 square-foot library on Western Avenue. Construction is scheduled to be completed December 2008.

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

CASH MANAGEMENT

Cash is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Government Investment Pool. Investment income is allocated to the funds monthly on the basis of the cash provided for investment. The average yield on investments held with the State Treasurer was 5.01% for fiscal year 2007.

EXPENDITURE LIMITATION

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

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

SINGLE AUDIT

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

As part of the City's Single Audit described earlier, tests are made to determine the adequacy of the internal control, including that portion related to federal financial

assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

PENSION BENEFITS

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

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

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

The City maintains the Volunteer Firefighters' Relief and Pension Trust Fund. Net assets of the fund totaled \$260,420 at June 30, 2007, an increase of \$12,612 from the previous year.

RISK MANAGEMENT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

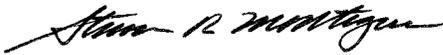
In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2006-07 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to

be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Steven R. Montague, CPA, CGFM
Controller



Kevin H. Artz, CPA
Finance and Budget Director

**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
FISCAL YEAR 2007**

Marie Lopez-Rogers, Mayor

Charles M. Wolfe, Vice Mayor

Jim Buster, Councilmember

Jason Earp, Councilmember



Betty S. Lynch, Councilmember

Frank Scott, Councilmember

Ken Weise, Councilmember

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

Linda Farris, City Clerk

Pier Simeri, Community Relations Director

Claudia Whitehead, Economic Development Director

Wayne Janis, Water Resources Director

David Fitzhugh, Acting City Engineer

Kevin Artz, Finance & Budget Director

Kevin Hinderleider, Information Technology Director

Brian O. Berndt, Development Services Director

Dean Svoboda, Long Range Planning Director

Richard Lynch, City Magistrate

Andrew McGuire, City Attorney

Paul Adams, Fire Chief

Kevin Kotsur, Police Chief

Cherlene Penilla, Human Resources Director

Dan Davis, Parks, Recreation & Libraries Director

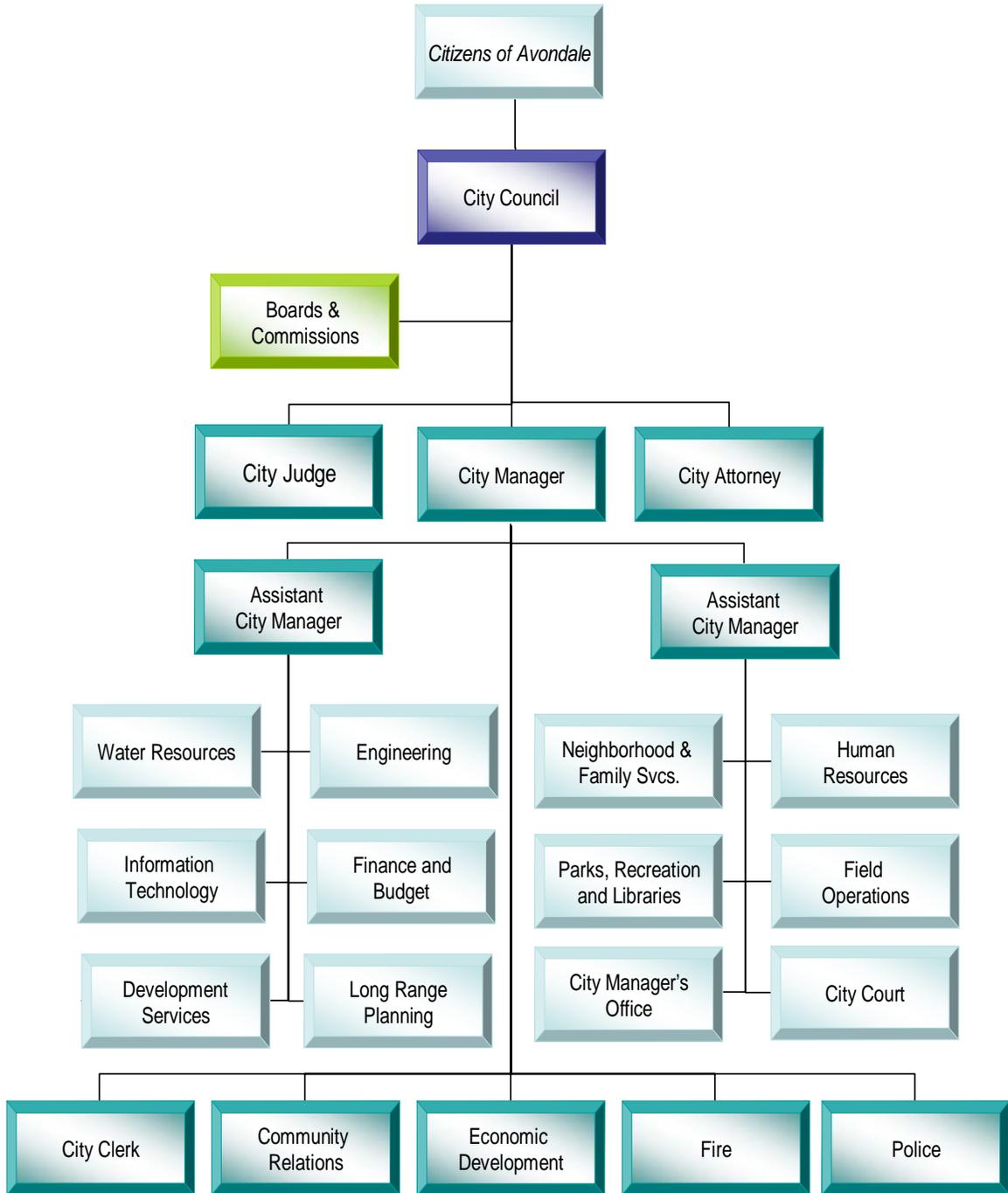
Janet Stewart, Field Operations Director

Abril Ruiz-Ortega, Court Administrator

Gina Ramos-Montes, Neighborhood & Family Services Director

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

City of Avondale Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale
Arizona

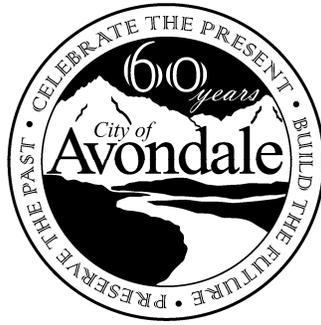
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director





Independent Auditors' Report

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale (the City), Arizona, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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Scottsdale
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Casa Grande
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Suite C
Casa Grande, AZ 85222-2725
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Fax (520) 426-9432

Pinetop
Post Office Box 527
Pinetop, AZ 85935-0527
(928) 367-2591
Fax (928) 367-3501

The Honorable Mayor and Council
City of Avondale, Arizona

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Avondale, Arizona basic financial statements. The introductory section, the accompanying financial information listed as supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as supplementary information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards (required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



December 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Avondale, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2007. This discussion and analysis (MD&A) is designed to 1) assist the user 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 material deviations from the City's financial plan (i.e., the approved budget, and 5) identify individual fund issues and concerns. The information presented in this discussion and analysis is based on currently known facts, decisions and conditions.

The MD&A has a different focus and purpose than the Letter of Transmittal presented on pages v-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 19-39 and the accompanying notes to the financial statements on pages 41-70.

Financial Highlights

- The City's total net assets increased \$88.4 million (9.1%) in fiscal year 2007, \$48.4 million (a 9.8% increase) in governmental activities and \$40.0 million (an 8.4% increase) in business-type activities.
- Prior period adjustments of \$234.5 million and \$23.3 million (\$257.8 million combined) were posted to the City's governmental activities and business-type activities net assets, respectively, to correct errors noted in the 2006 financial statements. (See page 52, Notes to the Financial Statements, Note 2 Beginning Balances Restated, for a detailed explanation of the adjustments.)
- Total net assets of the City are \$1.1 billion, of which \$74.5 million is unrestricted (up \$13.8 million, or 22.8%, from last year's \$60.7 million) and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Governmental activities program revenues decreased by \$3.1 million (5.3%) and general revenues increased by \$12.5 million (21.9%) over the previous year, while expenses increased by 10.7 million (19.0%) during the same period.
- Business-type activities program revenues decreased by \$2.0 million (3.7%) and general revenues increased by \$0.9 million (33.4%) from the previous year, while expenses increased by \$3.8 million (16.3%).
- City transfers from governmental activities to business-type activities increased by \$9.3 million (1,165.4%) from the prior year. The increase was attributable to transfers of bond proceeds to finance the expansion of the City's wastewater treatment system.
- At June 30, 2007, total fund balance of the governmental funds was \$83.7 million, an increase of \$20.6 million (32.6%) from the previous year. Of this amount, \$70.1 million was unreserved and available for spending at the City's discretion.
- Total revenues for the governmental funds increased by \$9.3 million (11.5%) over the previous year. Expenditures increased by \$5.4 million (7.1%) over the same period.
- Unreserved fund balance for the General Fund was \$37.4 million at June 30, 2007, or 94.9% of General Fund expenditures for fiscal year 2007.

- General fund revenues (on a budgetary basis) exceeded budgeted revenues by \$4.6 million for fiscal year 2007, and budgetary basis expenditures were only 84.4% of the final budget in the General Fund (a \$7.3 million savings).
- During the year, the City issued about \$2.5 million in general obligation bonds and \$18.5 million in Avondale Municipal Development Corporation excise tax revenue bonds. The general obligation bonds were issued to fund the design and construction of a regional library, and the revenue bonds were issued to fund the construction of a regional library, expansion of the City's wastewater treatment system, and various street projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is important because increases and decreases in net assets may serve as a useful indicator of how the financial position of the City may be changing. Increases in net assets may indicate an improved financial position. However, decreases in net assets may not necessarily indicate the City's financial position is deteriorating. Instead, it may reflect a situation where the City may have used previously accumulated funds (e.g., cash funding of

capital projects). Therefore, in order to effectively assess the City's overall financial health, other financial and non-financial indicators must be evaluated and considered.

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

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

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

Fund Financial Statements

Also presented are the financial statements for governmental funds, proprietary funds, and fiduciary funds. The fund financial statements focus on the City's major funds. A fund is a 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 to demonstrate compliance with finance-related legal requirements, including fiduciary responsibility, as well as to safeguard the City's assets.

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

Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities in the government-wide financial statements have a longer-term focus, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances and government-wide statement of net assets and statement of activities are provided immediately following the respective governmental fund statements.

The City maintains several individual governmental funds organized according to their type (general, special revenue, capital projects, and debt service). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, and the Development Fees Fund, which are considered major funds of the City. Data from the remaining governmental funds are combined into a single, aggregated presentation (non-major governmental funds). Individual fund data for each of these non-major funds is provided in the form of combining financial statements. These statements are included as supplementary information after the basic financial statements on pages 75-81.

The City adopts an annual budget and legally allocates (or appropriates) available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, and other non-major governmental funds. Budgetary comparison statements have been presented for the City's major funds (pages 29-32), and budgetary comparisons schedules have been presented for the City's non-major funds (pages 72 and 84-94) to demonstrate compliance with the annual budget.

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

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

- **Enterprise funds** are used to account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detailed information such as cash flows. The City's enterprise funds include the Water, Wastewater and Sanitation Utility Funds. All of the enterprise funds are considered to be major funds of the City. The proprietary funds financial statements can be found on pages 34-37.
- **Internal service funds** are used to account for activities where the primary customer is the City itself. Because the internal service funds primarily provide services for governmental activities, the assets and liabilities of those funds are included in the governmental activities column of the government-wide statement of net assets. The internal service funds are combined into a single column on the proprietary funds financial statements. The operating income/loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the net income/loss of the internal service funds is partially allocated to the business-type activities column on the government-wide financial statements, a reconciliation is provided on the face of the proprietary funds financial statements to reconcile total enterprise funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements. The City's internal service funds include the Printing Services, Risk Management, and Fleet Management Funds. Additional information on the internal service funds is provided in the combining statements. These statements are included as supplementary information after the basic financial statements on pages 96-98.

Fiduciary funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside of the City. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support city programs. The fiduciary fund financial statements are prepared on the same basis as the government-wide

and proprietary funds financial statements. The fiduciary fund financial statements can be found on pages 38-39 of this report.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes to the financial statements can be found on pages 41-70 of this report.

Required supplementary information other than MD&A – Governments have an option of including budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes to the financial statements. The City has elected to present these budgetary comparison statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in the notes to the financial statements (see Note 8 Retirement Plans, page 58) rather than separately presenting the information as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSES

The following tables, graphs and analyses discuss the financial position and changes in the financial position of the City as a whole as of and for the year ended June 30, 2007, with comparative information for the previous year.

Net Assets

Over time net assets may serve as a useful indicator of a government's financial position. The following table reflects the City's condensed statement of net assets for June 30, 2007, compared to the prior year.

	Net Assets						Percent Change
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2007	2006*	2007	2006*	2007	2006*	
Current and other assets	\$ 98,522,876	\$ 77,559,369	\$ 82,937,360	\$ 75,010,428	\$ 181,460,236	\$ 152,569,797	18.9 %
Capital assets	545,781,325	501,934,985	455,525,537	425,487,276	1,001,306,862	927,422,261	8.0
Total assets	<u>644,304,201</u>	<u>579,494,354</u>	<u>538,462,897</u>	<u>500,497,704</u>	<u>1,182,767,098</u>	<u>1,079,992,058</u>	9.5
Other liabilities	10,715,658	10,949,114	5,250,028	5,631,359	15,965,686	16,580,473	(3.7)
Long-term liabilities	93,373,259	76,741,736	18,248,855	19,925,193	111,622,114	96,666,929	15.5
Total liabilities	<u>104,088,917</u>	<u>87,690,850</u>	<u>23,498,883</u>	<u>25,556,552</u>	<u>127,587,800</u>	<u>113,247,402</u>	12.7
Net assets:							
Invested in capital assets, net of related debt	453,903,454	431,056,072	437,478,163	405,751,674	891,381,617	836,807,746	6.5
Restricted	45,778,226	28,808,290	43,493,012	40,439,483	89,271,238	69,247,773	28.9
Unrestricted	40,533,604	31,939,142	33,992,839	28,749,995	74,526,443	60,689,137	22.8
Total net assets	<u>\$ 540,215,284</u>	<u>\$ 491,803,504</u>	<u>\$ 514,964,014</u>	<u>\$ 474,941,152</u>	<u>\$ 1,055,179,298</u>	<u>\$ 966,744,656</u>	9.1

* Fiscal year 2006 balances after restatement (see Note 2 Beginning Balances, page 52).

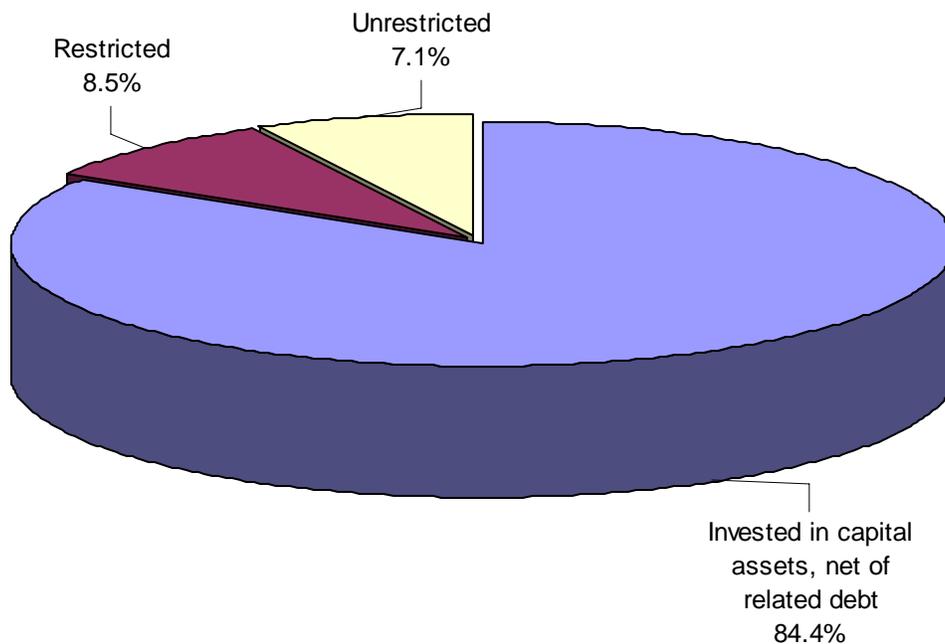
At the end of fiscal year 2007, the City is able to report positive net asset balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The net assets of the City increased \$88.4 million (9.1%) in fiscal year 2007. The largest portion of net assets (\$891.4 million or 84.4%) reflects the City's investment in capital assets, net of accumulated depreciation and related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, the City does not intend to sell these assets and, therefore, they are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net assets increased \$54.6 million (6.5%) primarily as the result of the acquisition and construction of infrastructure assets and buildings and improvements.

The second portion of the City's net assets (\$89.3 million or 8.5%) represents resources that are subject to external restrictions on how they may be used. The increase of \$20.0 million (28.9%) is due primarily to an increase in funds restricted for debt service (\$15.7 million or 207.9%) and for transportation and street projects (\$2.1 million or 104.7%). Of the \$89.3 million in restricted net assets, \$29.3 million is restricted by enabling legislation.

The third portion consists of unrestricted net assets (\$74.5 million or 7.1%). The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed above. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$13.8 million or 22.8%) in fiscal year 2007.

Government-wide Net Assets At June 30, 2007



Changes in Net Assets

The following table presents a summary of the changes in net assets for fiscal year ended June 30, 2007.

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2007	2006*	2007	2006*	2007	2006*	
Revenues:							
Program revenues							
Charges for services	\$ 6,293,306	\$ 7,486,166	\$ 22,624,920	\$ 19,675,872	\$ 28,918,226	\$ 27,162,038	6.5 %
Operating grants and contributions	7,877,600	5,085,797	-	-	7,877,600	5,085,797	54.9
Capital grants and contributions	41,453,780	46,155,660	30,783,194	35,781,926	72,236,974	81,937,586	(11.8)
General revenues							
Sales and use taxes	42,691,477	39,883,436	-	-	42,691,477	39,883,436	7.0
Property taxes	4,320,391	3,629,193	-	-	4,320,391	3,629,193	19.0
Franchise taxes	982,033	876,224	-	-	982,033	876,224	12.1
State shared revenues	17,513,121	10,022,750	-	-	17,513,121	10,022,750	74.7
Investment income	3,642,859	2,331,224	3,536,505	2,684,687	7,179,364	5,015,911	43.1
Gain on sale of assets	146,585	61,289	64,223	7,803	210,808	69,092	205.1
Miscellaneous	392,483	358,317	84,193	70,470	476,676	428,787	11.2
Total revenues	<u>125,313,635</u>	<u>115,890,056</u>	<u>57,093,035</u>	<u>58,220,758</u>	<u>182,406,670</u>	<u>174,110,814</u>	4.8
Expenses:							
General government	18,346,534	22,764,573	-	-	18,346,534	22,764,573	(19.4) %
Public safety	22,873,912	14,319,958	-	-	22,873,912	14,319,958	59.7
Highways and streets	10,347,480	8,396,708	-	-	10,347,480	8,396,708	23.2
Health and welfare	1,787,162	939,572	-	-	1,787,162	939,572	90.2
Economic and community development	6,542,881	5,213,085	-	-	6,542,881	5,213,085	25.5
Culture and recreation	3,474,717	1,816,712	-	-	3,474,717	1,816,712	91.3
Transportation	594,823	615,055	-	-	594,823	615,055	(3.3)
Interest on long-term debt	2,810,763	2,042,879	-	-	2,810,763	2,042,879	37.6
Water utility	-	-	13,630,207	11,818,914	13,630,207	11,818,914	15.3
Wastewater utility	-	-	9,371,087	8,296,298	9,371,087	8,296,298	13.0
Sanitation utility	-	-	4,192,462	3,266,298	4,192,462	3,266,298	28.4
Total expenses	<u>66,778,272</u>	<u>56,108,542</u>	<u>27,193,756</u>	<u>23,381,510</u>	<u>93,972,028</u>	<u>79,490,052</u>	18.2
Increase in net assets before transfers	<u>58,535,363</u>	<u>59,781,514</u>	<u>29,899,279</u>	<u>34,839,248</u>	<u>88,434,642</u>	<u>94,620,762</u>	(6.5)
Transfers	<u>(10,123,583)</u>	<u>(800,000)</u>	<u>10,123,583</u>	<u>800,000</u>	<u>-</u>	<u>-</u>	-
Increase in net assets	<u>\$ 48,411,780</u>	<u>\$ 58,981,514</u>	<u>\$ 40,022,862</u>	<u>\$ 35,639,248</u>	<u>\$ 88,434,642</u>	<u>\$ 94,620,762</u>	(6.5)

* Fiscal year 2006 capital grants and contributions activity after restatement (see Note 2 Beginning Balances, page 52). Also, 2006 transportation expenditures (accounted for in highway and streets expenditures in prior year) are presented as transportation expenditures for comparison purposes.

