

Employees Giving Back



COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended June 30, 2014 City of Avondale, AZ



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014
CITY OF AVONDALE, ARIZONA



MAYOR AND COUNCIL

Kenn Weise, Mayor
Frank Scott, Vice Mayor
Stephanie Karlin
Jim McDonald
Charles Vierhout
Bryan Kilgore
David Iwanski

MANAGEMENT STAFF

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

Prepared by: Finance and Budget Department

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Avondale

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**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION



December 18, 2014

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 2014. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Henry & Horne, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City as of and for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements as of and for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 77,511. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

This report includes financial statements on both a government-wide and fund basis for the City, the primary government, and all of its component units, entities for which the City is considered to be financially accountable. The Avondale Municipal Development Corporation (MDC), although a legally separate entity is, in substance, part of the City’s operations and so data from the MDC is combined with data of the City. The reporting entity is discussed further in Note 1 – Summary of Significant Accounting Policies, page 54, of the notes to the financial statements.

The annual budget serves as the foundation for the City of Avondale’s financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including a citizen appreciation and budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget’s final adoption in order to obtain additional citizen comments. At a regular

Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Grants-in-Aid Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, Family Advocacy Center Fund, Environmental Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, Highway User Revenue Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these funds.

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

Local Economy

Fiscal year 2014 local revenues continued an upward trend and increased about 6.7% from fiscal year 2013 to 2014. Retail sales tax collections have improved significantly over the past two years, and the City is fortunate to not have any “big box” retail stores that are vacant.

Construction sales tax collections continue to be at 10-year low, and are directly tied to housing starts, which continue to be at historical lows, but appear to be primed for some moderate growth in the near future.

Long-term financial planning

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

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

On August 28, 2012, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures, of each yearly budget, become the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for an additional two years.

Relevant Financial Policies

The City has established a two-tier stabilization fund in accordance with GASB Statement No. 54. The General Fund stabilization amount is 35% of the prior years budgeted expenditures and transfers. The budgeted stabilization fund for fiscal year 2015 is \$19,288,955.

Commercial

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

Gateway Pavilions (99th Avenue and McDowell Road)

This highly successful center is anchored by Costco, Harkins Theatres, Bed Bath & Beyond, Sports Authority, Ross, DSW shoe store and Mor Furniture. In addition to the anchors, there are numerous restaurants and specialty shops in the 650,000 square-foot (SF) 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, Smash Burger, and Chipotle Grill.

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

Coldwater Plaza includes Sam's Club, Home Depot, Ashley's Furniture and others to create a 450,000 SF 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 SF retail center.

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

The Avondale Auto Mall now boasts 13 new car 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 and Culver's are also on the site.

Coldwater Depot

Coldwater Depot is a 603,863 SF distribution facility, and is home to the 382,000 SF Conn's Southwest Logistics center. The property also has space to build two additional 200,000 SF facilities that would bring the total building space to over a 1,000,000 SF facility with over 800 anticipated jobs.

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2014, 51 residential building permits were issued. Home values have stabilized and increased across Arizona, resulting in the Maricopa County Assessor's Office adjusting assessed valuations. However, adjustment of housing values typically takes two years to impact the tax rolls. The City experienced an 11.3% increase in secondary assessed valuation going from \$314,975,684 to \$350,686,613 for fiscal year 2014. Initial projections for 2015 indicate the City will continue to see moderate growth in assessed valuations.

Major Accomplishments and Initiatives

Fiscal Year 2013-14 saw a dramatic increase in economic development inquiries in virtually every market. The quality of those inquiries was also significant leading to several positive location decisions in key market sectors. Trammell Crow completed a 600,000 SF distribution center and immediately announced Conn's as an anchor tenant at 300,000 SF. In 2014, Sanmar Corporation purchased the building and expanded into the market filling the balance of the building and employing 200 administrative and logistics personnel. Additionally, Sanmar has begun investigating the option of building an additional 400,000 SF bringing the total to 1 million SF to accommodate approximately 1,000 employees.

In the Healthcare market, Copperspring Behavioral Health is in the initial stage of building a 52,000 SF patient facility, a key win in Avondale's desire to promote a "healthcare corridor". Also set to start construction is a family recreation venue, Main Event. This is a 52,000 SF new construction established as a destination for southwest families that will offer a wide range of activities such as games, sports, food, and drink for all age groups. The facility is due to be completed in late 2015.

Finally, Mitsubishi Motors returned to the Avondale Auto Mall. Mitsubishi is a new and used auto dealer that has been out of the market for several years and, based on the strength of the local economy, has re-established a solid presence.