For fiscal year 2007, total governmental activities revenues increased by \$9.4 million (8.1%) and total business-type revenues decreased by \$1.1 million (1.9%) while expenses increased \$10.7 million (19.0%) and \$3.8 million (16.3%) for governmental and business-type activities, respectively.

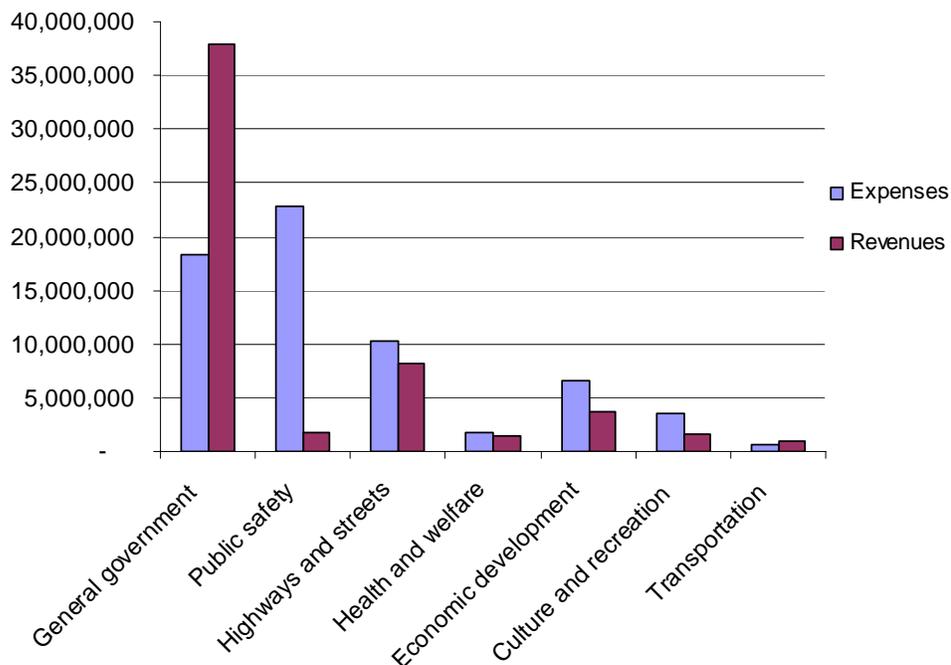
Governmental Activities

Governmental activities increased the City's net assets by \$48.4 million for fiscal year ended June 30, 2007, and accounted for 54.7% of the City's overall increase in net assets. The overall increase in net assets during the year is attributable, in part, to the degree to which increases in ongoing revenues (sales and use taxes, state-shared revenues, etc.) have kept pace with increases in expenses, offset by a significant increase in transfers to the City's business-type activities from the prior year. Of the \$10.1 million of transferred to business-type activities, \$9.3 million consisted of Avondale Municipal Development Corporation excise tax revenue bond proceeds that were transferred to the enterprise funds to finance the expansion of the City's wastewater treatment system.

The general revenues of governmental activities of 69.7 million increased \$12.5 million (21.9%) from the previous year. This increase is primarily from increased sales and use taxes, state-shared revenues and investment income. The increase in sales and use taxes and state-shared revenues resulted from increases in the City's growing sales and use tax base, as well as increased state distributions to the City's of its share of state sales taxes, urban revenue sharing, and auto lieu tax during the year. The increase in investment income was attributable to an overall increase in investments held with the State Treasurer during the year (about 27.1%) and a 30.5% increase in the average yield on these investments over the prior year. The program revenues of governmental activities decreased \$3.1 million (5.3%) largely due to decreases in revenues from development fees of \$2.6 million (192.7%) and residential and commercial building permits, building application and service fees, engineering fees, etc. of \$2.1 million (35.9%). These decreases are attributable to a slow down in residential and commercial building starts and were offset by increases in highway user fees (gas taxes) of \$2.0 million (40.3%) and state and federal grant revenue of \$1.0 million.

The following graph shows the functional revenues and expenses of the governmental activities in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program costs. It should be noted that this graph is not intended to represent a full cost allocation to these functions. Expenses not covered by direct program revenues are covered by the City's general revenues which consist primarily of taxes and state-shared revenues. In governmental activities, the functional revenues of \$55.6 million are 83.3% of governmental activities expenses for fiscal year 2007, down from 104.7% in fiscal year 2006.

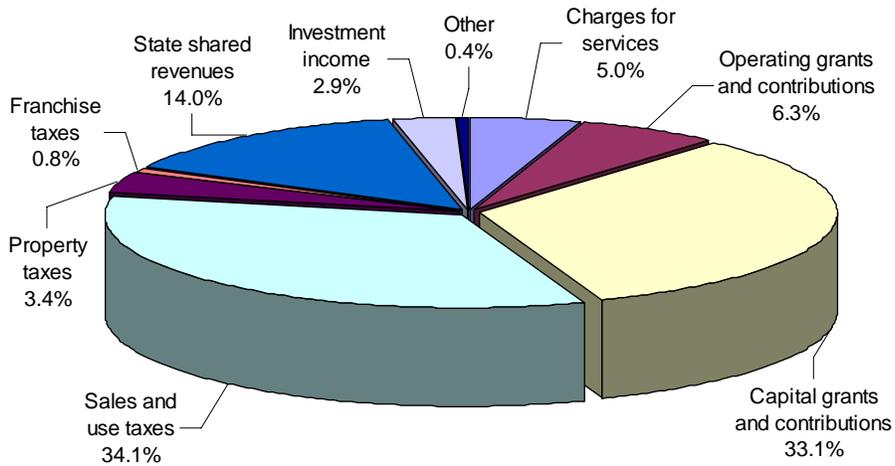
**Governmental Activities
Expenses and Program Revenues
Fiscal Year 2007**



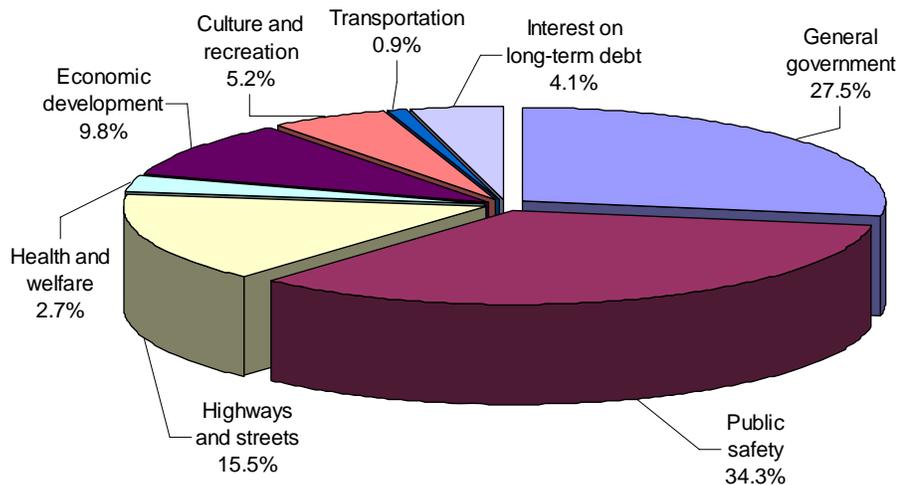
The City's governmental activities accounted for 68.7% of the total revenues of the City and 71.1% of the total expenses in fiscal year 2007.

As seen in the following graphs, the largest revenue source for the City's governmental activities is sales and use taxes at 34.1% followed by capital grants and contributions and state-shared revenues, which accounted for 33.1% and 14.0% of the City's total revenues, respectively. The City's largest expenses by function include public safety at 34.3%, followed by general government expenses at 27.5% and highway and streets at 15.5%

**Governmental Activities
Revenues by Source
Fiscal Year 2007**



**Governmental Activities
Expenses by Function
Fiscal Year 2007**



Business-type Activities

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

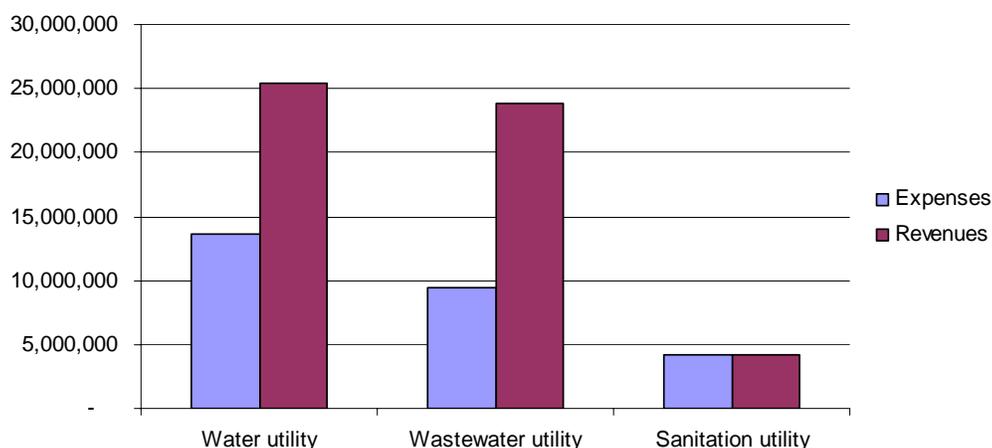
Business-type activities increased the City's net assets by \$40.0 million for fiscal year ended June 30, 2007, accounting for 45.3% of the City's growth in net assets. The overall increase in net assets during the year is attributable, in part, to charges for services (e.g., water sales, sewer and refuse collection fees) having kept pace with costs of providing these services, an increase in investment income from the prior year (23.1%), and a significant increase in transfers from governmental activities to business-type activities from the prior year. The increase in investment income resulted from an overall increase in investments with the State Treasurer during the year (18.8%) and a 30.5% increase in the average yield on these investments. The change in transfers between years was discussed previously in the governmental activities section.

The increases in net assets during the year were offset by increases in the water, wastewater, and sanitation utilities operating expenses of \$3.8 million (16.3%) over the prior year. Capital grants and contributions, which consists primarily of water, sewer, and sanitation development fees, also decreased by \$5.0 million (13.9%) during the year. This decrease is attributable primarily to a slow down in residential building starts, but commercial building starts decreased as well. For example, the City issued 834 residential and 192 commercial building permits during the year, down 30.7% and 3.5%, respectively, from the prior year.

In business-type activities, program revenues are 53.4 million (196.4%) of business-type expenses during the year, compared to \$55.5 million (237.2%) in fiscal year 2006. This decrease is addressed by the changes discussed above. (The 2006 amount and percentage include restated capital grants and contributions revenue; see Note 2 Beginning Balances on page 52).

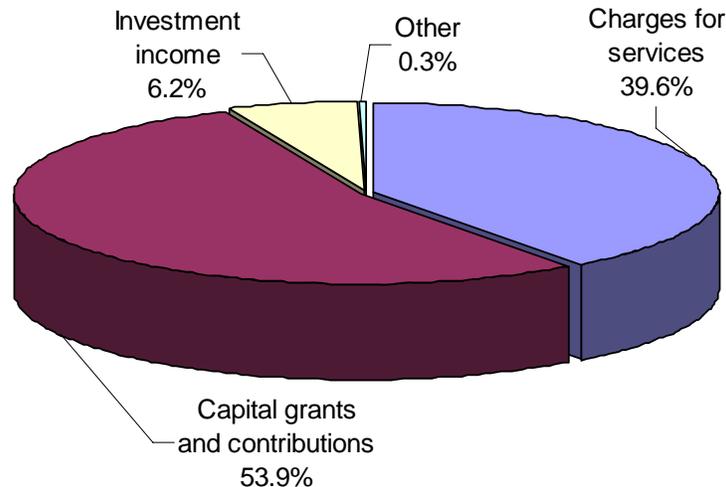
The City's business-type activities accounted for 31.3% of the total revenues of the City and 28.9% of the total expenses in fiscal year 2007.

**Business-type Activities
Expenses and Program Revenues
Fiscal Year 2007**



The City's largest overall business-type activity is water utilities with \$25.4 million and \$13.6 million in operating revenues and expenses, respectively, during the year, followed by wastewater utilities with operating revenues of \$23.9 million and operating expenses of \$9.4 million.

**Business-type Activities
Revenues by Source
Fiscal Year 2007**



Capital grants and contributions, which consist primarily of development fees and donated infrastructure for all of the business-type activities, provided the largest share of revenues at \$30.8 million or 53.9%, followed by charges for services of \$22.6 million or 39.6%.

FINANCIAL ANALYSES OF THE CITY'S FUNDS

The City uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements, including fiduciary responsibility, as well as to safeguard the City's assets.

Governmental Funds

The focus of governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. All major governmental funds are discretely presented on these financial statements, while non-major funds are combined into a single column. Combining statements for the non-major governmental funds can be found on pages 75-81.

The fund balance of the City's governmental funds is \$83.7 million, an increase of \$20.6 million (32.6%) from the prior year. Of this balance, \$70.1 million (83.8%) consists of unreserved fund balance that is available for spending at the City's discretion. The remainder of fund balance of \$13.6 million (16.2%) is classified as reserved because it is not appropriable for expenditures or is legally segregated for a specific future use such as to pay for capital improvements (\$0.6

million), debt service (\$10.6 million), and other restricted purposes (\$2.3 million). The increase in total fund balance is due to net increases in both unrestricted and reserved fund balances over the prior year. The increase in unreserved fund balance during the year is attributable primarily to the degree to which increases in ongoing revenues (sales and use taxes, highway user fees (gas taxes), and state-shared revenues) have outpaced increases in expenditures. The increase in reserved fund balance is attributable to increases in debt service reserves.

The General Fund is the City's chief operating fund and accounts for many major functions of the City including general government (administration), public safety (police and fire), health and welfare, economic and community development, and culture and recreation. At June 30, 2007, unreserved fund balance of the General Fund was \$37.4 million, while total fund balance was \$37.5 million, compared to \$27.5 million and \$27.7 million in the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 94.9% of the total General Fund expenditures of \$39.4 million, while unreserved fund balance represents 78.7% of that same amount in fiscal year 2006. During the fiscal year, fund balance of the City's General Fund increased by \$9.8 million. The overall increase in fund balance during the year is due primarily to the degree to which increases in ongoing revenues have outpaced increases in ongoing expenditures.

General Fund revenues increased by \$8.9 million (18.4%) over the previous year. The City's sales taxes and other tax revenues increased \$2.0 million (6.8%) while intergovernmental revenues (e.g., city's share of state sales tax, state-shared revenue, auto lieu, and grant revenue) increased \$7.6 million (74.5%) as the City continued to grow during fiscal year 2007 and as the City administered more grants than in the prior year. The increases in revenues were offset by decreases in licenses and permit fees of \$1.5 million which was largely attributable to decreases in the residential and commercial building activity from the prior year. General fund expenditures increased \$4.4 million (12.6%) over the prior year. Approximately \$2.4 million (40.7%) of the increased expenditures were in personnel costs. These increases were largely attributable to growth in the City's workforce during the year and Council-approved increases in salaries and wages as well as increases in employer retirement contributions, health insurance, and other employee benefits continued for fiscal year 2007. Increases in contractual services costs of about \$0.6 million also contributed to the increases in expenditures.

The Highway User Revenue Fund is required by statute to account for the state allocation of gasoline taxes and other state revenues shared with local governments that are required to be used for transportation purposes. Revenues increased \$2.0 million (68.7%) over the prior year. The increase was due primarily to the State distributing more gasoline taxes to the City than in the prior year. The increased expenditures are attributable primarily to the hiring of a traffic engineer and creation and operation of a traffic engineering division beginning July 1, 2006. Unreserved fund balance increased \$1.1 million (105.9%) during the year.

The Dedicated Sales Tax Fund accounts for revenue from a half-cent sales tax that is restricted for Council-approved capital improvements. The tax was approved by the voters and became effective in July 2001. Revenues increased due to increases in sales taxes collected, up \$0.6 million (9.7%) from the previous year. Offsetting decreases in fund balance were due to a \$1.2 million increase (18.8%) in transfers to other funds to finance the development and construction of water and sewer facilities as well as street construction and improvements. Unreserved fund balance decreased, down \$0.5 million (8.3%) from fiscal year 2006.

The Public Safety Sales Tax Revenue Fund accounts for revenue from a half-cent sales tax that is restricted exclusively to fund police, fire, and court services to help ensure community safety.

The tax was approved by the voters and became effective in January 2004. Revenues increased due to increases in sales taxes collected, up \$.6 million (9.9%) from the prior year. Increases in total expenditures of \$0.6 million, up 10.8% over the prior year, were largely due to increases in the number of public safety personnel and the acquisition of capital assets to support the increases in personnel. Unreserved fund balance increased about \$0.2 million (4.5%) during the year.

The Development Fees Fund is used to account for development fees charged for all new construction based on the impact the development will have on the City. The fee is allowable under A.R.S. §9-463.05. Development fees are collected with each new building permit issued. The fund also accounts for other revenues received that are restricted to developing the City's infrastructure (e.g., federal, state and local intergovernmental revenues). Revenues in the fund are used for capital improvements related to growth such as expanding the wastewater treatment system, purchasing additional sanitation equipment, constructing new fire stations, and widening existing arterial streets. Revenues decreased significantly due to decreases in the collection of development fees of \$3.5 million and decreases in intergovernmental revenues received for development of \$1.1 million over the previous fiscal year. These decreases in revenues were attributable to a slow down in residential and commercial building starts. Development Fee Fund expenditures decreased by \$1.7 million, down 7.3% from the prior year due to the decrease in development fees. Unreserved fund balance increased \$5.9 million (67.3%) during the year. The increase in unreserved fund balance was largely attributable to a significant increase in transfers in of \$13.8 million over the prior year. These transfers were transferred from other funds to finance the development and construction of library, street improvements, and other capital projects.

Proprietary Funds – The proprietary funds financial statements are prepared on the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Total unrestricted net assets of the enterprise funds were \$34.1 million and \$28.7 million for fiscal years 2007 and 2006, respectively. The growth in total net assets was \$5.4 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed previously in the discussion of the City's business-type activities.

Budgetary Highlights

The City's annual adopted budget establishes the legal level of expenditure control for the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary schedules for the other governmental funds are also presented in this report. Budgetary comparison statements and schedules can be found on pages 29-32 and 72 and 84-94, respectively.

Amendments to the adopted budget may occur throughout the year between departments within individual funds in a legally permissible manner (see Note 1 Summary of Significant Accounting Policies, page 48, for more information on budgets and budgetary accounting). During the year, no amendments increasing the City's total budget of \$224.6 million occurred. Budget amendments between funds, departments, and from budgeted contingencies into operational expense/expenditure accounts did occur. However, none of the amendments or transfers was significant.

General fund inflows (revenues and other sources) of \$57.5 million, on a budgetary basis, exceeded budgeted inflows by \$4.9 million (9.2%), while budgetary outflows (expenditures and

other uses) of \$47.8 million were only 86.9% of final budget outflows. The General Fund inflows and outflows were addressed in the General Fund section above.

Capital Assets

At June 30, 2007, the City had \$1.0 billion invested in various capital assets, net of accumulated depreciation, up \$73.9 million (8.0%) from the previous year. Of the increase, \$43.8 million resulted from governmental activities and \$30.1 million resulted from business-type activities. The increase in capital assets between years is primarily attributable to \$57.9 million of infrastructure dedicated to the City during the year, as well as various capital projects including the expansion of the City's wastewater treatment system and a number of street projects.

The City has adopted a ten-year capital improvement plan budgeted at \$522.3 million, including 145.9 million for fiscal year 2008. Anticipated funding for fiscal year 2008 is through a combination of existing fund balances (43.1%), impact fees (10.7%), bond proceeds (32.6%), operating revenues (8.0%), and outside funding sources such as grants and other intergovernmental cost-sharing agreements (5.6%). The capital improvement plan is updated annually as part of the City's budget process.

The following schedule provides a breakdown of the City's capital assets at June 30, 2007, and 2006. Additional information on the City's capital assets can be found in Note 6 on pages 56-57.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2007	2006*	2007	2006*	2007	2006*	
Land	\$ 233,766,327	\$ 222,466,309	\$ 16,252,303	\$ 16,252,303	\$ 250,018,630	\$ 238,718,612	4.7
Buildings and improvements	40,663,396	33,147,250	-	-	40,663,396	33,147,250	22.7
Vehicles, furniture and equipment	7,040,235	6,341,005	2,691,338	2,414,622	9,731,573	8,755,627	11.1
General infrastructure	255,755,244	221,772,367	-	-	255,755,244	221,772,367	15.3
Water system	-	-	214,673,411	190,259,408	214,673,411	190,259,408	12.8
Sewer system	-	-	184,448,002	169,218,573	184,448,002	169,218,573	9.0
Wastewater treatment system	-	-	24,246,260	24,846,297	24,246,260	24,846,297	(2.4)
Construction in progress	8,556,123	18,208,054	13,214,223	22,496,073	21,770,346	40,704,127	(46.5)
	<u>\$ 545,781,325</u>	<u>\$ 501,934,985</u>	<u>\$ 455,525,537</u>	<u>\$ 425,487,276</u>	<u>\$ 1,001,306,862</u>	<u>\$ 927,422,261</u>	8.0

* Fiscal year 2006 balances after restatement (see Notes to the Financial Statements, Note 2 Beginning Balances, page 52).

Long-term Debt

At June 30, 2007, the City had total long-term obligations outstanding of \$110.4 million, up \$14.1 million (14.6%) from the prior year. Of this total, \$92.2 million (83.5%) was in governmental activities and \$18.2 (16.5%) was in business-type activities.

During the year, the City issued about \$21 million in bonds of which \$2.5 million were general obligations bonds and \$18.5 million were Avondale Municipal Development Corporation excise tax revenue bonds. The general obligation bonds were issued to fund the design and construction of a regional library, and the excise tax revenue bonds were issued to also fund the construction of a regional library as well as the expansion of the City's wastewater treatment system and various street projects.

Of the total outstanding bonds and loans of \$104.9 million, \$18.6 million (17.7%) are general obligation bonds backed by the full faith and credit of the City. The remaining outstanding bonds of \$86.3 million (82.3%) are revenue bonds secured by pledges of specific revenue sources of the City. The City's debt also includes \$8.8 million of water infrastructure financing loans secured by pledges of the City's water and sewer revenues.

The Arizona Constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's legal debt margin at June 30, 2007, and 2006 is \$32.7 million and \$14.4 million, respectively, in the 6% capacity and \$101.1 million and \$68.4 million, respectively, in the 20% capacity. Additional debt limitation and capacity information may be found in the statistical section of this report on page 117.

The following schedule presents the outstanding debt of the City (both current and long-term) as of June 30, 2007, and 2006. Additional information on the City's outstanding debt can be found in Note 9 on pages 61-67.

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2007	2006	2007	2006	2007	2006	
General obligation bonds	\$ 18,630,000	\$ 17,705,000	\$ -	\$ -	\$ 18,630,000	\$ 17,705,000	5.2
Highway user revenue bonds	3,510,000	3,920,000	-	-	3,510,000	3,920,000	(10.5)
Water and sewer revenue bonds	-	-	1,410,000	1,500,000	1,410,000	1,500,000	(6.0)
Municipal Development							
Corporation bonds	64,802,236	49,568,641	7,792,761	8,631,357	72,594,997	58,199,998	24.7
Waster infrastructure improvement loans	-	-	8,844,613	9,604,245	8,844,613	9,604,245	(7.9)
Compensated absences	2,024,607	1,543,083	201,481	189,591	2,226,088	1,732,674	28.5
Claims payable	390,580	280,080	-	-	390,580	280,080	39.5
Capital leases payable	2,594,184	3,061,370	-	-	2,594,184	3,061,370	(15.3)
Contractual obligation	214,000	321,000	-	-	214,000	321,000	(33.3)
Total	\$ 92,165,607	\$ 76,399,174	\$ 18,248,855	\$ 19,925,193	\$ 110,414,462	\$ 96,324,367	14.6

Economic Factors

Although the City of Avondale, like other Arizona cities, continues to remain dependent on sales taxes and other economically sensitive tax revenues, the City has made significant strides in diversifying its residential and commercial tax base. The City continues to be successful in attracting new shopping and employment opportunities for residents and visitors. Many new businesses including major retailers, restaurants, office buildings, hotels and business parks broke ground, opened, or began the approval process during the year. In addition, the City experienced a 51% increase in secondary assessed valuation going from \$386,790,640 to \$583,884,953 for fiscal year 2007.

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona, is having a direct impact on the City. Revenues from building permits, development fees, and construction sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2007. As a result, the City adopted a fiscal year 2008 budget of \$267.9 million, an increase of only 19.2% over fiscal year 2007, in anticipation of reduced economic activity and related revenues such as building permits, development fees, construction sales taxes, etc. The City has prepared for future growth rates to be significantly less than ten-year historical growth rates. Appropriations in the fiscal year 2008 budget have been reduced by over \$2 million, and the City's multi-year forecasts have been modified to reflect flat revenue growth into fiscal year 2009-10. Much of the growth in the City's budget for fiscal year 2008

resulted from growth in the capital budget which includes numerous projects that will enable the City to maintain service levels and remain responsive to its customers and citizenry.

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 financial information, please visit our website at <http://www.avondale.org> or contact:

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,163,710	\$ 875,404	\$ 5,039,114
Investments	73,593,894	66,411,333	140,005,227
Receivables (net where applicable of allowance for uncollectible)			
Taxes	3,722,856	168,666	3,891,522
Accounts	115,194	5,372,118	5,487,312
Interest	514,312	444,133	958,445
Due from other governments	3,159,313	161,070	3,320,383
Internal balances	86,968	(86,968)	-
Inventories	498,961	476,396	975,357
Prepaid assets	4,204,343	1,022,310	5,226,653
Restricted cash with fiscal agent	8,463,325	8,092,898	16,556,223
Capital assets, non-depreciable	242,322,450	29,466,526	271,788,976
Capital assets, depreciable (net)	303,458,875	426,059,011	729,517,886
Total assets	644,304,201	538,462,897	1,182,767,098
LIABILITIES			
Accounts payable	3,036,604	3,777,367	6,813,971
Accrued payroll	1,500,962	233,927	1,734,889
Accrued liabilities	5,634,131	210,609	5,844,740
Construction contracts payable	225,809	366,328	592,137
Sales tax payable	877	175,964	176,841
Deposits held for others	97,218	453,399	550,617
Unearned revenue	220,057	32,434	252,491
Non-current liabilities:			
Due within one year			
Claims payable	56,650	-	56,650
Compensated absences	1,619,686	161,185	1,780,871
Contractual obligations	107,000	-	107,000
Capital leases payable	455,350	-	455,350
Water infrastructure obligations	-	790,247	790,247
Bonds payable	6,092,409	947,592	7,040,001
Due in more than one year			
Claims payable	333,930	-	333,930
Compensated absences	404,921	40,296	445,217
Contractual obligations	107,000	-	107,000
Capital leases payable	2,138,834	-	2,138,834
Water infrastructure obligations	-	8,054,366	8,054,366
Bonds payable	80,849,827	8,255,169	89,104,996
Bond premium	1,207,652	-	1,207,652
Total liabilities	104,088,917	23,498,883	127,587,800
NET ASSETS			
Invested in capital assets, net of related debt	453,903,454	437,478,163	891,381,617
Restricted for:			
Transportation	1,529,458	-	1,529,458
Highways and streets	2,672,413	-	2,672,413
Grants	1,648,683	161,070	1,809,753
Public safety	4,186,091	-	4,186,091
Debt service	15,177,878	8,092,898	23,270,776
Capital improvements	20,563,703	35,239,044	55,802,747
Unrestricted	40,533,604	33,992,839	74,526,443
Total net assets	\$ 540,215,284	\$ 514,964,014	\$ 1,055,179,298

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,346,534	\$ 1,638,662	\$ 94,138	\$ 36,235,061
Public safety	22,873,912	403,696	279,488	1,106,033
Highways and streets	10,347,480	14,846	5,037,834	3,075,233
Health and welfare	1,787,162	-	1,401,253	-
Economic and community development	6,542,881	3,728,984	17,300	-
Culture and recreation	3,474,717	507,118	46,003	1,037,453
Transportation	594,823	-	1,001,584	-
Interest on long-term debt	2,810,763	-	-	-
Total governmental activities	<u>66,778,272</u>	<u>6,293,306</u>	<u>7,877,600</u>	<u>41,453,780</u>
Business-type activities:				
Water utility	13,630,207	11,277,850	-	14,138,377
Wastewater utility	9,371,087	7,431,247	-	16,430,044
Sanitation utility	4,192,462	3,915,823	-	214,773
Total business-type activities	<u>27,193,756</u>	<u>22,624,920</u>	<u>-</u>	<u>30,783,194</u>
Total primary government	<u>\$ 93,972,028</u>	<u>\$ 28,918,226</u>	<u>\$ 7,877,600</u>	<u>\$ 72,236,974</u>

General revenues:

Taxes:

Sales and use taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

State shared revenues, unrestricted

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

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

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

Governmental Activities	Business-type Activities	Totals
\$ 19,621,327	\$ -	\$ 19,621,327
(21,084,695)	-	(21,084,695)
(2,219,567)	-	(2,219,567)
(385,909)	-	(385,909)
(2,796,597)	-	(2,796,597)
(1,884,143)	-	(1,884,143)
406,761	-	406,761
(2,810,763)	-	(2,810,763)
<u>(11,153,586)</u>	<u>-</u>	<u>(11,153,586)</u>
-	11,786,020	11,786,020
-	14,490,204	14,490,204
-	(61,866)	(61,866)
-	26,214,358	26,214,358
<u>(11,153,586)</u>	<u>26,214,358</u>	<u>15,060,772</u>
42,691,477	-	42,691,477
1,519,425	-	1,519,425
2,800,966	-	2,800,966
982,033	-	982,033
17,513,121	-	17,513,121
3,642,859	3,536,505	7,179,364
146,585	64,223	210,808
392,483	84,193	476,676
(10,123,583)	10,123,583	-
<u>59,565,366</u>	<u>13,808,504</u>	<u>73,373,870</u>
<u>48,411,780</u>	<u>40,022,862</u>	<u>88,434,642</u>
491,803,504	474,941,152	966,744,656
<u>\$ 540,215,284</u>	<u>\$ 514,964,014</u>	<u>\$ 1,055,179,298</u>

**CITY OF AVONDALE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
ASSETS			
Cash and cash equivalents	\$ 77,324	\$ 543,735	\$ 21
Investments	38,306,071	1,360,536	4,570,148
Receivables			
Taxes	2,555,680	-	530,823
Accounts	43,672	-	-
Interest	256,588	11,776	27,780
Due from other funds	345,468	-	-
Due from other governments	1,870,316	446,338	-
Inventories	-	177,033	-
Prepaid assets	77,994	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Total assets	<u>\$ 43,533,113</u>	<u>\$ 2,539,418</u>	<u>\$ 5,128,772</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 733,511	\$ 143,099	\$ 17,733
Accrued payroll and employee benefits	1,140,054	65,230	-
Accrued liabilities	4,045,167	-	-
Construction contracts payable	-	-	-
Deposits held for others	97,218	-	-
Sales tax payable	458	253	-
Due to other funds	-	-	11,875
Deferred revenue	57,671	-	-
Total liabilities	<u>6,074,079</u>	<u>208,582</u>	<u>29,608</u>
Fund balances:			
Reserved for:			
Inventories	-	177,033	-
Prepaid assets	77,994	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Unreserved reported in:			
General Fund	37,381,040	-	-
Special Revenue Funds	-	2,153,803	5,099,164
Capital Projects Funds	-	-	-
Total fund balances	<u>37,459,034</u>	<u>2,330,836</u>	<u>5,099,164</u>
Total liabilities and fund balances	<u>\$ 43,533,113</u>	<u>\$ 2,539,418</u>	<u>\$ 5,128,772</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 121,284	\$ 838,479	\$ 2,282,329	\$ 3,863,172
3,996,002	15,918,923	8,350,543	72,502,223
530,752	-	105,601	3,722,856
-	-	71,523	115,195
25,921	115,527	66,689	504,281
-	-	-	345,468
-	127,306	715,353	3,159,313
-	-	-	177,033
-	-	2,015,000	2,092,994
-	2,767,146	5,696,179	8,463,325
<u>\$ 4,673,959</u>	<u>\$ 19,767,381</u>	<u>\$ 19,303,217</u>	<u>\$ 94,945,860</u>

\$ 229,528	\$ 1,725,409	\$ 56,912	\$ 2,906,192
217,382	-	39,235	1,461,901
-	-	1,588,964	5,634,131
-	225,809	-	225,809
-	-	-	97,218
55	54	56	876
-	-	5,028	16,903
-	209,347	662,503	929,521
<u>446,965</u>	<u>2,160,619</u>	<u>2,352,698</u>	<u>11,272,551</u>

-	-	-	177,033
-	-	2,015,000	2,092,994
-	-	2,173,044	2,173,044
-	-	631,003	631,003
-	2,767,146	5,696,179	8,463,325
-	-	-	37,381,040
4,226,994	-	3,013,641	14,493,602
-	14,839,616	3,421,652	18,261,268
<u>4,226,994</u>	<u>17,606,762</u>	<u>16,950,519</u>	<u>83,673,309</u>
<u>\$ 4,673,959</u>	<u>\$ 19,767,381</u>	<u>\$ 19,303,217</u>	<u>\$ 94,945,860</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Fund balances - total governmental funds balance sheet \$ 83,673,309

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

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

Governmental capital assets	\$ 645,182,235	
Less accumulated depreciation	<u>(99,400,910)</u>	545,781,325

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

Governmental bonds payable	(86,942,237)	
Capital leases payable	(2,594,184)	
Compensated absences	(2,024,606)	
Contractual obligations	<u>(214,000)</u>	(91,775,027)

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

Bond premium	(1,207,652)	
Bond discount	66,012	
Bond issue costs	1,369,250	
Deferred charges	<u>676,086</u>	903,696

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

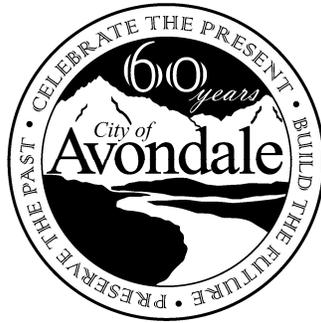
	922,518	922,518
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Certain revenues earned, but not received within 60 days of year-end, are deferred on the governmental financial statements, but are recognized as revenue on the government-wide statements.

Intergovernmental revenue	654,586	
Property tax revenue	<u>54,877</u>	<u>709,463</u>

Net assets of governmental activities - statement of net assets \$ 540,215,284

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, 2007

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 31,405,549	\$ -	\$ 6,938,660
Licenses and permits	3,091,874	-	-
Intergovernmental	17,880,021	4,948,541	-
Charges for services	1,509,474	-	-
Fines, forfeitures, and penalties	1,280,434	-	-
Interest	1,709,584	70,273	237,780
Contributions	324,048	-	-
Miscellaneous revenues	93,007	14,848	-
Total revenues	<u>57,293,991</u>	<u>5,033,662</u>	<u>7,176,440</u>
Expenditures			
Current:			
General government	16,013,432	-	4,000
Public safety	14,236,207	-	-
Highways and streets	-	2,234,995	-
Health and welfare	987,720	-	-
Economic and community development	4,391,187	690,958	-
Culture and recreation	2,997,842	-	-
Transportation	-	-	-
Debt service:			
Principal	275,975	-	-
Interest and other charges	90,924	-	-
Capital outlay	367,693	23,941	-
Total expenditures	<u>39,360,980</u>	<u>2,949,894</u>	<u>4,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,933,011</u>	<u>2,083,768</u>	<u>7,172,440</u>
Other financing sources (uses)			
Bond issuance	-	-	-
Bond premium (discount)	-	-	-
Sale of capital assets	227,554	-	-
Transfers in	-	-	-
Transfers out	(8,361,070)	(822,560)	(7,635,000)
Total other financing sources (uses)	<u>(8,133,516)</u>	<u>(822,560)</u>	<u>(7,635,000)</u>
Net change in fund balances	9,799,495	1,261,208	(462,560)
Fund balances at beginning of year	<u>27,659,539</u>	<u>1,069,628</u>	<u>5,561,724</u>
Fund balances at end of year	<u>\$ 37,459,034</u>	<u>\$ 2,330,836</u>	<u>\$ 5,099,164</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,878,398	\$ -	\$ 2,837,034	\$ 48,059,641
-	4,582,039	-	7,673,913
-	89,293	1,872,512	24,790,367
-	-	115,067	1,624,541
-	-	-	1,280,434
191,289	779,629	615,386	3,603,941
-	-	954,222	1,278,270
277	1,452,855	14,454	1,575,441
<u>7,069,964</u>	<u>6,903,816</u>	<u>6,408,675</u>	<u>89,886,548</u>
273,493	-	483,884	16,774,809
5,004,798	1,140,586	347,696	20,729,287
-	124,930	-	2,359,925
-	-	731,684	1,719,404
-	-	1,562	5,083,707
-	1,062,221	21,537	4,081,600
-	-	588,627	588,627
-	191,211	5,251,404	5,718,590
-	91,804	3,346,890	3,529,618
483,552	18,654,975	1,300,743	20,830,904
<u>5,761,843</u>	<u>21,265,727</u>	<u>12,074,027</u>	<u>81,416,471</u>
<u>1,308,121</u>	<u>(14,361,911)</u>	<u>(5,665,352)</u>	<u>8,470,077</u>
-	2,500,000	18,500,000	21,000,000
-	11,374	934,393	945,767
-	-	24,742	252,296
-	18,467,280	9,588,379	28,055,659
(1,127,650)	(1,132,331)	(19,085,720)	(38,164,331)
<u>(1,127,650)</u>	<u>19,846,323</u>	<u>9,961,794</u>	<u>12,089,391</u>
180,471	5,484,412	4,296,442	20,559,468
<u>4,046,523</u>	<u>12,122,350</u>	<u>12,654,077</u>	<u>63,113,841</u>
<u>\$ 4,226,994</u>	<u>\$ 17,606,762</u>	<u>\$ 16,950,519</u>	<u>\$ 83,673,309</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds statement of revenues,
expenditures and changes in fund balances \$ 20,559,468

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

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

Expenditures for capital assets	\$ 20,830,904	
Less current year depreciation	(11,610,728)	
Capital contributions	<u>34,756,170</u>	43,976,346

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

Bond issuance	(21,000,000)	
Principal payments on long-term debt	5,251,404	
Principal payments on capital leases	467,186	
Bond premium	(945,767)	
Payments on contractual obligations	<u>107,000</u>	(16,120,177)

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

Sale of capital assets		(105,711)
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The costs of issuing bonds are reported as an expenditure in governmental
funds in the year of bond issuance and, therefore, reduce fund balance. In
statement of activities, the bond issuance costs are deferred and amortized
over the life of the bonds.