Single Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2013. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable

and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

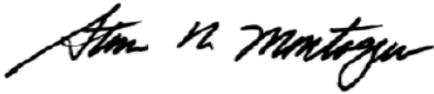
A Certificate of Achievement is valid for a one-year period only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2013-14 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
Assistant City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

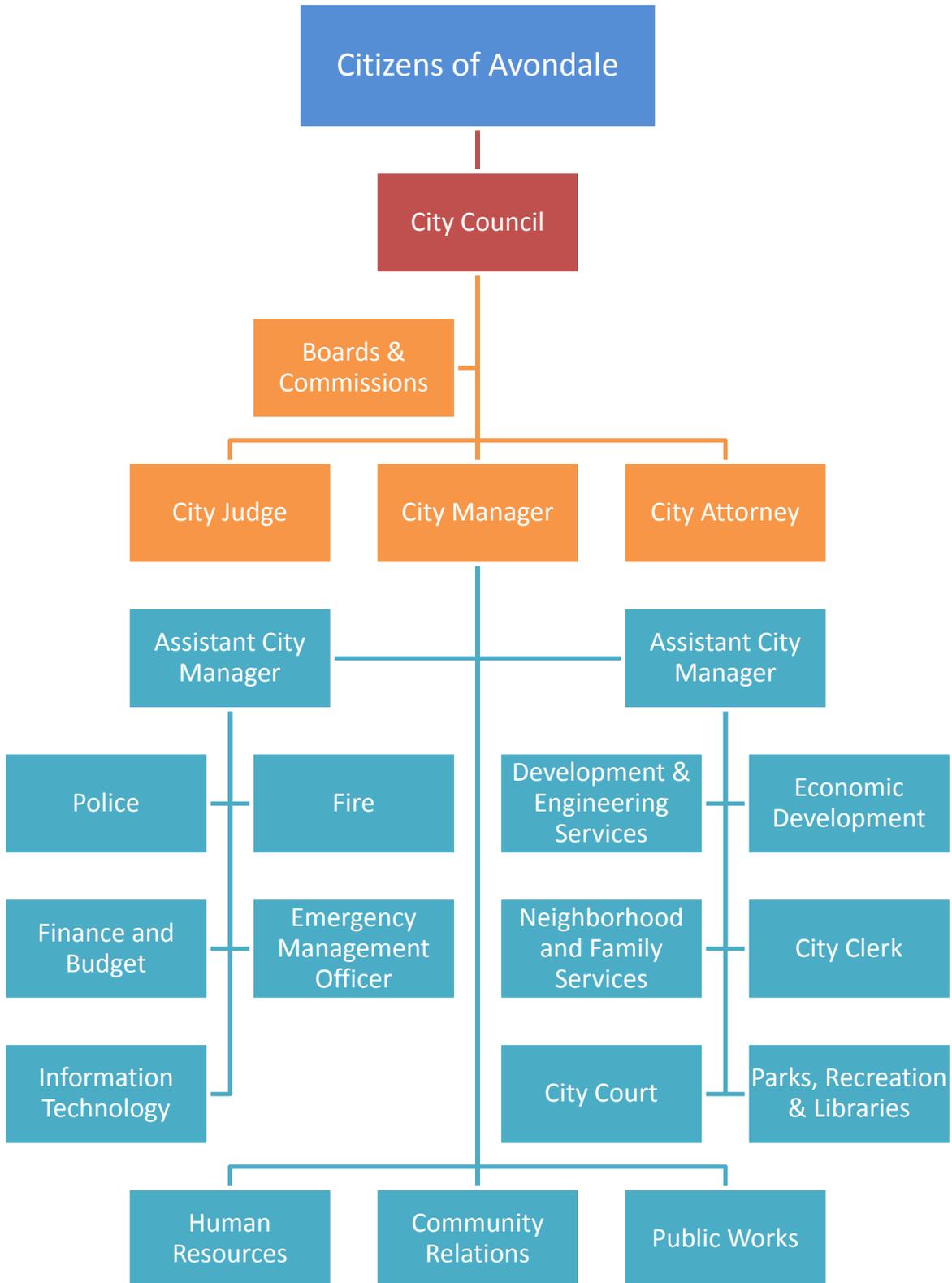
**City of Avondale
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**CITY OF AVONDALE, ARIZONA
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2014**



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS OF THE CITY
YEAR ENDED JUNE 30, 2014**