Deferred debt issuance costs		420,329
------------------------------	--	---------

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

		(80,778)
--	--	----------

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

Amortization of bond premiums, discounts, debt issuance costs, and deferred charges	(102,226)	
Accrual of current year property tax revenue	54,877	
Reversal of prior year property tax accruals	(120,616)	
Intergovernmental revenue	654,586	
Compensated absences benefits	<u>(724,318)</u>	<u>(237,697)</u>

Change in net assets of governmental activities - statement of activities		<u>\$ 48,411,780</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2007

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 29,853,500	\$ 29,853,500	\$ 31,405,549	\$ 1,552,049
Licenses and permits	3,381,580	3,381,580	3,091,874	(289,706)
Intergovernmental	16,502,220	16,502,220	17,880,021	1,377,801
Charges for services	1,483,830	1,483,830	1,509,474	25,644
Fines, forfeitures, and penalties	804,380	804,380	1,280,434	476,054
Interest	356,730	356,730	1,709,584	1,352,854
Contributions	236,000	236,000	324,048	88,048
Miscellaneous revenues	37,500	37,500	93,007	55,507
Total revenues	<u>52,655,740</u>	<u>52,655,740</u>	<u>57,293,991</u>	<u>4,638,251</u>
Expenditures				
General government	19,730,730	19,269,129	16,013,432	3,255,697
Public safety	15,211,770	15,191,718	14,236,207	955,511
Health and welfare	1,141,880	1,147,715	987,720	159,995
Economic and community development	5,755,300	6,124,775	4,391,187	1,733,588
Culture and recreation	3,758,350	3,732,025	2,997,842	734,183
Debt service				
Principal	277,370	277,370	275,975	1,395
Interest	-	-	90,924	(90,924)
Capital outlay	750,730	883,398	367,693	515,705
Total expenditures	<u>46,626,130</u>	<u>46,626,130</u>	<u>39,360,980</u>	<u>7,265,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,029,610</u>	<u>6,029,610</u>	<u>17,933,011</u>	<u>11,903,401</u>
Other financing sources (uses)				
Sale of capital assets	-	-	227,554	227,554
Transfers out	(8,319,480)	(8,319,480)	(8,361,070)	(41,590)
Total other financing sources (uses)	<u>(8,319,480)</u>	<u>(8,319,480)</u>	<u>(8,133,516)</u>	<u>185,964</u>
Net change in fund balance	(2,289,870)	(2,289,870)	9,799,495	12,089,365
Fund balance at beginning of year	<u>25,726,405</u>	<u>25,726,405</u>	<u>27,659,539</u>	<u>1,933,134</u>
Fund balance at end of year	<u>\$ 23,436,535</u>	<u>\$ 23,436,535</u>	<u>\$ 37,459,034</u>	<u>\$ 14,022,499</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2007

	Highway User Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 4,399,800	\$ 4,399,800	\$ 4,948,541	\$ 548,741
Interest	36,760	36,760	70,273	33,513
Miscellaneous revenues	500	500	14,848	14,348
Total revenues	<u>4,437,060</u>	<u>4,437,060</u>	<u>5,033,662</u>	<u>596,602</u>
Expenditures				
Highways and streets	2,376,020	2,346,545	2,234,995	111,550
Economic and community development	1,094,800	1,134,525	690,958	443,567
Capital outlay	168,000	157,750	23,941	133,809
Total expenditures	<u>3,638,820</u>	<u>3,638,820</u>	<u>2,949,894</u>	<u>688,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>798,240</u>	<u>798,240</u>	<u>2,083,768</u>	<u>1,285,528</u>
Other financing sources (uses)				
Transfers out	(822,560)	(822,560)	(822,560)	-
Total other financing sources (uses)	<u>(822,560)</u>	<u>(822,560)</u>	<u>(822,560)</u>	<u>-</u>
Net change in fund balance	(24,320)	(24,320)	1,261,208	1,285,528
Fund balance at beginning of year	<u>162,943</u>	<u>162,943</u>	<u>1,069,628</u>	<u>906,685</u>
Fund balance at end of year	<u>\$ 138,623</u>	<u>\$ 138,623</u>	<u>\$ 2,330,836</u>	<u>\$ 2,192,213</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, 2007**

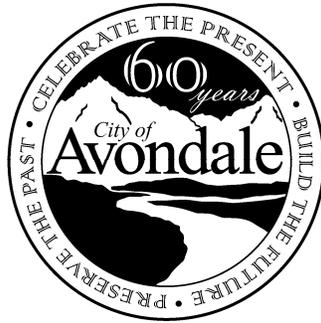
	Dedicated Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 7,206,420	\$ 7,206,420	\$ 6,938,660	\$ (267,760)
Interest	81,670	81,670	237,780	156,110
Total revenues	<u>7,288,090</u>	<u>7,288,090</u>	<u>7,176,440</u>	<u>(111,650)</u>
Expenditures				
General government	-	-	4,000	(4,000)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>(4,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,288,090</u>	<u>7,288,090</u>	<u>7,172,440</u>	<u>(115,650)</u>
Other financing sources (uses)				
Transfers out	<u>(7,635,000)</u>	<u>(7,635,000)</u>	<u>(7,635,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,635,000)</u>	<u>(7,635,000)</u>	<u>(7,635,000)</u>	<u>-</u>
Net change in fund balance	(346,910)	(346,910)	(462,560)	(115,650)
Fund balance at beginning of year	<u>5,649,892</u>	<u>5,649,892</u>	<u>5,561,724</u>	<u>(88,168)</u>
Fund balance at end of year	<u>\$ 5,302,982</u>	<u>\$ 5,302,982</u>	<u>\$ 5,099,164</u>	<u>\$ (203,818)</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, 2007**

	Public Safety Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 7,206,420	\$ 7,206,420	\$ 6,878,398	\$ (328,022)
Interest	25,710	25,710	191,289	165,579
Miscellaneous	-	-	277	277
Total revenues	<u>7,232,130</u>	<u>7,232,130</u>	<u>7,069,964</u>	<u>(162,166)</u>
Expenditures				
General government	332,450	332,450	273,493	58,957
Public safety	5,841,480	5,811,961	5,004,798	807,163
Capital outlay	512,800	688,079	483,552	204,527
Total expenditures	<u>6,686,730</u>	<u>6,832,490</u>	<u>5,761,843</u>	<u>1,070,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>545,400</u>	<u>399,640</u>	<u>1,308,121</u>	<u>908,481</u>
Other financing sources (uses)				
Transfers out	(1,273,410)	(1,127,650)	(1,127,650)	-
Total other financing sources (uses)	<u>(1,273,410)</u>	<u>(1,127,650)</u>	<u>(1,127,650)</u>	<u>-</u>
Net change in fund balance	(728,010)	(728,010)	180,471	908,481
Fund balance at beginning of year	<u>4,306,860</u>	<u>4,306,860</u>	<u>4,046,523</u>	<u>(260,337)</u>
Fund balance at end of year	<u>\$ 3,578,850</u>	<u>\$ 3,578,850</u>	<u>\$ 4,226,994</u>	<u>\$ 648,144</u>

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



**CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2007**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 419,094	\$ 89,262	\$ 367,048	\$ 875,404	\$ 300,538
Investments	34,461,170	29,992,085	1,958,078	66,411,333	1,091,671
Receivables					
Accounts, net	2,782,858	1,676,854	912,406	5,372,118	-
State and county taxes	168,666	-	-	168,666	-
Interest	231,070	197,223	15,840	444,133	10,030
Due from other governments	-	161,070	-	161,070	-
Inventories	403,633	10,206	62,557	476,396	321,928
Prepaid assets	52,206	970,104	-	1,022,310	-
Total current assets	<u>38,518,697</u>	<u>33,096,804</u>	<u>3,315,929</u>	<u>74,931,430</u>	<u>1,724,167</u>
Non-current assets:					
Restricted assets					
Cash and cash equivalents with fiscal agent	154,181	7,938,717	-	8,092,898	-
Capital assets:					
Capital assets, non-depreciable	22,532,944	6,933,582	-	29,466,526	-
Capital assets, depreciable (net)	<u>215,114,211</u>	<u>209,092,860</u>	<u>1,851,940</u>	<u>426,059,011</u>	<u>157,537</u>
Total non-current assets	<u>237,801,336</u>	<u>223,965,159</u>	<u>1,851,940</u>	<u>463,618,435</u>	<u>157,537</u>
Total assets	<u>276,320,033</u>	<u>257,061,963</u>	<u>5,167,869</u>	<u>538,549,865</u>	<u>1,881,704</u>
LIABILITIES					
Current liabilities:					
Accounts payable	2,646,653	910,336	220,378	3,777,367	130,412
Accrued payroll and employee benefits	110,691	50,757	72,479	233,927	39,060
Accrued liabilities	53,381	157,228	-	210,609	-
Construction contracts payable	129,178	237,150	-	366,328	-
Sales tax payable	175,833	131	-	175,964	-
Deposits held in custody for others	453,399	-	-	453,399	-
Due to other funds	-	-	-	-	328,565
Unearned revenue	32,434	-	-	32,434	-
Compensated absences	83,984	24,708	52,493	161,185	43,691
Water infrastructure obligations	-	790,247	-	790,247	-
Revenue bonds payable	126,500	821,092	-	947,592	-
Total current liabilities	<u>3,812,053</u>	<u>2,991,649</u>	<u>345,350</u>	<u>7,149,052</u>	<u>541,728</u>
Non-current liabilities:					
Claims payable	-	-	-	-	390,580
Compensated absences	20,995	6,178	13,123	40,296	-
Water infrastructure obligations	-	8,054,366	-	8,054,366	-
Revenue bonds payable	963,702	7,291,467	-	8,255,169	-
Total long term liabilities	<u>984,697</u>	<u>15,352,011</u>	<u>13,123</u>	<u>16,349,831</u>	<u>390,580</u>
Total liabilities	<u>4,796,750</u>	<u>18,343,660</u>	<u>358,473</u>	<u>23,498,883</u>	<u>932,308</u>
NET ASSETS					
Invested in capital assets, net of related debt	236,556,953	199,069,270	1,851,940	437,478,163	157,537
Restricted					
Grants	-	161,070	-	161,070	-
Capital improvements	15,428,914	19,810,130	-	35,239,044	-
Cash with fiscal agent	154,181	7,938,717	-	8,092,898	-
Unrestricted	<u>19,383,235</u>	<u>11,739,116</u>	<u>2,957,456</u>	<u>34,079,807</u>	<u>791,859</u>
Total net assets	<u>\$ 271,523,283</u>	<u>\$ 238,718,303</u>	<u>\$ 4,809,396</u>	<u>515,050,982</u>	<u>\$ 949,396</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				(86,968)	
Net assets of business-type activities (page 19)				<u>\$ 514,964,014</u>	

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating Revenues					
Charges for services	\$ 11,277,850	\$ 7,431,247	\$ 3,915,823	\$ 22,624,920	\$ 3,472,794
Miscellaneous	40,183	506	43,504	84,193	4,693
Total operating revenues	<u>11,318,033</u>	<u>7,431,753</u>	<u>3,959,327</u>	<u>22,709,113</u>	<u>3,477,487</u>
Operating Expenses					
Cost of sales and services	7,082,082	2,794,496	2,727,020	12,603,598	1,582,715
Administration	1,590,852	1,005,674	852,340	3,448,866	941,337
Insurance claims and expenses	-	-	-	-	1,082,484
Depreciation	4,882,612	4,831,922	534,312	10,248,846	81,031
Total operating expenses	<u>13,555,546</u>	<u>8,632,092</u>	<u>4,113,672</u>	<u>26,301,310</u>	<u>3,687,567</u>
Operating income (loss)	<u>(2,237,513)</u>	<u>(1,200,339)</u>	<u>(154,345)</u>	<u>(3,592,197)</u>	<u>(210,080)</u>
Non-operating revenues (expenses)					
Intergovernmental	-	258,611	-	258,611	-
Gain on sale of asset	6,100	-	58,123	64,223	-
Interest income	1,724,731	1,697,792	113,982	3,536,505	49,603
Interest expense	(55,362)	(731,781)	-	(787,143)	(10,695)
Total non-operating revenues (expenses)	<u>1,675,469</u>	<u>1,224,622</u>	<u>172,105</u>	<u>3,072,196</u>	<u>38,908</u>
Income (loss) before capital contributions, development fees and transfers	(562,044)	24,283	17,760	(520,001)	(171,172)
Capital contributions	10,288,264	12,813,945	-	23,102,209	-
Development fees	3,850,112	3,357,488	214,773	7,422,373	-
Transfers in	650,000	9,473,583	-	10,123,583	18,589
Transfers out	-	-	-	-	(33,500)
Change in net assets	<u>14,226,332</u>	<u>25,669,299</u>	<u>232,533</u>	<u>40,128,164</u>	<u>(186,083)</u>
Net assets - beginning, as restated	<u>257,296,951</u>	<u>213,049,004</u>	<u>4,576,863</u>	<u>474,922,818</u>	<u>1,135,479</u>
Net assets - ending	<u>\$ 271,523,283</u>	<u>\$ 238,718,303</u>	<u>\$ 4,809,396</u>		<u>\$ 949,396</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>(105,302)</u>	
Change in net assets of business-type activities (page 20-21)				<u>\$ 40,022,862</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, 2007**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 11,163,925	\$ 7,342,332	\$ 3,885,822	\$ 22,392,079	\$ 3,477,487
Payments to suppliers	(6,788,924)	(2,876,738)	(2,183,703)	(11,849,365)	(2,654,377)
Payments to employees	(2,509,385)	(1,053,865)	(1,251,157)	(4,814,406)	(806,231)
Net cash provided (used) by operating activities	<u>1,865,616</u>	<u>3,411,729</u>	<u>450,962</u>	<u>5,728,307</u>	<u>16,879</u>
Cash flows from non-capital financing activities:					
Due to other funds	-	-	-	-	243,068
Transfers in	650,000	9,473,583	-	10,123,583	18,589
Transfers out	-	-	-	-	(33,500)
Net cash provided (used) for non-capital financing activities	<u>650,000</u>	<u>9,473,583</u>	<u>-</u>	<u>10,123,583</u>	<u>228,157</u>
Cash flows from capital and related financing activities:					
Capital grants received	-	97,541	-	97,541	-
Proceeds from sale of capital assets	6,100	-	58,123	64,223	-
Development fees received	3,850,112	3,357,488	214,773	7,422,373	-
Acquisition and construction of capital assets	(9,850,606)	(6,648,806)	(642,662)	(17,142,074)	(56,735)
Principal payments on long-term debt	(121,898)	(1,566,330)	-	(1,688,228)	-
Interest paid on long-term debt	(58,227)	(739,565)	-	(797,792)	-
Net cash provided (used) for capital and related financing activities	<u>(6,174,519)</u>	<u>(5,499,672)</u>	<u>(369,766)</u>	<u>(12,043,957)</u>	<u>(56,735)</u>
Cash flows from investing activities:					
Interest received on investments	1,719,598	1,683,095	110,248	3,512,941	36,995
Net cash provided by investing activities	<u>1,719,598</u>	<u>1,683,095</u>	<u>110,248</u>	<u>3,512,941</u>	<u>36,995</u>
Net increase (decrease) in cash and cash equivalents	(1,939,305)	9,068,735	191,444	7,320,874	225,296
Cash and cash equivalents, beginning of period	36,973,750	28,951,329	2,133,682	68,058,761	1,166,913
Cash and cash equivalents, end of period	<u>\$35,034,445</u>	<u>\$38,020,064</u>	<u>\$ 2,325,126</u>	<u>\$ 75,379,635</u>	<u>\$ 1,392,209</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (2,237,513)	\$ (1,200,339)	\$ (154,345)	\$ (3,592,197)	\$ (210,080)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	4,882,612	4,831,922	534,312	10,248,846	81,031
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(306,872)	(89,421)	(73,505)	(469,798)	-
(Increase) decrease in inventories	(62,310)	11,683	(27,420)	(78,047)	(28,861)
(Increase) decrease in prepaid items	43,475	(30,511)	-	12,964	-
(Increase) decrease in due from other funds	-	-	-	-	-
Increase (decrease) in accounts payable	(681,471)	(117,841)	196,200	(603,112)	57,214
Increase (decrease) in accrued payroll and employee benefits	25,087	5,371	(2,186)	28,272	2,646
Increase (decrease) in accrued liabilities	4,530	-	-	4,530	110,497
Increase (decrease) in sales tax payable	12,064	131	-	12,195	-
Increase (decrease) in deposits held in custody for others	140,183	-	-	140,183	-
Increase (decrease) in unearned revenue	12,581	-	-	12,581	-
Increase (decrease) in compensated absences	33,250	734	(22,094)	11,890	4,432
Net cash provided (used) by operating activities	<u>\$ 1,865,616</u>	<u>\$ 3,411,729</u>	<u>\$ 450,962</u>	<u>\$ 5,728,307</u>	<u>\$ 16,879</u>
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:					
Cash and cash equivalents	\$ 419,094	\$ 89,262	\$ 367,048	\$ 875,404	\$ 300,538
Investments	34,461,170	29,992,085	1,958,078	66,411,333	1,091,671
Cash and cash equivalents with fiscal agent	154,181	7,938,717	-	8,092,898	-
Total cash and cash equivalents	<u>\$35,034,445</u>	<u>\$38,020,064</u>	<u>\$ 2,325,126</u>	<u>\$ 75,379,635</u>	<u>\$ 1,392,209</u>

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, 2007**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
	Water Utility	Wastewater Utility	Sanitation Utility		Total
Noncash investing, capital, and financing activities:					
Contributions of capital assets	\$10,288,264	\$12,813,945	\$ -	\$ 23,102,209	\$ -
Prior period adjustments to capital assets	10,340,953	12,864,541	45,423	23,250,917	-
Amortization of deferred bond costs	-	8,155	-	8,155	-
Total noncash activities	<u>\$20,629,217</u>	<u>\$25,686,641</u>	<u>\$ 45,423</u>	<u>\$ 46,361,281</u>	<u>\$ -</u>

**CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007**

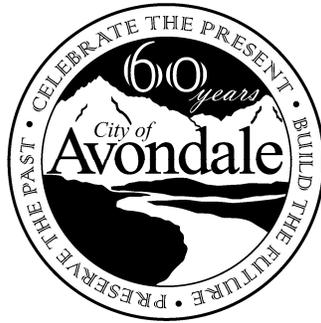
	Volunteer Firefighters' Relief and Pension Trust Fund
	<u> </u>
Assets	
Cash and cash equivalents	\$ 3,647
Investments, at fair value:	
State Treasurer's Local Government Investment Pool	255,066
Receivables	
Interest	<u>1,707</u>
Total assets	<u>260,420</u>
Liabilities	
Accounts payable	<u>-</u>
Net assets	
Held in trust for pension benefits	<u>260,420</u>
Total net assets	<u>\$ 260,420</u>

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2007**

	Volunteer Firefighters' Relief and Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$ -
Employee	-
Interest	<u>17,412</u>
Total additions	<u>17,412</u>
 <u>Deductions:</u>	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
 Change in net assets	12,612
 Total net assets, beginning of year	<u>247,808</u>
 Total net assets, end of year	<u><u>\$ 260,420</u></u>

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



**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basic Financial Statements

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements – The focus of the fund financial statements is upon the determination of financial position, changes in financial position, and cash flows (where applicable) of the governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Separate financial statements are presented for the governmental, proprietary, and fiduciary fund categories. The focus of fund financial statements is on major funds, each displayed in a separate column. Although the model sets forth minimum criteria for determining major funds (a percentage of assets, liabilities, revenues, expenditures/expenses of the fund category and of the governmental and enterprise funds combined), the model provides the governments the option of presenting other funds as major funds. The City has elected to present some additional funds as major funds because of community focus. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds account for the City's principal ongoing operations that are similar to those found in the private sector, where cost recovery and net income determination are useful for sound fiscal management. The proprietary funds financial statements are prepared on the same basis (*economic resources measurement focus* and *accrual basis of accounting*) as the government-wide financial statements and, therefore, the measurement focus is upon the determination of operating income, changes in net assets, financial position and cash flows. Since the proprietary fund basis of accounting is the same as the government-wide statements, most financial statement lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net income/loss of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation is provided on the face of the proprietary funds financial statements to reconcile total enterprise funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements.

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

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

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

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund or any transfers between funds must be approved by the City Council.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The original budget has been amended for the year ended June 30, 2007, in a legally permissible manner. Budget-to-actual comparisons are provided in this report for each of the governmental funds.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. All appropriations lapse at year-end.

E. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with original maturities of three months or less at the acquisition date to be cash equivalents. Cash and cash equivalents at June 30, 2007, included cash in bank, non-negotiable certificates of deposit, cash and investments held by the State Treasurer, and cash held by paying agent.

F. Cash and Investments

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

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

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

G. Inventories

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

H. Restricted Assets

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Deferred Revenue

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

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Open encumbrances are not reported as reservations of fund balance at June 30, 2007, but are liquidated and re-established at the beginning of the next fiscal year. Outstanding encumbrances at year-end were insignificant.

K. Investment Income

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

L. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid assets.

M. Fund Balance/Net Assets Reservations and Designations

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

N. Capital Assets

Capital assets, including public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, storm drain system, lighting system, water distribution system, sewer collection system, and other assets that are immovable and of value only to the City, are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Capital assets are reported in the government-wide financial statements and the proprietary funds financial statements. No long-term assets or depreciation are shown in the governmental funds financial statements.

The City has chosen not to apply the modified approach to any network, system, or subsystem of infrastructure assets.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

O. Compensated Absences

Compensated absences consist of vacation leave and vested sick leave earned by employees based on services already rendered. The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation accumulates up to 240 hours for regular full-time employees and 336 hours for regular full-time fire employees.

Vacation leave benefits can be taken as time off from work, within certain limitations, or may be payable to employees upon termination or retirement.

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. Use of Estimates

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

Q. Long-term Obligations

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

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

NOTE 2 BEGINNING BALANCES RESTATED

During the year, the City made prior period adjustments to restate beginning net assets in the government-wide Statement of Activities and proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Assets. The adjustments were made to capitalize right-of-ways acquired or constructed by the City as of June 30, 2005, and all infrastructure assets acquired and constructed by City as of June 30, 2006, net of accumulated depreciation. These infrastructure assets were not capitalized as of June 30, 2006, which resulted in an understatement of the City's infrastructure assets and net assets at June 30, 2006. In addition, an adjustment was made to correct a misclassification of accumulated depreciation at June 30, 2006, which had no effect on total beginning net assets in the government-wide Statement of Activities, but resulted in changes in beginning net assets in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Assets. The net effect of these corrections increased the 1) governmental activities non-depreciable capital assets by \$210,667,168, depreciable capital assets by \$23,878,983, and net assets by \$234,546,151, in the government-wide financial statements, 2) business-type activities depreciable capital assets and net assets by \$23,250,917 in the government-wide financial statements, and 3) depreciable capital assets and net assets in the Water, Wastewater and Sanitation Utility Funds by \$10,340,953, \$12,864,541 and \$45,423, respectively, in the proprietary funds Statement of Revenues, Expenses and Changes in Fund Net Assets.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 BEGINNING BALANCES RESTATED (Concluded)

The following summarizes the restatement of infrastructure in the government-wide financial statements and proprietary funds financial statements:

	Government-wide		
	Governmental	Business-type	
	Activities	Activities	
Net assets at June 30, 2006, as previously reported	\$ 257,257,353	\$ 451,690,235	
General infrastructure assets	234,546,151	-	
Water distribution system	-	10,340,953	
Sewer collection system	-	12,864,541	
Accumulated depreciation	-	45,423	
Net assets at July 1, 2006, as restated	<u>\$ 491,803,504</u>	<u>\$ 474,941,152</u>	

	Enterprise Funds		
	Water	Wastewater	Sanitation
	Utility	Utility	Utility
Net assets at June 30, 2006, as previously reported	\$ 246,955,998	\$ 200,184,463	\$ 4,531,440
Water distribution system	10,340,953	-	-
Sewer collection system	-	12,864,541	-
Accumulated depreciation	-	-	45,423
Net assets at July 1, 2006, as restated	<u>\$ 257,296,951</u>	<u>\$ 213,049,004</u>	<u>\$ 4,576,863</u>

NOTE 3 CASH AND INVESTMENTS

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

Custodial credit risk

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

Concentration of credit risk

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 CASH AND INVESTMENTS (Continued)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity period of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The City does not have a formal policy for interest rate risk.

Deposits

The City's carrying amount of deposits at June 30, 2007, excluding fiduciary cash, was \$5,039,114 and the bank balance was \$6,870,901. The difference between the book and bank balance was due to outstanding checks, deposits, and other reconciling items. Of the bank balance, \$343,366 was covered by federal depository insurance. The remaining deposits were collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Restricted cash and cash equivalents with fiscal agent - At June 30, 2007, the City had restricted cash with fiscal agent of \$16,556,223. Of this balance, \$9,817,544 (fair value) of restricted construction bond proceeds was invested with the State Treasurer's Local Government Investment Pool. The remaining cash balance of \$6,738,679 reflects cash temporarily held by fiscal agent for the City's July 1, 2007, debt service payments and was collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Fiduciary cash – At June 30, 2007, the Volunteer Firefighters' Relief and Pension Trust Fund had deposits of \$3,647 and the bank balance was \$3,647. The entire balance was collateralized with securities held by the pledging institution or by its trust department or agent, but not in the City's name.

Investments

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

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

The City invests in the State Treasurer's Local Government Investment Pool—Government Pool (LGIP-GOV). The LGIP-GOV invests solely in securities that are backed by the full faith and credit of the U.S. Government. The pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The Activity and performance of the pool is monitored monthly by the State Board of Investment in accordance with A.R.S. § 35-311. The maximum weighted average maturity for the LGIP-GOV is 0.50 years.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 CASH AND INVESTMENTS (Concluded)

The LGIP-GOV is stated at fair value, which approximates the value of the investment upon withdrawal. At June 30, 2007, the City's investment balances in the LGIP-GOV and credit risk were as follows

Investment Type	Weighted Average Maturity (Years)	Credit Risk		Fair Value
		Rating	Rating Agency	
State Treasurer's Pool				
Primary government	0.1	Unrated	Not Applicable	\$ 140,005,227
Fiduciary activities	0.1	Unrated	Not Applicable	255,066
Total Investments				<u>\$ 140,260,293</u>

NOTE 4 PROPERTY TAX REVENUES

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 PROPERTY TAX REVENUES (Concluded)

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

NOTE 5 RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the Water Utility, Wastewater Utility and Sanitation Utility at June 30, 2007, are \$300,000, \$220,000, and \$110,000, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility Funds are \$30,000, \$15,000 and \$10,000, 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, 2007, follows:

Governmental Activities	Balance July 1, 2006, as restated	Additions	Deletions	Balance June 30, 2007
Non-depreciable assets:				
Land	\$ 222,466,309	\$ 11,325,018	\$ (25,000)	\$ 233,766,327
Construction in Progress	18,208,054	17,058,722	(26,710,653)	8,556,123
Total non-depreciable capital assets	<u>240,674,363</u>	<u>28,383,740</u>	<u>(26,735,653)</u>	<u>242,322,450</u>
Depreciable assets:				
Building and improvement	40,153,755	8,710,561	-	48,864,316
Vehicles, furniture, and equipment	18,304,272	3,485,669	(649,412)	21,140,529
Infrastructure	291,080,446	41,774,493	-	332,854,939
Total depreciable capital assets	<u>349,538,473</u>	<u>53,970,723</u>	<u>(649,412)</u>	<u>402,859,784</u>
Less accumulated depreciation for:				
Buildings and improvements	7,006,505	1,194,415	-	8,200,920
Vehicles, furniture and equipment	11,963,267	2,705,728	(568,701)	14,100,294
Infrastructure	69,308,079	7,791,616	-	77,099,695
Total accumulated depreciation	<u>88,277,851</u>	<u>11,691,759</u>	<u>(568,701)</u>	<u>99,400,909</u>
Total capital assets being depreciated, net	<u>261,260,622</u>	<u>42,278,964</u>	<u>(80,711)</u>	<u>303,458,875</u>
Total governmental activities capital assets, net	<u>\$ 501,934,985</u>	<u>\$ 70,662,704</u>	<u>\$ (26,816,364)</u>	<u>\$ 545,781,325</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 6 CAPITAL ASSETS (Concluded)

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2007, follows:

Business-type activities:	Balance July 1, 2006, as restated	Additions	Deletions	Balance June 30, 2007
Non-depreciable assets:				
Land	\$ 16,252,303	\$ -	\$ -	\$ 16,252,303
Construction in progress	22,496,073	16,047,366	(25,329,216)	13,214,223
Total non-depreciable assets	<u>38,748,376</u>	<u>16,047,366</u>	<u>(25,329,216)</u>	<u>29,466,526</u>
Depreciable assets:				
Water system	223,752,770	29,032,375	-	252,785,145
Sewer System	196,056,502	19,399,048	-	215,455,550
Wastewater treatment system	31,775,615	-	-	31,775,615
Vehicles, furniture and equipment	5,542,194	1,137,534	(456,858)	6,222,870
Total depreciable capital assets	<u>457,127,081</u>	<u>49,568,957</u>	<u>(456,858)</u>	<u>506,239,180</u>
Less accumulated depreciation for:				
Water system	33,436,618	4,675,116	-	38,111,734
Sewer System	26,849,250	4,158,298	-	31,007,548
Wastewater treatment system	6,929,318	600,037	-	7,529,355
Vehicles, furniture and equipment	3,172,995	815,395	(456,858)	3,531,532
Total accumulated depreciation	<u>70,388,181</u>	<u>10,248,846</u>	<u>(456,858)</u>	<u>80,180,169</u>
Total business-type activities capital assets being depreciated, net	<u>386,738,900</u>	<u>39,320,111</u>	<u>-</u>	<u>426,059,011</u>
Total business-type activity capital assets, net	<u>\$ 425,487,276</u>	<u>\$ 55,367,477</u>	<u>\$ (25,329,216)</u>	<u>\$ 455,525,537</u>

The July 1, 2006, governmental and business-type activities capital assets balances were restated to include major infrastructure assets of the City as described in Note 2.

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

Governmental activities:	
General government	\$ 1,216,821
Public safety	1,879,228
Highways and streets	7,929,917
Health and welfare	19,106
Economic and community development	27,940
Culture and recreation	537,714
Internal services	81,031
Total depreciation expenses - governmental activities	<u>\$ 11,691,759</u>
Business-type activities:	
Avondale Water utility	\$ 4,876,055
Wastewater utility	4,839,825
Sanitation utility	532,966
Total depreciation expenses - business-type activities	<u>\$ 10,248,846</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 NET ASSETS

The City's government-wide Statement of Net Assets reports \$89,271,238 of restricted net assets, of which \$ 29,263,756 is restricted by enabling legislation.

NOTE 8 RETIREMENT PLANS

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

Arizona State Retirement System

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

Funding Policy. The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2007, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2007, 2006 and 2005 were \$1,670,809, \$1,051,987 and \$692,189, respectively, which were equal to the required contributions for those years.

Public Safety Personnel Retirement System

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS (Continued)

Funding Policy - The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2007, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 8.63 percent for police and 8.24 percent for fire. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2007, the date of the most recent actuarial valuation, and related information follow.

	PSPRS – Police	PSPRS – Fire
Contribution rates:		
City	8.63%	8.24%
Plan members	7.65%	7.65%
Annual pension cost	475,455	348,436
Contributions made	475,455	348,436
Actuarial valuation date	6/30/07	6/30/07
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
Includes inflation at cost-of-living adjustments	5.00%	5.00%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2007	\$475,455	100%	-
	2006	\$491,661	100%	-
	2005	\$442,882	100%	-
PSPRS – Fire	2007	\$348,436	100%	-
	2006	\$367,553	100%	-
	2005	\$179,635	100%	-

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS (Continued)

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2007, follows:

PSPRS – Police

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/07	\$ 8,659,169	\$12,624,356	\$3,965,187	68.6%	\$5,557,381	71.3%
6/30/06	\$ 8,191,645	\$10,473,925	\$2,282,280	78.2%	\$4,788,461	47.7%
6/30/05	\$ 7,261,452	\$9,067,492	\$1,806,040	80.1%	\$ 4,287,267	42.1%

PSPR – Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/07	\$6,457,208	\$9,202,005	\$2,744,797	70.2%	\$ 4,098,945	67.0%
6/30/06	\$5,787,876	\$7,202,151	\$1,414,275	80.4%	\$ 3,614,970	39.1%
6/30/05	\$4,584,992	\$5,004,123	\$419,980	91.6%	\$ 2,919,910	14.4%

Elected Officials' Retirement Plan

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

For the year ended June 30, 2007, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The payroll for employees covered by EORP for the year ended June 30, 2007, was \$55,566. City contributions to the plan were 18.55% of the members' annual covered payroll, as determined by actuarial valuation. The City's contribution to EORP for the years ended June 30, 2007, 2006 and 2005 were \$10,307, \$11,893 and \$8,256, respectively, which were equal to the required contributions for those years.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 8 RETIREMENT PLANS (Concluded)

Volunteer Firefighters' Relief and Pension Trust Fund

The Volunteer Firefighters' Relief and Pension Fund (Fund) is a defined contribution plan to provide pensions to volunteer firefighters only. The plan is administered by state statute that requires both the employee and the City to make contributions equal to 5 percent of the employee's compensation. Some monies are also received from the State. After a volunteer firefighter has 20 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the Fund, not to exceed \$400. If an employee resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the State, or earnings on any of the contributions.

The payroll for employees covered by the Fund for the year ended June 30, 2007, was \$0. Therefore, there were no required contributions from either the City or the employees.

NOTE 9 LONG-TERM OBLIGATIONS

A summary of changes in governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2007, follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,543,083	\$ 668,732	\$ 187,208	\$ 2,024,607	\$ 1,619,686
Capital leases payable	3,061,370	-	467,186	2,594,184	455,350
Contractual obligations	321,000	-	107,000	214,000	107,000
Claims payable	280,080	364,653	254,153	390,580	56,650
Municipal Development					
Corporation Bonds	49,568,641	18,500,000	3,266,405	64,802,236	3,692,409
General Obligation Bonds	17,705,000	2,500,000	1,575,000	18,630,000	2,265,000
Highway User Revenue Bonds	3,920,000	-	410,000	3,510,000	135,000
Total	<u>\$ 76,399,174</u>	<u>\$ 22,033,385</u>	<u>\$ 6,266,952</u>	<u>\$ 92,165,607</u>	<u>\$ 8,331,095</u>

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year end, internal service funds compensated absences of \$43,691 are included in the above liabilities.

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

Capital Leases Payable - The City has entered into lease agreements for a number of capital purchases, including office buildings, street lights, sanitation trucks, and other heavy equipment. These leases provide bargain purchase options and transfer of title at the end of the lease term. The leases range from 5 to 10 years in length and vary in interest rates from 5.25% to 7.8%.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

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

Asset:	
Buildings and Improvements	\$ 2,174,449
Vehicles	1,692,706
Less: accumulated depreciation	(885,647)
Total	<u>\$ 2,981,508</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 455,350	\$ 99,664
2009	412,040	81,164
2010	397,311	64,740
2011	381,666	49,232
2012	397,276	33,623
2013-2017	550,541	19,037
Total	<u>\$2,594,184</u>	<u>\$347,461</u>

Contractual Obligations - The contractual obligations line item reflects the City's required financial contribution toward bridge construction that occurred in an earlier year. The City was required to make equal annual payments of \$107,000. There is no interest. Two payments remain at the end of fiscal year 2007.

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1999 series bonds	3.60 - 4.70%	2011	\$ 2,674,530
2002 series bonds	3.00 - 4.25%	2015	10,975,000
2003 series bonds	2.00 - 3.75%	2015	10,260,000
2004 series bonds	2.50 - 4.30%	2020	11,200,000
2005 series bonds	3.00 - 4.00%	2020	11,192,706
2006 series bonds	4.00 - 5.00%	2027	18,500,000
			<u>\$ 64,802,236</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for Municipal Development Corporation Bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 3,692,409	\$ 2,456,116
2009	4,067,522	2,325,944
2010	4,277,055	2,165,108
2011	4,444,029	2,004,407
2012	4,516,945	1,838,399
2013-2017	21,361,908	6,693,838
2018-2022	16,062,368	2,769,446
2023-2027	6,380,000	669,250
Total	<u>\$ 64,802,236</u>	<u>\$ 20,922,508</u>

Refunded Municipal Development Corporation Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2007, amounted to \$10,920,926. The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1999 series bonds	4.80 - 5.00%	2019	\$ 2,329,231
2002 series bonds	4.75 - 5.00%	2020	8,200,000
			<u>\$ 10,529,231</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1997 series bonds	7.125%	2007	\$ 315,000
1998 series bonds	4.10 - 5.80%	2018	3,650,000
2003 series A bonds	2.00 - 4.00%	2014	2,340,000
2003 series B bonds	2.00 - 2.75%	2010	5,730,000
2005 series bonds	3.00 - 5.00%	2016	4,095,000
2006 series bonds	3.75 - 4.00%	2018	2,500,000
			<u>\$ 18,630,000</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,265,000	\$ 568,048
2009	2,915,000	488,630
2010	3,070,000	402,240
2011	2,195,000	333,280
2012	1,140,000	340,036
2013-2017	6,065,000	745,333
2018-2022	980,000	18,673
Total	<u>\$ 18,630,000</u>	<u>\$ 2,896,240</u>

Refunded General Obligation Bonds

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2007, amounted to \$4,055,223. The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1997 series bonds	4.625 - 5.125%	2016	\$ 4,030,000
			<u>\$ 4,030,000</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1998 series bonds	4.40 - 4.500%	2008	\$ 365,000
2005 series bonds	3.00 - 3.875%	2017	3,145,000
			<u>\$ 3,510,000</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

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>
2008	\$ 135,000	\$ 122,308
2009	290,000	109,838
2010	305,000	100,688
2011	315,000	90,844
2012	325,000	79,875
2013-2017	1,810,000	206,263
2018-2022	330,000	-
Total	<u>\$ 3,510,000</u>	<u>\$ 709,816</u>

Refunded Highway User Revenue Bonds

In prior years, the City defeased certain highway user revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2007, amounted to \$3,027,745. The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1998 series bonds	4.50 - 5.00%	2017	\$ 2,980,000
			<u>\$ 2,980,000</u>

A summary of changes in long-term liabilities for the business-type activities reported in the government-wide financial statements for the year ended June 30, 2007, follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 189,591	\$ 41,329	\$ 29,439	\$ 201,481	\$ 161,185
Water and Sewer Revenue					
Bonds	1,500,000	-	90,000	1,410,000	90,000
Municipal Development					
Corporation Bonds	8,631,357	-	838,596	7,792,761	857,592
Water Infrastructure					
Financing Loans	9,604,245	-	759,632	8,844,613	790,247
Total	<u>\$ 19,925,193</u>	<u>\$ 41,329</u>	<u>\$ 1,717,667</u>	<u>\$ 18,248,855</u>	<u>\$ 1,899,024</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1998 series bonds	4.10 - 5.95%	2018	\$ 1,410,000
			<u>\$ 1,410,000</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>
2008	\$ 90,000	\$ 60,673
2009	95,000	56,730
2010	100,000	52,480
2011	105,000	47,913
2012	110,000	43,073
2013-2017	625,000	130,713
2018-2022	285,000	7,033
Total	<u>\$ 1,410,000</u>	<u>\$ 398,615</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2007</u>
1996 series bonds	3.45 - 5.20%	2013	\$ 4,740,000
1999 series (37% of total issue)	3.60 - 4.70%	2011	1,585,469
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	1,467,292
			<u>\$ 7,792,761</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 857,592	\$ 330,319
2009	897,479	288,069
2010	942,945	242,742
2011	990,971	194,098
2012	1,138,055	136,655
2013-2017	2,028,088	272,816
2018-2022	937,631	51,784
Total	<u>\$ 7,792,761</u>	<u>\$ 1,516,483</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 9 LONG-TERM OBLIGATIONS (Concluded)

Refunded Municipal Development Corporation Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2007, amounted to \$1,432,135. The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2007
1999 series bonds	4.80 - 5.00%	2019	\$ 1,380,769
			<u>\$ 1,380,769</u>

Water Infrastructure Financing Loan (WIFA) - WIFA agreements are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2007
1992 series	3.40%	2012	\$ 3,924,113
1999 series	3.94%	2021	4,920,500
			<u>\$ 8,844,613</u>

Annual debt service requirements to maturity for Water Infrastructure Financing Loans are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 790,247	\$ 299,029
2009	819,829	269,628
2010	848,345	239,197
2011	885,296	207,447
2012	920,685	174,430
2013-2017	2,893,644	477,337
2018-2022	1,686,567	102,885
Total	<u>\$ 8,844,613</u>	<u>\$ 1,769,953</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 10 SEGMENT INFORMATION

Since the City's three identifiable business segments are discretely presented in the proprietary funds financial statements, all required information is disclosed on the face of those statements.

NOTE 11 INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS

Interfund balances as of June 30, 2007, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Dedicated Sales Tax Revenue Fund	\$ 11,875
General Fund	Non-major Governmental Funds	5,028
General Fund	Internal Service Funds	328,565
		<u>\$ 345,468</u>

The \$345,468 interfund receivable in the General Fund is due primarily to borrowing in the Fleet Management Fund and Dedicated Sales Tax Revenue Fund to offset a temporary deficit cash position in the funds.

Interfund transfers for the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ 8,361,070
Highway User Revenue Fund	-	822,560
Dedicated Sales Tax Revenue Fund	-	7,635,000
Public Safety Sales Tax Revenue Fund	-	1,127,650
Development Fees Fund	18,467,280	1,132,331
Non-major Governmental Funds	9,588,379	19,085,720
Total governmental funds	<u>28,055,659</u>	<u>38,164,331</u>
Enterprise funds:		
Water Utility Fund	650,000	-
Wastewater Utility Fund	9,473,583	-
Total enterprise funds	<u>10,123,583</u>	<u>-</u>
Internal service funds	18,589	33,500
Grand total	<u>\$ 38,197,831</u>	<u>\$ 38,197,831</u>

During the year, the City transferred about 1) \$5.6 million from the General Fund to the Development Fees Fund for street, library, parks, field operations, and police development capital projects, 2) \$7.6 million from the Dedicated Sales Tax Revenue Fund to the Development Fees Fund (\$2.5 million) for street construction, the Dedicated Sales Tax Bonds Fund (\$4.3 million) for debt service, and the Water and Wastewater Utility Funds (\$0.8 million) for water and wastewater system capital projects, and 3) \$19.0 million from the Other Capital Projects Fund to the Development Fees Fund (\$9.7 million) for street and library capital projects and the Wastewater Utility Fund (\$9.3 million) for wastewater system capital projects.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 11 INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS (Concluded)

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

NOTE 12 RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for Property Insurance, Public Employee Fidelity Bonds, Crime Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

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

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

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

Changes in the Risk Management Fund's aggregate claims liability for the fiscal years ended June 30, 2007, and 2006 were as follows:

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

NOTE 13 CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of other lawsuits as of June 30, 2007. It is the opinion of management and city counsel that the amount of losses resulting from this litigation at June 30, 2007, if any, would not be material to the financial position of the City.