MAYOR AND COUNCIL

Kenn Weise, Mayor

Frank Scott, Vice Mayor

Jim McDonald, Councilmember

Bryan Kilgore, Councilmember



Stephanie Karlin, Councilmember

Charles Vierhout, Councilmember

David Iwanski, Councilmember

MANAGEMENT STAFF

David Fitzhugh, City Manager

Kevin Artz, Assistant City Manager

Gina Montes, Assistant City Manager

DEPARTMENT HEADS

Vacant, City Judge

Wayne Janis, Public Works Director

Cherlene Penilla, Human Resources Director

Pilar Aguilar, Acting Finance and Budget Director

Carmen Martinez, City Clerk

**Chris Reams, Parks, Recreation and Libraries
Director**

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

Paul Adams, Fire Chief

Dale Nannenga, Chief of Police

Dan Davis, Economic Development Director

Pier Simeri, Community Relations Director

Robert Lloyd, Chief Information Officer

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





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Major Special Revenue Funds, as listed in the table of contents, for the year then ended in accordance 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 failed to use highway user revenue fund monies received by the City of Avondale pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Avondale solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avondale, Arizona's basic financial statements. The introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avondale, Arizona's, internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
December 18, 2014



FINANCIAL SECTION

Management's Discussion & Analysis (MD&A) (Required Supplementary Information)



**CITY OF AVONDALE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

As management of the City of Avondale, Arizona (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position, 4) identify any significant deviations from the City's *Annual Budget and Financial Plan* (the council-adopted annual budget), and 5) identify individual fund issues or concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

This discussion and analysis has a different focus and purpose than the Letter of Transmittal presented on pages vii-xii of this report and is designed to be read in conjunction with the Letter of Transmittal, as well as the basic financial statements on pages 23-51 and the accompanying notes to the financial statements on pages 53-82.

FINANCIAL HIGHLIGHTS

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

- Government-wide assets and deferred outflows of resources exceeded liabilities at the close of the most recent year by \$1.1 billion (net position). Of this amount, \$96.5 million represents unrestricted net position, down about \$0.7 million (0.7%) from last year's \$97.2 million, which may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$1.6 million during 2014, which resulted from a \$6.6 million (1.0%) increase in governmental activities net position offset by a \$5.0 million (1.0%) decrease in business-type activities net position from the prior year.
- Governmental activities program revenues decreased \$1.1 million (7.2%) and general revenues increased by \$5.0 million (8.5%) between years, while expenses increased by \$2.1 million (3.0%) during the same period.
- Business-type activities program revenues increased by about \$0.3 million (1.0%) and general revenues increased by \$0.4 million (211.7%) over the previous year, while expenses increased by \$0.4 million (1.4%) during the same period.
- Transfers between governmental activities and business-type activities remained unchanged from the prior year.
- Government-wide assets decreased \$4.2 million (0.3%) from the prior year. Much of the decrease was due to a decrease in capital assets of about \$6.4 million, offset by an increase in cash and investments of about \$2.0 million during the year.
- Government-wide liabilities decreased by \$5.9 million (5.8%) from the previous year. This decrease was mainly due to the retirement of long-term bonded debt during the year.
- At year end, the governmental funds reported combined fund balance of \$72.1 million, an increase of \$2.4 million (3.4%) over the previous year. Of this amount, \$5.3 million was nonspendable and \$40.9 million was either externally restricted or internally committed to specific purposes. Only \$25.9 million was either assigned to a specific purpose or unassigned, both of which are available for spending at the City's discretion.
- Combined governmental fund revenues of \$77.7 million and expenditures of \$75.1 million increased \$4.5 million (6.2%) and \$1.1 million (1.5%) between years, respectively.
- General Fund revenues exceeded budgeted revenues by \$1.8 million during the year, while expenditures were less than final budgeted expenditures by \$4.7 million, resulting in a net budgetary savings of \$6.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provides an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and

3) notes to the financial statements. This report also contains other supplementary information which provides additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 25-27 of this report.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental fund balance sheet and statement of revenues, expenditures, and changes in

fund balances and government-wide statement of net position and statement of activities are provided immediately following the respective governmental fund statements. These reconciliations are on pages 32 and 36, respectively.

The City maintains eighteen governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Grants-in-Aid Fund, Development Fees Fund, General Obligation Bonds Fund, and Dedicated Sales Tax Revenue Bonds Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining financial statements and schedules. The basic governmental fund financial statements can be found on pages 29-31 and 34-35 of this report. The non-major governmental fund statements and schedules are presented as supplementary information after the basic financial statements on pages 87-107.