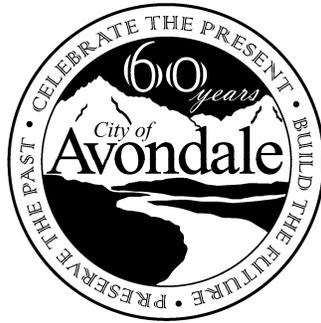
Federal and State Grants - The City has received a number of grants from both the federal and state governments. Some programs have been audited as of June 30, 2007. The City expects no material disallowance of expenditures.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 14 COMMITMENTS

The City has active design and construction projects as of June 30, 2007. The projects and remaining balances for work not completed as of June 30, 2007, were as follows. These commitments are being financed from development fees, with the exception of the police impound lot, which is being financed from general operating fund balances.

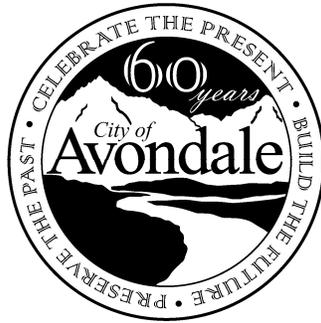
Street construction and improvements	\$ 113,750
Police impound lot construction	147,500
Park design and construction	636,896
Wastewater treatment system expansion	377,753
Water system expansion and water treatment	<u>594,064</u>
Total	<u>\$1,869,963</u>



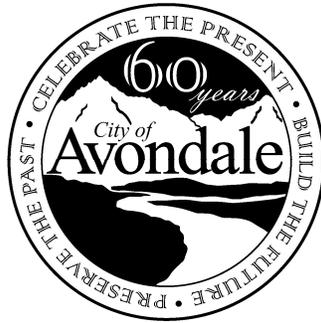
BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUND

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2007**

	Development Fees Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 7,085,550	\$ 7,085,550	\$ 4,582,039	\$ (2,503,511)
Intergovernmental	6,350,000	6,350,000	89,293	(6,260,707)
Interest	50,410	50,410	779,629	729,219
Miscellaneous revenues	-	-	1,452,855	1,452,855
Total revenues	<u>13,485,960</u>	<u>13,485,960</u>	<u>6,903,816</u>	<u>(6,582,144)</u>
Expenditures				
Public safety	-	-	1,140,586	(1,140,586)
Highway and streets	-	-	124,930	(124,930)
Culture and recreation	1,685,000	835,000	1,062,221	(227,221)
Debt service				
Principal	249,070	249,070	191,211	57,859
Interest and other charges	-	-	91,804	(91,804)
Capital outlay	<u>41,264,490</u>	<u>41,809,490</u>	<u>18,654,975</u>	<u>23,154,515</u>
Total expenditures	<u>43,198,560</u>	<u>42,893,560</u>	<u>21,265,727</u>	<u>21,627,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,712,600)</u>	<u>(29,407,600)</u>	<u>(14,361,911)</u>	<u>15,045,689</u>
Other financing sources (uses)				
Bond issuance	-	-	2,500,000	2,500,000
Bond premium (discount)	-	-	11,374	11,374
Transfers in	8,717,280	8,717,280	18,467,280	9,750,000
Transfers out	<u>(1,357,140)</u>	<u>(1,357,140)</u>	<u>(1,132,331)</u>	<u>224,809</u>
Total other financing sources (uses)	<u>7,360,140</u>	<u>7,360,140</u>	<u>19,846,323</u>	<u>12,486,183</u>
Net change in fund balance	(22,352,460)	(22,047,460)	5,484,412	27,531,872
Fund balance at beginning of year	<u>26,572,775</u>	<u>26,572,775</u>	<u>12,122,350</u>	<u>(14,450,425)</u>
Fund balance at end of year	<u>\$ 4,220,315</u>	<u>\$ 4,525,315</u>	<u>\$ 17,606,762</u>	<u>\$ 13,081,447</u>



COMBINING STATEMENTS – NON-MAJOR GOVERNMENTAL FUNDS



**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007**

	<u>Special Revenue Funds</u>		
	<u>Local Transportation Assistance Fund</u>	<u>Senior Programs</u>	<u>Judicial Collection Enhancement Fund</u>
ASSETS			
Cash and cash equivalents	\$ 191,154	\$ 121,453	\$ 261,990
Investments	1,327,075	-	-
Receivables			
Taxes	-	-	-
Accounts	-	44,452	-
Interest	11,482	-	1,437
Due from other governments	436,170	1,684	-
Prepaid assets	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Total assets	<u>\$ 1,965,881</u>	<u>\$ 167,589</u>	<u>\$ 263,427</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 4,546	\$ 5,078	\$ 8,986
Accrued payroll and employee benefits	6,420	18,521	-
Accrued liabilities	-	-	-
Construction contracts payable	-	-	-
Sales tax payable	-	-	-
Due to other funds	-	-	-
Deferred revenues	418,888	40,932	-
Total liabilities	<u>429,854</u>	<u>64,531</u>	<u>8,986</u>
Fund balances:			
Reserved for:			
Prepaid assets	-	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Unreserved	1,536,027	103,058	254,441
Total fund balances	<u>1,536,027</u>	<u>103,058</u>	<u>254,441</u>
Total liabilities and fund balances	<u>\$ 1,965,881</u>	<u>\$ 167,589</u>	<u>\$ 263,427</u>

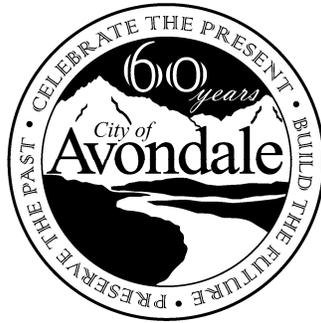
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**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Other Special Revenue</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
ASSETS				
Cash and cash equivalents	\$ 487,253	\$ -	\$ 236,571	\$ 94,286
Investments	571,869	-	2,980,818	91,425
Receivables				
Taxes	-	-	-	-
Accounts	12,865	-	-	-
Interest	6,001	-	21,490	1,081
Due from other governments	277,499	-	-	-
Prepaid assets	-	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-
Total assets	<u>\$ 1,355,487</u>	<u>\$ -</u>	<u>\$ 3,238,879</u>	<u>\$ 186,792</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 32,783	\$ -	\$ 390	\$ 3,629
Accrued payroll and employee benefits	14,294	-	-	-
Accrued liabilities	27,807	-	-	-
Construction contracts payable	-	-	-	-
Sales tax payable	56	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	160,432	-	-	-
Total liabilities	<u>235,372</u>	<u>-</u>	<u>390</u>	<u>3,629</u>
Fund balances:				
Reserved for:				
Prepaid assets	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-
Unreserved	1,120,115	-	3,238,489	183,163
Total fund balances	<u>1,120,115</u>	<u>-</u>	<u>3,238,489</u>	<u>183,163</u>
Total liabilities and fund balances	<u>\$ 1,355,487</u>	<u>\$ -</u>	<u>\$ 3,238,879</u>	<u>\$ 186,792</u>

Debt Service Funds

Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non- Major Governmental Funds
\$ 225,791	\$ 209,767	\$ 176,559	\$ 39,002	\$ 238,503	\$ 2,282,329
387,429	13,862	104,411	2,856,006	17,648	8,350,543
-	105,601	-	-	-	105,601
14,206	-	-	-	-	71,523
3,577	-	2,402	17,938	1,281	66,689
-	-	-	-	-	715,353
-	1,910,000	105,000	-	-	2,015,000
-	482,472	85,819	3,311,780	1,816,108	5,696,179
<u>\$ 631,003</u>	<u>\$ 2,721,702</u>	<u>\$ 474,191</u>	<u>\$ 6,224,726</u>	<u>\$ 2,073,540</u>	<u>\$ 19,303,217</u>
\$ -	\$ 750	\$ 750	\$ -	\$ -	\$ 56,912
-	-	-	-	-	39,235
-	127,472	55,819	1,120,434	257,432	1,588,964
-	-	-	-	-	-
-	-	-	-	-	56
-	5,028	-	-	-	5,028
-	42,251	-	-	-	662,503
<u>-</u>	<u>175,501</u>	<u>56,569</u>	<u>1,120,434</u>	<u>257,432</u>	<u>2,352,698</u>
-	1,910,000	105,000	-	-	2,015,000
-	153,729	226,803	1,792,512	-	2,173,044
631,003	-	-	-	-	631,003
-	482,472	85,819	3,311,780	1,816,108	5,696,179
-	-	-	-	-	6,435,293
<u>631,003</u>	<u>2,546,201</u>	<u>417,622</u>	<u>5,104,292</u>	<u>1,816,108</u>	<u>16,950,519</u>
<u>\$ 631,003</u>	<u>\$ 2,721,702</u>	<u>\$ 474,191</u>	<u>\$ 6,224,726</u>	<u>\$ 2,073,540</u>	<u>\$ 19,303,217</u>



**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

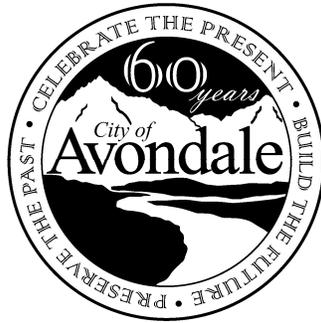
	Special Revenue Funds		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	595,186	287,464	-
Charges for services	-	-	115,067
Interest	66,927	-	12,354
Contributions	-	35,418	-
Miscellaneous revenue	-	-	-
Total revenue	<u>662,113</u>	<u>322,882</u>	<u>127,421</u>
Expenditures			
Current:			
General government	-	-	37,613
Public safety	-	-	-
Highway and streets	-	-	-
Health and welfare	-	478,503	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	588,627	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	12,490	6,194	-
Total expenditures	<u>601,117</u>	<u>484,697</u>	<u>37,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,996</u>	<u>(161,815)</u>	<u>89,808</u>
Other financing sources (uses)			
Bond issuance	-	-	-
Bond premium (discount)	-	-	-
Sale of capital assets	-	-	-
Transfers in	480,000	140,500	-
Transfers out	(670)	-	-
Total other financing sources (uses)	<u>479,330</u>	<u>140,500</u>	<u>-</u>
Net change in fund balances	540,326	(21,315)	89,808
Fund balances at beginning of year	<u>995,701</u>	<u>124,373</u>	<u>164,633</u>
Fund balances at end of year	<u>\$ 1,536,027</u>	<u>\$ 103,058</u>	<u>\$ 254,441</u>

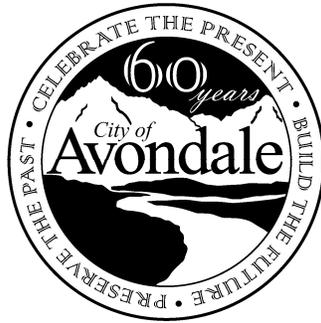
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**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Other Special Revenue	Vehicle Replacement	Equipment Replacement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	989,862	-	-	-
Charges for services	-	-	-	-
Interest	41,570	-	144,884	9,519
Contributions	247,567	-	-	-
Miscellaneous revenue	14,454	-	-	-
Total revenue	<u>1,293,453</u>	<u>-</u>	<u>144,884</u>	<u>9,519</u>
Expenditures				
Current:				
General government	25,752	-	761	419,758
Public safety	347,696	-	-	-
Highway and streets	-	-	-	-
Health and welfare	253,181	-	-	-
Economic and community development	1,562	-	-	-
Culture and recreation	21,537	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	95,253	-	956,108	230,698
Total expenditures	<u>744,981</u>	<u>-</u>	<u>956,869</u>	<u>650,456</u>
Excess (deficiency) of revenues over (under) expenditures	<u>548,472</u>	<u>-</u>	<u>(811,985)</u>	<u>(640,937)</u>
Other financing sources (uses)				
Bond issuance	-	-	-	-
Bond premium (discount)	-	-	-	-
Sale of capital assets	-	-	15,053	9,689
Transfers in	256,350	-	1,292,871	499,579
Transfers out	-	(5,889)	-	-
Total other financing sources (uses)	<u>256,350</u>	<u>(5,889)</u>	<u>1,307,924</u>	<u>509,268</u>
Net change in fund balances	804,822	(5,889)	495,939	(131,669)
Fund balances at beginning of year	<u>315,293</u>	<u>5,889</u>	<u>2,742,550</u>	<u>314,832</u>
Fund balances at end of year	<u>\$ 1,120,115</u>	<u>\$ -</u>	<u>\$ 3,238,489</u>	<u>\$ 183,163</u>

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non- Major Governmental Funds
\$ -	\$ 2,837,034	\$ -	\$ -	\$ -	\$ 2,837,034
-	-	-	-	-	1,872,512
-	-	-	-	-	115,067
27,371	45,829	12,110	244,711	10,111	615,386
93,113	-	-	-	578,124	954,222
-	-	-	-	-	14,454
<u>120,484</u>	<u>2,882,863</u>	<u>12,110</u>	<u>244,711</u>	<u>588,235</u>	<u>6,408,675</u>
-	-	-	-	-	483,884
-	-	-	-	-	347,696
-	-	-	-	-	-
-	-	-	-	-	731,684
-	-	-	-	-	1,562
-	-	-	-	-	21,537
-	-	-	-	-	588,627
-	1,575,000	410,000	1,735,815	1,530,589	5,251,404
355,900	614,139	129,592	1,728,754	518,505	3,346,890
-	-	-	-	-	1,300,743
<u>355,900</u>	<u>2,189,139</u>	<u>539,592</u>	<u>3,464,569</u>	<u>2,049,094</u>	<u>12,074,027</u>
<u>(235,416)</u>	<u>693,724</u>	<u>(527,482)</u>	<u>(3,219,858)</u>	<u>(1,460,859)</u>	<u>(5,665,352)</u>
18,500,000	-	-	-	-	18,500,000
934,393	-	-	-	-	934,393
-	-	-	-	-	24,742
-	-	550,000	4,610,191	1,758,888	9,588,379
<u>(19,079,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,085,720)</u>
<u>355,232</u>	<u>-</u>	<u>550,000</u>	<u>4,610,191</u>	<u>1,758,888</u>	<u>9,961,794</u>
119,816	693,724	22,518	1,390,333	298,029	4,296,442
<u>511,187</u>	<u>1,852,477</u>	<u>395,104</u>	<u>3,713,959</u>	<u>1,518,079</u>	<u>12,654,077</u>
<u>\$ 631,003</u>	<u>\$ 2,546,201</u>	<u>\$ 417,622</u>	<u>\$ 5,104,292</u>	<u>\$ 1,816,108</u>	<u>\$ 16,950,519</u>





BUDGETARY COMPARISON SCHEDULES – COMBINING NON-MAJOR FUNDS

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2007

	Local Transportation Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 505,290	\$ 505,290	\$ 595,186	\$ 89,896
Interest	24,430	24,430	66,927	42,497
Total revenues	<u>529,720</u>	<u>529,720</u>	<u>662,113</u>	<u>132,393</u>
Expenditures				
Transportation	1,331,780	1,331,780	588,627	743,153
Capital outlay	-	1,712,490	12,490	1,700,000
Total expenditures	<u>1,331,780</u>	<u>3,044,270</u>	<u>601,117</u>	<u>2,443,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(802,060)</u>	<u>(2,514,550)</u>	<u>60,996</u>	<u>2,575,546</u>
Other financing sources (uses)				
Transfers in	480,000	480,000	480,000	-
Transfers out	(670)	(670)	(670)	-
Total other financing sources (uses)	<u>479,330</u>	<u>479,330</u>	<u>479,330</u>	<u>-</u>
Net change in fund balance	(322,730)	(2,035,220)	540,326	2,575,546
Fund balance at beginning of year	<u>1,077,161</u>	<u>1,077,161</u>	<u>995,701</u>	<u>(81,460)</u>
Fund balance (deficit) at end of year	<u>\$ 754,431</u>	<u>\$ (958,059)</u>	<u>\$ 1,536,027</u>	<u>\$ 2,494,086</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2007**

	Senior Programs Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 178,570	\$ 246,555	\$ 287,464	\$ 40,909
Contributions	71,000	81,000	35,418	(45,582)
Total revenues	<u>249,570</u>	<u>327,555</u>	<u>322,882</u>	<u>(4,673)</u>
Expenditures				
Health and welfare	426,190	495,337	478,503	16,834
Capital outlay	-	8,838	6,194	2,644
Total expenditures	<u>426,190</u>	<u>504,175</u>	<u>484,697</u>	<u>19,478</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,620)</u>	<u>(176,620)</u>	<u>(161,815)</u>	<u>14,805</u>
Other financing sources (uses)				
Transfers in	140,500	140,500	140,500	-
Total other financing sources (uses)	<u>140,500</u>	<u>140,500</u>	<u>140,500</u>	<u>-</u>
Net change in fund balance	(36,120)	(36,120)	(21,315)	14,805
Fund balance at beginning of year	<u>84,445</u>	<u>84,445</u>	<u>124,373</u>	<u>39,928</u>
Fund balance at end of year	<u>\$ 48,325</u>	<u>\$ 48,325</u>	<u>\$ 103,058</u>	<u>\$ 54,733</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, 2007**

	Judicial Collection Enhancement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ 79,700	\$ 79,700	\$ 115,067	\$ 35,367
Interest	-	-	12,354	12,354
Total revenues	<u>79,700</u>	<u>79,700</u>	<u>127,421</u>	<u>47,721</u>
Expenditures				
General government	111,000	161,000	37,613	123,387
Capital outlay	-	-	-	-
Total expenditures	<u>111,000</u>	<u>161,000</u>	<u>37,613</u>	<u>123,387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,300)</u>	<u>(81,300)</u>	<u>89,808</u>	<u>171,108</u>
Fund balance at beginning of year	<u>155,930</u>	<u>155,930</u>	<u>164,633</u>	<u>8,703</u>
Fund balance at end of year	<u>\$ 124,630</u>	<u>\$ 74,630</u>	<u>\$ 254,441</u>	<u>\$ 179,811</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, 2007

	Grants-in-Aid Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 886,410	\$ 1,197,724	\$ 989,862	\$ (207,862)
Interest	500	500	41,570	41,070
Contributions	11,000	130,972	247,567	116,595
Miscellaneous revenues	5,000,000	4,490,729	14,454	(4,476,275)
Total revenues	<u>5,897,910</u>	<u>5,819,925</u>	<u>1,293,453</u>	<u>(4,526,472)</u>
Expenditures				
General government	5,075,000	2,754,729	25,752	2,728,977
Public safety	434,980	545,061	347,696	197,365
Health and welfare	653,750	311,791	253,181	58,610
Economic and community development	-	350,489	1,562	348,927
Culture and recreation	-	40,376	21,537	18,839
Capital outlay	50,000	371,479	95,253	276,226
Total expenditures	<u>6,213,730</u>	<u>4,373,925</u>	<u>744,981</u>	<u>3,628,944</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(315,820)</u>	<u>1,446,000</u>	<u>548,472</u>	<u>(897,528)</u>
Other financing sources (uses)				
Transfers in	<u>256,350</u>	<u>256,350</u>	<u>256,350</u>	<u>-</u>
Total other financing sources (uses)	<u>256,350</u>	<u>256,350</u>	<u>256,350</u>	<u>-</u>
Net change in fund balance	(59,470)	1,702,350	804,822	(897,528)
Fund balance at beginning of year	<u>284,851</u>	<u>284,851</u>	<u>315,293</u>	<u>30,442</u>
Fund balance at end of year	<u>\$ 225,381</u>	<u>\$ 1,987,201</u>	<u>\$ 1,120,115</u>	<u>\$ (867,086)</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2007**

	Vehicle Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	32,800	32,800	144,884	112,084
Total revenues	<u>32,800</u>	<u>32,800</u>	<u>144,884</u>	<u>112,084</u>
Expenditures				
General government	-	-	761	(761)
Capital outlay	656,660	961,660	956,108	5,552
Total expenditures	<u>656,660</u>	<u>961,660</u>	<u>956,869</u>	<u>4,791</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(623,860)</u>	<u>(928,860)</u>	<u>(811,985)</u>	<u>116,875</u>
Other financing sources (uses)				
Sale of capital assets	-	-	15,053	15,053
Transfers in	1,404,910	1,404,910	1,292,871	(112,039)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,404,910</u>	<u>1,404,910</u>	<u>1,307,924</u>	<u>(96,986)</u>
Net change in fund balance	781,050	476,050	495,939	19,889
Fund balance at beginning of year	<u>2,218,425</u>	<u>2,218,425</u>	<u>2,742,550</u>	<u>524,125</u>
Fund balance at end of year	<u>\$ 2,999,475</u>	<u>\$ 2,694,475</u>	<u>\$ 3,238,489</u>	<u>\$ 544,014</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2007**