The City adopts an annual budget and legally allocates (appropriates) available monies for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Development Fees Fund, General Obligation Bonds Fund, and Dedicated Sales Tax Revenue Bonds Fund, on pages 38-42. Budgetary comparison schedules are presented for the remaining governmental funds on pages 84-86 and 98-107.

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

- **Enterprise funds** account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detailed information such as cash flows. The City uses separate enterprise funds to account for its water, wastewater and sanitation system services. These funds are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 43-47.
- **Internal service funds** account for activities where the City is the primary customer. Because these funds primarily provide services for governmental activities, the internal service fund account balances and activities are reported in the governmental activities column on the government-wide financial statements. The internal service fund account balances and activities are presented in a single, aggregated column on the proprietary fund financial statements. The operating income or loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the City partially allocates the operating income or loss of the internal service funds to business-type activities on the government-wide financial statements, a reconciliation is provided on the face of the proprietary fund financial statements to reconcile total enterprise fund net position and changes in net position on the fund financial statements to the business-type activities column on the government-wide financial statements. The City uses separate internal service funds to account for its risk management program, printing services, and fleet management services. Additional information on the internal service funds is provided in combining statements. These statements are included as supplementary information after the basic financial statements on pages 109-112.

Fiduciary funds account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of these funds are not available to support city programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statements can be found on pages 49-51 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes can be found on pages 53-82 of this report.

Required supplementary information other than MD&A—Governments have the option of including budgetary comparison statements for the General Fund and major special revenue funds either as part of the fund financial statements with the basic financial statements or as required supplementary information after the notes to the financial statements. The City has elected to present the budgetary comparison statements as part of the basic financial statements. In addition, governments are required to disclose certain information about employee pension plans. The City has elected to include these disclosures on pages 70-75 of the notes to the financial statements rather than separately presenting the information as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs, and analyses discuss the financial position and changes in the financial position of the City as of and for the year ended June 30, 2014, with comparative information from June 30, 2013.

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

Net Position At June 30

	Governmental Activities		Business-type Activities		Total Government		Percent Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 82,878,383	\$ 81,267,176	\$ 63,628,865	\$ 63,083,709	\$ 146,507,248	\$ 144,350,885	1.5 %
Capital assets, net	575,787,365	576,111,385	479,423,861	485,469,977	1,055,211,226	1,061,581,362	(0.6)
Total assets	<u>658,665,748</u>	<u>657,378,561</u>	<u>543,052,726</u>	<u>548,553,686</u>	<u>1,201,718,474</u>	<u>1,205,932,247</u>	(0.3)
Deferred outflows of resources							
Deferred charge on debt refunding	405,031	497,047	23,905	29,882	428,936	526,929	(18.6)
Total deferred outflows of resources	<u>405,031</u>	<u>497,047</u>	<u>23,905</u>	<u>29,882</u>	<u>428,936</u>	<u>526,929</u>	
Current and other liabilities	15,247,439	14,473,187	6,165,777	6,086,547	21,413,216	20,559,734	4.2
Long-term liabilities	71,136,221	77,361,616	4,320,078	4,858,328	75,456,299	82,219,944	(8.2)
Total liabilities	<u>86,383,660</u>	<u>91,834,803</u>	<u>10,485,855</u>	<u>10,944,875</u>	<u>96,869,515</u>	<u>102,779,678</u>	(5.8)
Net position:							
Net investment in capital assets	499,739,936	494,754,961	474,668,428	479,033,932	974,408,364	973,788,893	0.1
Restricted	23,376,185	20,548,326	8,607,019	12,092,990	31,983,204	32,641,316	(2.0)
Unrestricted	49,570,998	50,737,518	49,315,329	46,511,771	98,886,327	97,249,289	1.7
Total net position	<u>\$ 572,687,119</u>	<u>\$ 566,040,805</u>	<u>\$ 532,590,776</u>	<u>\$ 537,638,693</u>	<u>\$ 1,105,277,895</u>	<u>\$ 1,103,679,498</u>	0.1

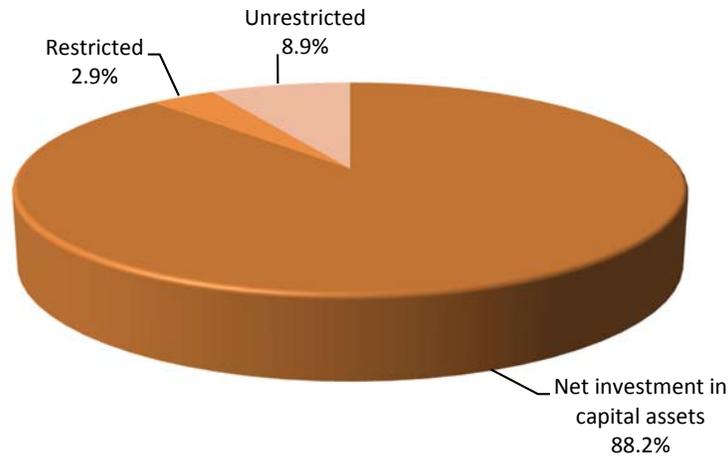
At year end, the City is able to report positive balances in all three categories of net position, as a whole, and for its separate governmental activities and business-type activities. Total net position remained substantially unchanged from the prior year, increasing about \$1.6 million during the year.

The largest portion of net position, net investment in capital assets of \$974.4 million (88.2%), reflects the City’s investment in capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources related to the debt also are included in this component of net position. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities. Net investment in capital assets increased \$0.6 million (0.1%) between years. The net increase was mainly due to capital acquisitions of about \$21.2 million and retirement of about \$6.8 million of net long-term bond debt, offset by an increase in accumulated depreciation of \$27.4 million during the year.

Restricted net position of \$32.0 million (2.9%) represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased \$0.6 million (2.0%) between years, which was mainly due to improved net position of the Dedicated Sales Tax Revenue Fund and Public Safety Sales Tax Fund of about \$1.9 million, offset by a decline in restricted net position available to finance capital projects of \$2.4 million during the year. Of the \$32.0 million in restricted net position, about \$5.0 million is restricted by enabling legislation.

Unrestricted net position of \$98.9 million (8.9%) may be used to meet the City’s ongoing obligations to its citizens and creditors. Unrestricted net position increased \$1.6 million (1.7%) between years.

**Government-wide Net Position
At June 30, 2014**



Changes in Net Position

The following table presents revenues, expenses, and changes in net position of the City for the fiscal years ended June 30, 2014, and June 30, 2013.

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

	Governmental Activities		Business-type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program revenues							
Charges for services	\$ 3,395,334	\$ 3,644,908	\$ 25,223,001	\$ 24,583,085	\$ 28,618,335	\$ 28,227,993	1.4 %
Operating grants and contributions	9,393,303	9,373,853	-	-	9,393,303	9,373,853	0.2
Capital grants and contributions	1,118,868	1,973,402	653,419	1,042,780	1,772,287	3,016,182	(41.2)
General revenues							
Sales and use taxes	37,639,556	35,929,759	-	-	37,639,556	35,929,759	4.8
Property taxes	5,631,102	4,570,972	-	-	5,631,102	4,570,972	23.2
Franchise taxes	1,132,811	1,101,693	-	-	1,132,811	1,101,693	2.8
State-shared revenues	17,896,107	16,617,488	-	-	17,896,107	16,617,488	7.7
Investment income	408,645	(127,021)	279,812	(69,172)	688,457	(196,193)	(450.9)
Gain on sale of capital assets	56,600	19,498	83,030	-	139,630	19,498	616.1
Miscellaneous	1,571,790	1,170,396	241,999	263,193	1,813,789	1,433,589	26.5
Total revenues	78,244,116	74,274,948	26,481,261	25,819,886	104,725,377	100,094,834	
Expenses:							
General government	12,331,057	12,769,952	-	-	12,331,057	12,769,952	(3.4)
Public safety	27,920,756	26,087,882	-	-	27,920,756	26,087,882	7.0
Highways and streets	12,363,230	12,144,322	-	-	12,363,230	12,144,322	1.8
Health and welfare	3,515,562	3,937,970	-	-	3,491,716	3,937,970	(11.3)
Economic and community development	5,465,243	5,036,147	-	-	5,489,089	5,036,147	9.0
Culture and recreation	4,783,299	3,813,472	-	-	4,783,299	3,813,472	25.4
Transportation	1,280,435	1,236,160	-	-	1,280,435	1,236,160	3.6
Interest on long-term debt	3,788,220	4,357,797	-	-	3,788,220	4,357,797	(13.1)
Water	-	-	15,313,614	15,879,676	15,313,614	15,879,676	(3.6)
Wastewater	-	-	11,992,043	11,500,364	11,992,043	11,500,364	4.3
Sanitation	-	-	4,373,521	3,860,578	4,373,521	3,860,578	13.3
Total expenses	71,447,802	69,383,702	31,679,178	31,240,618	103,126,980	100,624,320	
Increase (decrease) in net position before transfers	6,796,314	4,891,246	(5,197,917)	(5,420,732)	1,598,397	(529,486)	
Transfers	(150,000)	(150,000)	150,000	150,000	-	-	-
Increase (decrease) in net position	\$ 6,646,314	\$ 4,741,246	\$ (5,047,917)	\$ (5,270,732)	\$ 1,598,397	\$ (529,486)	