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 9,519	\$ 8,519
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>9,519</u>	<u>8,519</u>
Expenditures				
General government	-	-	419,758	(419,758)
Capital outlay	662,200	662,200	230,698	431,502
Total expenditures	<u>662,200</u>	<u>662,200</u>	<u>650,456</u>	<u>11,744</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(661,200)</u>	<u>(661,200)</u>	<u>(640,937)</u>	<u>20,263</u>
Other financing sources (uses)				
Transfers in	492,380	492,380	499,579	7,199
Sale of capital assets	-	-	9,689	9,689
Total other financing sources (uses)	<u>492,380</u>	<u>492,380</u>	<u>509,268</u>	<u>16,888</u>
Net change in fund balance	(168,820)	(168,820)	(131,669)	37,151
Fund balance at beginning of year	<u>420,990</u>	<u>420,990</u>	<u>314,832</u>	<u>(106,158)</u>
Fund balance at end of year	<u>\$ 252,170</u>	<u>\$ 252,170</u>	<u>\$ 183,163</u>	<u>\$ (69,007)</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, 2007**

	Other Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 27,371	\$ 27,371
Contributions	-	-	93,113	93,113
Total revenues	<u>-</u>	<u>-</u>	<u>120,484</u>	<u>120,484</u>
Expenditures				
Interest and other charges	-	-	355,900	(355,900)
Capital outlay	20,000,000	20,000,000	-	20,000,000
Total expenditures	<u>20,000,000</u>	<u>20,000,000</u>	<u>355,900</u>	<u>19,644,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,000,000)</u>	<u>(20,000,000)</u>	<u>(235,416)</u>	<u>19,764,584</u>
Other financing sources (uses)				
Bond issuance	20,000,000	20,000,000	18,500,000	(1,500,000)
Bond premium (discount)	-	-	934,393	934,393
Transfers out	-	-	(19,079,161)	(19,079,161)
Total other financing sources (uses)	<u>20,000,000</u>	<u>20,000,000</u>	<u>355,232</u>	<u>(19,644,768)</u>
Net change in fund balance	-	-	119,816	119,816
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>511,187</u>	<u>511,187</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,003</u>	<u>\$ 631,003</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, 2007**

	General Obligation Bonds Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 2,833,630	\$ 2,833,630	\$ 2,837,034	\$ 3,404
Interest	4,830	4,830	45,829	40,999
Total revenues	<u>2,838,460</u>	<u>2,838,460</u>	<u>2,882,863</u>	<u>44,403</u>
Expenditures				
Debt service				
Principal	1,725,000	1,725,000	1,575,000	150,000
Interest and other charges	862,000	862,000	614,139	247,861
Total expenditures	<u>2,587,000</u>	<u>2,587,000</u>	<u>2,189,139</u>	<u>397,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>251,460</u>	<u>251,460</u>	<u>693,724</u>	<u>442,264</u>
Other financing sources (uses)				
Bond issuance	-	-	-	-
Bond premium (discount)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	251,460	251,460	693,724	442,264
Fund balance at beginning of year	<u>1,790,103</u>	<u>1,790,103</u>	<u>1,852,477</u>	<u>62,374</u>
Fund balance at end of year	<u>\$ 2,041,563</u>	<u>\$ 2,041,563</u>	<u>\$ 2,546,201</u>	<u>\$ 504,638</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, 2007**

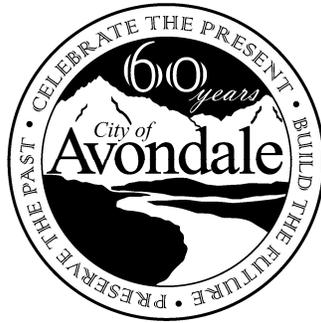
	Highway User Revenue Bonds Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 12,110	\$ 12,110
Total revenues	<u>-</u>	<u>-</u>	<u>12,110</u>	<u>12,110</u>
Expenditures				
Debt service				
Principal	410,000	410,000	410,000	-
Interest and other charges	137,830	137,830	129,592	8,238
Total expenditures	<u>547,830</u>	<u>547,830</u>	<u>539,592</u>	<u>8,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(547,830)</u>	<u>(547,830)</u>	<u>(527,482)</u>	<u>20,348</u>
Other financing sources (uses)				
Transfers in	550,000	550,000	550,000	-
Total other financing sources (uses)	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
Net change in fund balance	2,170	2,170	22,518	20,348
Fund balance at beginning of year	<u>340,374</u>	<u>340,374</u>	<u>395,104</u>	<u>54,730</u>
Fund balance at end of year	<u>\$ 342,544</u>	<u>\$ 342,544</u>	<u>\$ 417,622</u>	<u>\$ 75,078</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEDICATED SALES TAX BONDS FUND
YEAR ENDED JUNE 30, 2007**

	Dedicated Sales Tax Bonds Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 10,000	\$ 10,000	\$ 244,711	\$ 234,711
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>244,711</u>	<u>234,711</u>
Expenditures				
Debt service				
Principal	1,734,200	1,734,200	1,735,815	(1,615)
Interest and other charges	<u>2,703,600</u>	<u>2,703,600</u>	<u>1,728,754</u>	<u>974,846</u>
Total expenditures	<u>4,437,800</u>	<u>4,437,800</u>	<u>3,464,569</u>	<u>973,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,427,800)</u>	<u>(4,427,800)</u>	<u>(3,219,858)</u>	<u>1,207,942</u>
Other financing sources (uses)				
Transfers in	4,835,000	4,835,000	4,610,191	224,809
Total other financing sources (uses)	<u>4,835,000</u>	<u>4,835,000</u>	<u>4,610,191</u>	<u>224,809</u>
Net change in fund balance	407,200	407,200	1,390,333	983,133
Fund balance at beginning of year	<u>2,189,445</u>	<u>2,189,445</u>	<u>3,713,959</u>	<u>1,524,514</u>
Fund balance at end of year	<u>\$ 2,596,645</u>	<u>\$ 2,596,645</u>	<u>\$ 5,104,292</u>	<u>\$ 2,507,647</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, 2007**

	Other Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 10,111	\$ 10,111
Contributions	352,080	352,080	578,124	226,044
Total revenues	<u>352,080</u>	<u>352,080</u>	<u>588,235</u>	<u>236,155</u>
Expenditures				
Debt service				
Principal	1,531,430	1,531,430	1,530,589	841
Interest and other charges	537,060	537,060	518,505	18,555
Total expenditures	<u>2,068,490</u>	<u>2,068,490</u>	<u>2,049,094</u>	<u>19,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,716,410)</u>	<u>(1,716,410)</u>	<u>(1,460,859)</u>	<u>255,551</u>
Other financing sources (uses)				
Transfers in	1,753,310	1,753,310	1,758,888	(5,578)
Total other financing sources (uses)	<u>1,753,310</u>	<u>1,753,310</u>	<u>1,758,888</u>	<u>(5,578)</u>
Net change in fund balance	36,900	36,900	298,029	261,129
Fund balance at beginning of year	<u>1,479,510</u>	<u>1,479,510</u>	<u>1,518,079</u>	<u>38,569</u>
Fund balance at end of year	<u>\$ 1,516,410</u>	<u>\$ 1,516,410</u>	<u>\$ 1,816,108</u>	<u>\$ 299,698</u>



COMBINING STATEMENTS – INTERNAL SERVICE FUNDS

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET ASSETS -
INTERNAL SERVICE FUNDS
JUNE 30, 2007**

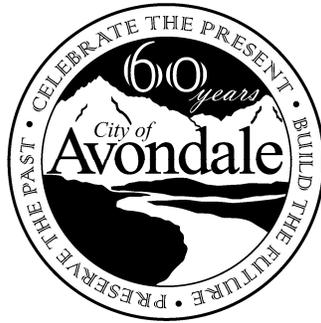
	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 119,249	\$ 181,289	\$ -	\$ 300,538
Investments	1,091,671	-	-	1,091,671
Receivables				
Interest	9,687	343	-	10,030
Inventories	-	-	321,928	321,928
Total current assets	<u>1,220,607</u>	<u>181,632</u>	<u>321,928</u>	<u>1,724,167</u>
Non-current assets:				
Capital assets:				
Capital assets, depreciable (net)	25,431	102,349	29,757	157,537
Total non-current assets	<u>25,431</u>	<u>102,349</u>	<u>29,757</u>	<u>157,537</u>
Total assets	<u>1,246,038</u>	<u>283,981</u>	<u>351,685</u>	<u>1,881,704</u>
LIABILITIES				
Current liabilities:				
Accounts payable	37,951	13,459	79,002	130,412
Accrued payroll and employee benefits	10,154	-	28,906	39,060
Due to other funds	-	-	328,565	328,565
Compensated absences	9,906	-	33,785	43,691
Total current liabilities	<u>58,011</u>	<u>13,459</u>	<u>470,258</u>	<u>541,728</u>
Non-current liabilities:				
Claims payable	390,580	-	-	390,580
Total long term liabilities	<u>390,580</u>	<u>-</u>	<u>-</u>	<u>390,580</u>
Total liabilities	<u>448,591</u>	<u>13,459</u>	<u>470,258</u>	<u>932,308</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	25,431	102,349	29,757	157,537
Unrestricted	772,016	168,173	(148,330)	791,859
Total net assets (deficit)	<u>\$ 797,447</u>	<u>\$ 270,522</u>	<u>\$ (118,573)</u>	<u>\$ 949,396</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007**

	Governmental Activities - Internal Service Funds			Total
	Risk Management	Printing Services	Fleet Management	
Operating Revenues				
Charges for services	\$ 1,469,750	\$ 162,906	\$ 1,840,138	\$ 3,472,794
Miscellaneous	3,553	-	1,140	4,693
Total operating revenues	<u>1,473,303</u>	<u>162,906</u>	<u>1,841,278</u>	<u>3,477,487</u>
Operating Expenses				
Cost of sales and services	-	146,545	1,436,170	1,582,715
Administration	315,063	-	626,274	941,337
Insurance claims and expenses	1,082,484	-	-	1,082,484
Depreciation	5,309	72,393	3,329	81,031
Total operating expenses	<u>1,402,856</u>	<u>218,938</u>	<u>2,065,773</u>	<u>3,687,567</u>
Operating income (loss)	<u>70,447</u>	<u>(56,032)</u>	<u>(224,495)</u>	<u>(210,080)</u>
Non-operating revenues (expenses)				
Interest income	42,828	6,775	-	49,603
Interest expense	-	-	(10,695)	(10,695)
Total non-operating revenues (expenses)	<u>42,828</u>	<u>6,775</u>	<u>(10,695)</u>	<u>38,908</u>
Income (loss) before transfers	113,275	(49,257)	(235,190)	(171,172)
Transfers in	5,889	-	12,700	18,589
Transfers out	(5,900)	-	(27,600)	(33,500)
Change in net assets	<u>113,264</u>	<u>(49,257)</u>	<u>(250,090)</u>	<u>(186,083)</u>
Net assets - beginning	<u>684,183</u>	<u>319,779</u>	<u>131,517</u>	<u>1,135,479</u>
Net assets - ending	<u>\$ 797,447</u>	<u>\$ 270,522</u>	<u>\$ (118,573)</u>	<u>\$ 949,396</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2007**

	Governmental Activities - Internal Service Funds			Total
	Risk Management	Printing Services	Fleet Management	
Cash flows from operating activities:				
Receipts from customers	\$ 1,473,303	\$ 162,906	\$ 1,841,278	\$ 3,477,487
Payments to suppliers	(1,101,184)	(139,457)	(1,413,736)	(2,654,377)
Payments to employees	(186,708)	-	(619,523)	(806,231)
Net cash provided (used) by operating activities	185,411	23,449	(191,981)	16,879
Cash flows from non-capital financing activities:				
Due to other funds	-	-	243,068	243,068
Transfers in	5,889	-	12,700	18,589
Transfers out	(5,900)	-	(27,600)	(33,500)
Net cash provided (used) for non-capital financing activities	(11)	-	228,168	228,157
Cash flows from capital and related financing activities:				
Purchase of capital assets	(30,740)	-	(25,995)	(56,735)
Net cash provided (used) for capital and related financing activities	(30,740)	-	(25,995)	(56,735)
Cash flows from investing activities:				
Interest received on investments	39,688	7,499	(10,192)	36,995
Net cash provided by investing activities	39,688	7,499	(10,192)	36,995
Net increase in cash and cash equivalents	194,348	30,948	-	225,296
Cash and cash equivalents, beginning of period	1,016,572	150,341	-	1,166,913
Cash and cash equivalents, end of period	\$ 1,210,920	\$ 181,289	\$ -	\$ 1,392,209
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 70,447	\$ (56,032)	\$ (224,495)	\$ (210,080)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	5,309	72,393	3,329	81,031
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
(Increase) decrease in inventories	-	-	(28,861)	(28,861)
Increase (decrease) in accounts payable	(1,169)	7,088	51,295	57,214
Increase (decrease) in accrued payroll and employee benefits	1,674	-	972	2,646
Increase (decrease) in compensated absences	(1,347)	-	5,779	4,432
Increase (decrease) in claims payable	110,497	-	-	110,497
Net cash provided (used) by operating activities	\$ 185,411	\$ 23,449	\$ (191,981)	\$ 16,879
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:				
Cash and cash equivalents	\$ 119,249	\$ 181,289	\$ -	\$ 300,538
Investments	1,091,671	-	-	1,091,671
Total cash and cash equivalents	\$ 1,210,920	\$ 181,289	\$ -	\$ 1,392,209



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

**CITY OF AVONDALE, ARIZONA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
 SCHEDULE BY SOURCE
 JUNE 30, 2007**

Governmental funds capital assets:	
Land and improvements	\$ 233,766,327
Buildings and improvements	48,864,316
Vehicles, furniture and equipment	21,140,529
Infrastructure	332,854,939
Construction in progress	8,556,123
Total	<u><u>\$ 645,182,234</u></u>

Investments in governmental activities capital assets by source:	
General Fund	\$ 13,731,407
Special Revenue Funds	6,978,594
Capital Projects Funds	624,472,233
Total	<u><u>\$ 645,182,234</u></u>

**CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2007**

Function and Activity	Asset Classification					Total
	Land and Improvements	Buildings and Improvements	Vehicles, Furniture and Equipment	Infrastructure	Construction in Progress	
General government	\$ 2,648,820	\$ 16,537,823	\$ 8,320,667	\$ -	\$ -	\$ 27,507,310
Public safety	307,003	12,039,879	10,167,510	-	91,626	22,606,018
Highways and streets	224,231,369	1,006,630	1,761,103	332,854,939	2,377,033	562,231,074
Health and welfare	215,948	978,211	66,099	-	-	1,260,258
Economic and community development	51,711	134,540	128,287	-	-	314,538
Culture and recreation	6,311,476	18,167,233	696,863	-	6,087,464	31,263,036
Total	<u>\$ 233,766,327</u>	<u>\$ 48,864,316</u>	<u>\$ 21,140,529</u>	<u>\$ 332,854,939</u>	<u>\$ 8,556,123</u>	<u>\$ 645,182,234</u>

**CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Function and Activity</u>	<u>Capital Assets July 1, 2006, as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2007</u>
General government	\$ 26,732,396	\$ 1,366,075	\$ 251,902	\$ 27,846,569
Public safety	20,841,760	2,042,627	394,718	22,489,669
Highways and streets	506,982,260	52,893,004	21,224	559,854,040
Health and welfare	1,254,063	6,195	-	1,260,258
Culture and recreation	16,194,303	8,987,840	6,568	25,175,575
Construction in Progress	<u>18,208,054</u>	<u>17,058,722</u>	<u>26,710,653</u>	<u>8,556,123</u>
Total	<u>\$ 590,212,836</u>	<u>\$ 82,354,463</u>	<u>\$ 27,385,065</u>	<u>\$ 645,182,234</u>

**CITY OF AVONDALE, ARIZONA
STATISTICAL SECTION
JUNE 30, 2007**

Statistical Section

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

	<u>Schedule</u>	<u>Page</u>
<hr/> Financial Trends <hr/>		
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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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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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 ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS
(accrual basis of accounting)

Schedule I

	Fiscal Year¹				
	2003	2004	2005	2006²	2007³
Governmental activities					
Invested in capital assets, net of related debt	\$ (7,765,135)	\$ (728,546)	\$ (2,213,511)	\$ 196,509,921	\$ 453,900,454
Restricted	17,748,348	26,113,620	33,627,735	28,808,290	45,778,226
Unrestricted	7,079,459	13,854,820	20,756,092	31,939,142	40,533,604
Total governmental activities net assets	\$ 17,062,672	\$ 39,239,894	\$ 52,170,316	\$ 257,257,353	\$ 540,212,284
Business-type activities					
Invested in capital assets, net of related debt	\$ 49,659,313	\$ 65,140,765	\$ 76,032,966	\$ 382,500,757	\$ 437,478,163
Restricted	29,627,827	31,097,385	44,558,842	40,439,483	43,493,012
Unrestricted	15,485,880	16,450,395	24,462,385	28,749,995	33,992,839
Total business-type activities net assets	\$ 94,773,020	\$ 112,688,545	\$ 145,054,193	\$ 451,690,235	\$ 514,964,014
Primary government					
Invested in capital assets, net of related debt	\$ 41,894,178	\$ 64,412,219	\$ 73,819,455	\$ 579,010,678	\$ 891,378,617
Restricted	47,376,175	57,211,005	78,186,577	69,247,773	89,271,238
Unrestricted	22,565,339	30,305,215	45,218,477	60,689,137	74,526,443
Total Primary government net assets	\$ 111,835,692	\$ 151,928,439	\$ 197,224,509	\$ 708,947,588	\$ 1,055,176,298

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

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

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

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

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

Schedule II

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

(continued on next page)

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

Schedule II
(continuation)

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

(continued on next page)

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

Schedule II
(continuation)

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

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

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

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

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

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

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

Schedule III

(modified accrual basis of accounting)

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

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

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

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

Schedule IV

	Fiscal Year¹				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605	7,673,913
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306	24,790,367
Charges for services ²	2,957,895	4,003,862	943,619	1,955,528	1,624,541
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969	1,280,434
Interest	545,722	385,013	1,093,019	2,331,223	3,603,941
Contributions	4,869,567	1,981,544	824,627	735,024	1,278,270
Miscellaneous revenues	839,084	714,629	425,769	751,867	1,575,441
Total revenues	51,513,961	59,335,350	69,120,428	80,592,405	89,886,548
Expenditures					
General government	16,574,345	11,644,262	15,738,926	16,820,415	16,774,809
Public safety	10,209,532	10,995,415	13,859,897	17,254,476	20,729,479
Highways and streets ³	2,019,611	2,044,465	1,902,555	2,205,035	2,359,925
Sanitation ²	2,454,368	2,406,162	-	-	-
Health and welfare	530,698	1,033,165	793,862	914,806	1,719,404
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363	5,083,707
Culture and recreation	768,906	890,534	969,467	1,232,332	4,081,600
Transportation ³	206,595	311,772	237,535	615,055	588,627
Debt Service					
Principal	1,196,220	2,890,843	3,882,461	4,914,723	5,718,590
Interest	2,387,562	2,650,407	2,957,914	2,909,515	3,529,618
Capital outlay	32,262,324	22,595,576	12,704,572	25,180,046	20,830,712
Total expenditures	70,688,671	59,640,575	55,417,242	76,022,766	81,416,471
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639	8,470,077

(continued on next page)

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

Schedule IV
(continuation)

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

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

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

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

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

CITY OF AVONDALE, ARIZONA
 ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY²
 LAST TEN FISCAL YEARS

Schedule V

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
2006-2007	\$322,476,066	\$ 70,412,295	\$ 149,002,237	\$109,719,498	\$ 435,213	\$ -	\$ -	\$ 652,045,309	\$(68,160,356)	\$ 583,884,953	1.11	\$ 5,237,223,411	12.450 %
2005-2006	200,052,758	35,937,301	117,241,485	89,720,469	326,959	-	-	443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.019
2004-2005	182,086,324	25,380,852	95,313,347	73,626,681	315,401	-	-	376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.900
2003-2004	151,090,125	16,748,041	71,796,337	74,293,583	297,703	-	-	314,225,789	(48,997,680)	265,228,109	1.17	2,430,772,423	12.927
2002-2003	135,198,702	14,637,321	47,767,825	46,665,816	65,788	-	-	244,335,452	(32,083,392)	212,252,060	1.27	1,981,422,235	12.331
2001-2002	97,965,574	10,009,484	32,301,284	42,473,870	52,954	-	-	182,803,166	(26,604,390)	156,198,776	1.28	1,474,541,801	12.397
2000-2001	81,152,019	7,235,821	24,824,405	31,243,348	53,870	-	33	144,509,496	(15,209,116)	129,300,380	1.28	1,180,235,350	12.244
1999-2000	67,964,260	6,711,705	23,144,351	15,593,607	49,289	-	-	113,463,212	(9,001,340)	104,461,872	1.64	938,408,667	12.091
1998-1999	50,966,769	6,079,551	18,587,663	13,168,877	50,938	-	-	88,853,798	(9,308,056)	79,545,742	1.78	727,182,030	12.219
1997-1998	40,579,777	4,904,069	16,149,851	13,012,938	56,146	1,612	-	74,704,393	(9,545,441)	65,158,952	1.35	600,345,095	12.444

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2006-2007	10.0 %	10.0 %	24.0 %	16.0 %	21.0 %	24.0 %	1.0 %
2005-2006	10.0	10.0	24.5	16.0	22.0	24.5	1.0
2004-2005	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2003-2004	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2002-2003	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2001-2002	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2000-2001	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1999-2000	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1998-1999	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1997-1998	10.0	10.0	26.0	16.0	22.0	26.0	1.0

¹ Includes tax-exempt property.

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

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

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

Fiscal Year ¹	Direct Rate	Overlapping Rates ²				Overlapping Rates						
	City of Avondale, Arizona	County		Tolleson Elementary School	Tolleson Union High School	Pendergast Elementary School	Litchfield Elementary School	Avondale Elementary School	Agua Fria Union High School	Littleton Elementary School	Liberty Elementary School	
		County-wide	College	District No. 17	District No. 214	District No. 92	District No. 79	District No. 44	District No. 216	District No. 65	District No. 25	
2006-07	Primary	0.41	1.10	0.82	2.06	1.62	1.99	1.82	1.91	1.62	2.33	2.28
	Secondary	0.70	0.00	0.15	2.15	1.24	3.32	0.90	1.89	1.01	1.61	1.34
2005-06	Primary	0.44	1.20	0.89	2.90	2.70	2.25	1.89	2.38	2.24	2.74	2.22
	Secondary	0.73	0.00	0.14	2.34	1.09	3.79	1.46	1.89	1.36	1.85	1.73
2004-05	Primary	0.46	1.21	0.92	4.01	3.15	2.35	2.50	2.61	3.38	2.12	2.50
	Secondary	0.71	0.00	0.12	2.73	1.14	4.02	1.61	1.85	1.37	1.72	0.58
2003-04	Primary	0.48	1.21	0.94	3.30	3.24	2.39	2.38	3.45	2.42	3.90	2.26
	Secondary	0.69	0.07	0.14	2.31	1.03	3.98	1.89	0.79	1.37	2.02	1.83
2002-03	Primary	0.54	1.21	0.96	3.06	3.59	2.81	2.13	2.25	2.83	2.33	2.50
	Secondary	0.73	0.08	0.15	2.20	1.31	4.67	2.14	0.77	1.39	1.56	1.64
2001-02	Primary	0.55	1.18	0.96	2.56	2.76	2.40	2.61	2.91	2.47	2.88	2.34
	Secondary	0.73	0.09	0.15	2.87	1.48	4.88	2.21	1.11	1.41	1.77	1.76
2000-01	Primary	0.60	1.16	0.97	3.27	2.81	2.50	2.62	2.57	3.62	2.29	2.26
	Secondary	0.68	0.12	0.15	3.06	1.66	4.90	2.51	1.93	1.57	1.82	2.08
1999-00	Primary	0.64	1.19	0.97	2.41	2.13	2.68	2.31	2.87	2.99	2.31	2.35
	Secondary	1.00	1.00	0.15	3.33	1.63	4.89	2.93	2.10	1.51	1.37	2.00
1998-99	Primary	0.63	1.15	0.99	2.68	2.39	2.62	2.71	2.69	2.95	2.89	Not Available
	Secondary	1.15	0.13	0.13	2.97	1.81	5.11	3.04	2.10	1.68	1.24	Not Available
1997-98	Primary	0.63	1.66	0.97	2.59	2.69	3.19	2.53	2.66	2.96	2.38	Not Available
	Secondary	0.72	0.14	0.16	3.06	1.80	4.57	2.47	1.88	1.19	1.79	Not Available

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

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

Source: Arizona Research Foundation and Maricopa County Assessor's Office Property Tax Rates and Assessed Values (1997-2007) and Maricopa County Finance Department web publication, 2007 Tax Rates Maricopa County, Arizona.

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

Schedule VII

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Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Inland Western Avondale McDowell, LLC	\$ 7,367,659	1	1.90 %	—	—	—
Phoenix Speedway Corporation	5,397,879	2	1.40	\$ 897,925	2	1.47 %
Smiths Food & Drug Centers, Inc.	4,621,887	3	1.19	—	—	—
Moreland Properties, LLC	3,482,690	4	0.90	—	—	—
Harkins Phoenix Cinemas, LLC	3,232,534	5	0.84	—	—	—
Mechanic (AZ) Ars 15-41, Inc.	3,231,450	6	0.84	—	—	—
Fulton Homes Corporation	3,204,650	7	0.83	—	—	—
No Bull, LLC	3,191,921	8	0.83	—	—	—
Costco Wholesale Corporation	2,961,465	9	0.77	—	—	—
Arizona Public Service Company	2,686,494	10	0.69	1,095,190	1	1.80
US West Corporation	—	—	—	834,660	3	1.37
Southwest Gas Corporation	—	—	—	577,672	4	0.95
Crystal Gardens Properties	—	—	—	565,168	5	0.93
Avondale Plaza	—	—	—	439,514	6	0.72
First Interstate Bank Trust	—	—	—	398,388	7	0.65
Avondale Investment & Development Corp.	—	—	—	365,744	8	0.60
Data Prompt, Inc.	—	—	—	365,273	9	0.60
Louis Motor Corporation	—	—	—	286,977	10	0.47
Total	\$ 39,378,629		10.19 %	\$ 5,826,511		9.56 %

Source: Stone & Youngberg LLC, Official Statements for applicable years.

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

Schedule VIII

<u>Fiscal Year</u>	<u>Original Property Tax Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006-2007	\$ 4,389,587	\$ 4,225,998	96.27 %	\$ 35,793	\$ 4,261,791	97.09 %
2005-2006	3,668,855	3,593,624	97.95	28,187	3,621,811	98.72
2004-2005	2,977,361	2,906,636	97.62	26,545	2,933,181	98.52
2003-2004	2,406,999	2,374,955	98.67	22,005	2,396,960	99.58
2002-2003	2,014,427	1,976,098	98.10	21,542	1,997,640	99.17
2001-2002	1,607,427	1,502,020	93.44	26,930	1,528,950	95.12
2000-2001	1,290,209	1,260,264	97.68	7,531	1,267,795	98.26
1999-2000	1,273,147	1,259,546	98.93	9,109	1,268,655	99.65
1998-1999	1,103,916	1,062,957	96.29	5,592	1,068,549	96.80
1997-1998	799,004	717,389	89.79	46,507	763,896	95.61

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, 2007*.

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

Schedule IX

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Capital Leases	Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans				
2003	\$ 20,096	\$ 4,690	\$ 42,891	\$ 1,184	\$ 3,564	\$ 10,719	\$ 11,710	\$ 94,854	0.09%	\$ 1,992	
2004	19,620	4,390	41,608	2,997	1,665	10,032	11,033	91,345	0.08%	1,694	
2005	18,775	4,065	51,744	2,508	1,585	9,296	10,332	98,305	0.08%	1,631	
2006	17,705	3,920	49,569	3,061	1,500	8,631	9,604	93,990	0.07%	1,422	
2007	18,630	3,510	64,802	2,594	1,410	7,793	8,845	107,584	0.07%	1,613	

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

² See Demographics and Economic Statistics schedule on page 123 for personal income and population data.

Source: City records.

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

Schedule X

Fiscal Year	Secondary Assessed Valuation²	General Obligation Bonds	Less: Amounts available in Debt Service Fund	Net General Obligation Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property	Per Capita¹
1998	\$ 65,158,952	\$ 10,359,000	\$ -	\$ 10,359,000	15.90 %	\$ 398.12
1999	79,545,742	14,436,000	-	14,436,000	18.15	468.70
2000	104,461,872	14,123,000	-	14,123,000	13.52	437.65
2001	129,300,380	13,759,000	-	13,759,000	10.64	383.44
2002	156,198,776	13,370,000	566,141	12,803,859	8.20	316.57
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404.33
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	346.71
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290.31
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	239.79
2007	586,169,088	18,630,000	2,523,035	16,106,965	2.75	239.79

¹ See Demographics and Economic Statistics Schedule on page 123 for personal income and population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 108 for secondary assessed valuation data.

Source: *Maricopa County Assessor's Office and Arizona Department of Revenue, Abstract of the Assessment Role (1998-2007) and city records.*

**CITY OF AVONDALE, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF JUNE 30, 2007**

Schedule XI

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City of Avondale</u>	<u>Amount Applicable to City of Avondale</u>
State of Arizona	\$ NONE	0.71 %	\$ NONE
Maricopa County	NONE	1.07	NONE
Maricopa County Community College District	557,390,000	1.07	5,964,073
Avondale Elementary School District No. 44	23,085,000	23.11	5,334,944
Litchfield Elementary School District No. 79	21,525,000	13.15	2,830,538
Littleton Elementary School District No. 65	9,270,000	58.97	5,466,519
Pendergast Elementary School District No. 92	25,420,000	37.34	9,491,828
Tolleson Elementary School District No. 17	7,815,000	7.10	554,865
Agua Fria Union High School District No. 216	60,555,000	16.55	10,021,853
Tolleson Union High School District No. 214	64,355,000	26.77	17,227,834
City of Avondale	<u>18,630,000</u>	100.00	<u>18,630,000</u>
 Total direct and overlapping general obligation bonded debt	 <u><u>\$ 788,045,000</u></u>		 <u><u>\$ 75,522,454</u></u>

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

Source: Maricopa County Assessor's Office, *Property Tax Rates and Assessed Values* (1997-2006), Arizona Tax Research Foundation and the Arizona Department of Revenue, *Abstract of the Assessment Roll* (1997-2006).

**CITY OF AVONDALE, ARIZONA
LEGAL DEBT MARGIN INFORMATION²
LAST FIVE FISCAL YEARS**

Schedule XII

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

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

² Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for water, sewer, light, open space preserves, parks, playgrounds and recreational facilities may not exceed 20% of the City's net secondary assessed valuation, nor may general obligation bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation. In fiscal year 2008, the state amended the law and moved streets and public safety to the 20% limitation from the 6% limitation.

Source: City records.

CITY OF AVONDALE, ARIZONA
AVONDALE WATER AND SEWER SYSTEMS^{1, 2}
PLEDGED REVENUE COVERAGE
LAST SIX FISCAL YEARS

Schedule XIII

	Fiscal Year					
	2002	2003	2004	2005 ⁶	2006 ⁶	2007
Total operating revenues ³	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786
Total operating expenses ⁴	7,109,672	6,655,346	7,247,442	8,851,960	10,023,264	12,473,104
Net operating income	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>	<u>6,544,748</u>	<u>6,318,826</u>	<u>6,276,682</u>
Other revenues	<u>571,524</u>	<u>740,400</u>	<u>420,466</u>	<u>1,087,765</u>	<u>2,585,356</u>	<u>3,687,234</u>
Net revenues before debt service	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>	<u>\$ 8,904,182</u>	<u>\$ 9,963,916</u>
Debt service ⁵	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394
Debt service coverage	1.89	2.23	1.76	3.10	3.60	4.03

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

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

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

⁴ Excludes depreciation and interest expenses.

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

⁶ In fiscal years 2005 and 2006, pledged revenues incorrectly included Sanitation Utilities Fund revenues. In fiscal year 2007, fiscal years 2005 and 2006 pledged revenues were adjusted to exclude the Sanitation Utilities Fund revenues.

Note: See Note 9 - Long-term Obligations on pages 61-67 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

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

Schedule XIV

Debt service payable during year ended June 30	Actual Excise tax Revenues²	Total Actual/Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 27,411,443	\$ 2,601,893	10.54 %
2004	34,943,465	4,079,119	8.57
2005	49,478,255	4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	N/A	6,148,524	10.32
2009	N/A	6,393,465	9.92
2010	N/A	6,442,163	9.85
2011	N/A	6,448,436	9.84
2012	N/A	6,355,344	9.98
2013	N/A	6,203,717	10.23
2014	N/A	6,092,235	10.41
2015	N/A	5,606,524	11.32
2016	N/A	5,572,122	11.39
2017	N/A	4,581,153	13.85
2018	N/A	4,551,219	13.94
2019	N/A	4,551,094	13.94
2020	N/A	4,568,977	13.89
2021	N/A	3,741,525	16.96

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

2 The City has pledged excise taxes to secure Municipal Development Corporation Bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 118).

Note: See Note 9 - Long-term Obligations on pages 61-67 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule XV

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

- 1 The provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003; therefore, only five years are shown.
- 2 The Highway User Revenue Fund (HURF) Bonds are special revenue bonds specifically issued for the purpose of constructing street and highway projects. The bonds are secured by motor fuel tax revenues distributed by the State to the City based on a formula of population and motor fuel sales within the county of origin. The bonds must be voter-approved and the amount of bonds the City may issue is limited by the annual amount of HURF revenues from the State. The annual total debt service (principal and interest) must not exceed one-half of the annual revenues received by the City.

Note: See Note 9 - Long-term Obligations on pages 61-67 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule XVI

<u>Fiscal Year</u>		<u>Street and Highway Revenue Receipts</u>
2006-07	\$	4,948,541
2005-06		2,952,118
2004-05		2,608,891
2003-04		2,484,542
2002-03		2,323,982
2001-02		2,227,397
2000-01		1,726,651
1999-00		1,630,701
1998-99		1,573,340
1997-98		1,432,158

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

Source: City records.

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

Schedule XVII

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

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

Source: City records.

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

Schedule XVIII

Fiscal Year	Population	Personal Income (in thousands of dollars)	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate⁴
2007	66,678	\$ 152,429,229	\$ 36,342	12,619	3.2 %	3.9 %
2006	66,110	135,649,398	34,724	12,849	3.5	4.4
2005	60,255	120,716,738	33,178	13,357	3.9	4.7
2004	53,925	110,278,789	31,523	9,689	7.6	5.0
2003	47,610	101,378,940	29,912	9,040	9.4	5.7
2002	40,445	96,998,974	29,423	5,193	10.6	6.1
2001	35,883	93,554,549	29,250	4,958	7.4	4.7
2000	32,270	89,771,608	28,984	4,300	8.2	4.0
1999	30,800	80,924,901	26,930	4,400	4.9	4.6
1998	26,020	75,639,499	26,002	4,222	5.2	4.3

Sources:

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

² Information provided by Estrella Mountain Community College.

³ Information is based on the average of fiscal year 2007 monthly data provided by the U.S. Department of Labor, Bureau of Labor Statistics.

⁴ Information is based on the average of fiscal year 2007 monthly data provided by the Arizona Department of Economic Security.

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

Schedule XIX

<u>Employer</u>	<u>2007</u>			<u>1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Avondale Elementary School District No. 44	770	1	0.04 %	325	2	0.04 %
Agua Fria Union High School District No. 216	740	2	0.04	230	6	0.03
Wal-Mart Stores, Inc	560	3	0.03	300	4	0.04
City of Avondale	480	4	0.02	250	5	0.04
Tolleson Union High School District No. 214	305	5	0.01	—	—	—
Universal Technical Institute	225	6	0.01	—	—	—
Estrella Mountain Community College	220	7	0.01	90	9	0.01
Costco Wholesale	185	8	0.01	—	—	—
Sam's Club	175	9	0.01	—	—	—
Home Depot	170	10	0.01	—	—	—
CalMat Companies	—	—	—	500	1	0.06
Beam Corporation	—	—	—	300	3	0.04
Royal Sun West Care Center	—	—	—	125	7	0.02
Arizona Machinery Company	—	—	—	90	8	0.01
ABCO Commercial Center	—	—	—	70	10	0.01
Total	<u>3,830</u>		<u>0.19 %</u>	<u>2,280</u>		<u>0.30 %</u>

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

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

Schedule XX

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

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

² Amounts vary from prior year schedule due to errors in previous calculations and new information provided by city departments.

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

**CITY OF AVONDALE, ARIZONA
OPERATING INDICATORS BY FUNCTION²
LAST FIVE FISCAL YEARS**

Schedule XXI

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

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

² Indicators are not available for the general government function.

Source: Various city departments. Average daily water consumption information was obtained from the City of Avondale Annual Budget and Financial Plan for the fiscal year ended June 30, 2008.

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

Schedule XXII

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

(continued on next page)

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

Table XXII
(continuation)

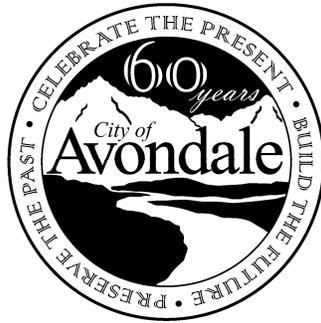
Function	Fiscal Year				
	2003	2004	2005	2006	2007
Water					
Number of service connections	16,200	18,417	20,545	21,459	21,821
Water mains (miles) ³	315	335	335	406	309
Fire hydrants	Not available	1,965	2,235	2,564	2,581
Sewer					
Number of service connections	16,150	18,417	20,100	19,970	21,218
Sanitary sewers (miles) ³	307	329	329	321	232
Storm sewers (miles) ³	Not available	Not available	31	26	29
Wastewater					
Treatment plants ³	1	1	1	1	1

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

² Indicators are not available for the general government function.

³ Figures identified above vary from the prior year schedule. New information has provided more accurate figures for the years shown. Water mains, sanitary sewers and storm sewers were not accurately tracked in prior years. Tracking errors have since been identified and corrected. However, prior year amounts cannot be retroactively identified for all years.

Source: Various city departments.





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

The Honorable Mayor and Council
City of Avondale
Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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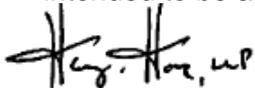
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City, in a separate letter dated December 21, 2007.

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



December 21, 2007



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

The Honorable Mayor and Council
City of Avondale, Arizona

Compliance

We have audited the compliance of the City of Avondale (the City), Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Avondale, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Honorable Mayor and Council
City of Avondale
Page Three

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

A handwritten signature in black ink, appearing to read "Greg. Hone, WP". The signature is stylized with a large initial "G" and "H".

December 21, 2007

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant/Entitlement Grants	14.218		\$ 62,507
Home Investment Partnerships Program, passed through the Maricopa County Community Development Agency	14.239	M-05-DC-04-0227	1,319
Total U.S. Department of Housing and Urban Development			63,826
U.S. Department of the Interior			
Water Conservation Field Services Program (WCFSP)	15.530		1,075
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2005-368	35,923
Bulletproof Vest Partnership Program	16.607		5,158
Public Safety Partnership and Community Policing Grants	16.710		71,798
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,531
Total U.S. Department of Justice			122,410
U.S. Department of Transportation			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2006-EM-001	20,000
	20.600	2005-163-009	30,979
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Arizona Governor's Office of Highway Safety	20.601	2007-K8HV-025	27,377
Total U.S. Department of Transportation			78,356
National Foundation on the Arts and the Humanities			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	251-5-1-(12)	6,596
Environmental Protection Agency			
Congressionally Mandated Projects	66.202		232,380 *
U.S. Department of Health and Human Services			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, passed through the Area Agency on Aging, Inc.	93.044	2007-08-AVO	19,095
Special Programs for the Aging-Title III, Part C-Nutrition Services, passed through the Area Agency on Aging, Inc.	93.045	2007-08-AVO	49,945
National Family Caregiver Support, passed through the Area Agency on Aging, Inc.	93.052	2007-08-AVO	2,500
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Inc.	93.053	2007-08-AVO	13,491
Temporary Assistance for Needy Families, passed through the Maricopa County Division of Human Services	93.558	C-22-05-033-2-02	26,308
Community Services Block Grant, passed through the Maricopa County Division of Human Services	93.569	C-22-05-033-2-02	49,172
Social Services Block Grant, passed through the Area Agency on Aging, Inc.	93.667	2007-08-AVO	2,996
Social Services Block Grant, passed through the Maricopa County Division of Human Services	93.667	C-22-05-033-2-02	28,234
Total U.S. Department of Health and Human Services			191,741
U.S. Department of Homeland Security			
Urban Areas Security Initiative, passed through the Arizona Department of Emergency and Military Affairs	97.008	2004-TU-T4-0017	19,218
Urban Areas Security Initiative, passed through the Arizona Department of Homeland Security	97.008	2006-GE-T6-0007	8,000
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	2005-GE-T5-0030	43,834
Total U.S. Department of Homeland Security			71,052
Total Expenditures of Federal Awards			\$ 767,436

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

* Denotes major program

**CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

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

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007

Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Avondale.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Avondale were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for U.S. Environmental Protection Agency Congressionally Mandated Projects expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include the U.S. Environmental Protection Agency Congressionally Mandated Projects (CFDA 66.202).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Avondale qualified as a low-risk auditee.
10. There were no prior year findings.