Total 2014 revenues of \$104.7 million increased about \$4.6 million (4.6%) over the previous year. Governmental activities revenues increased by \$3.9 million (5.3%) and business-type activities revenues increased about \$0.7 million over the previous year, while expenses increased \$2.1 million (3.0%) and \$0.4 million (1.4%) for governmental activities and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities increased the City’s net position before transfers by \$6.8 million during the year, compared to only \$4.9 million in the prior year. The increase between years was due to an increase in general revenues of about \$5.1 million over the prior year, offset by a decrease in program revenue of \$1.1 million and an increase in expenses of \$2.1 million during the same period. Governmental activities accounted for 74.7% of the City’s total revenues and 69.3% of total expenses during the year. Program revenues of \$13.9 million were 19.5% of governmental activities expenses during the year, compared to \$15.0 million, or 21.6%, of expenses in 2013.

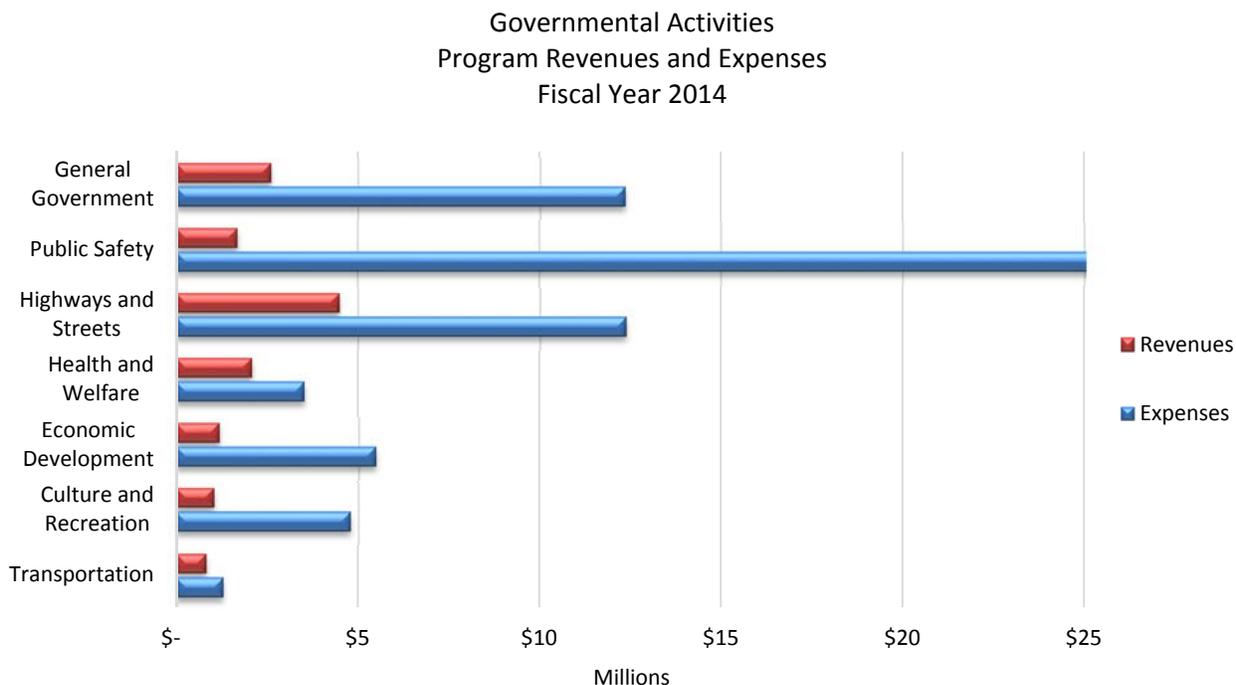
Program revenues decreased between years largely due to a decline in capital grants and contributions of about \$0.9 million (76.4%), which was mainly due to a decline in development fee collections and capital asset contributions from development and related construction activities between years.

General revenues increased between years mainly due to the following:

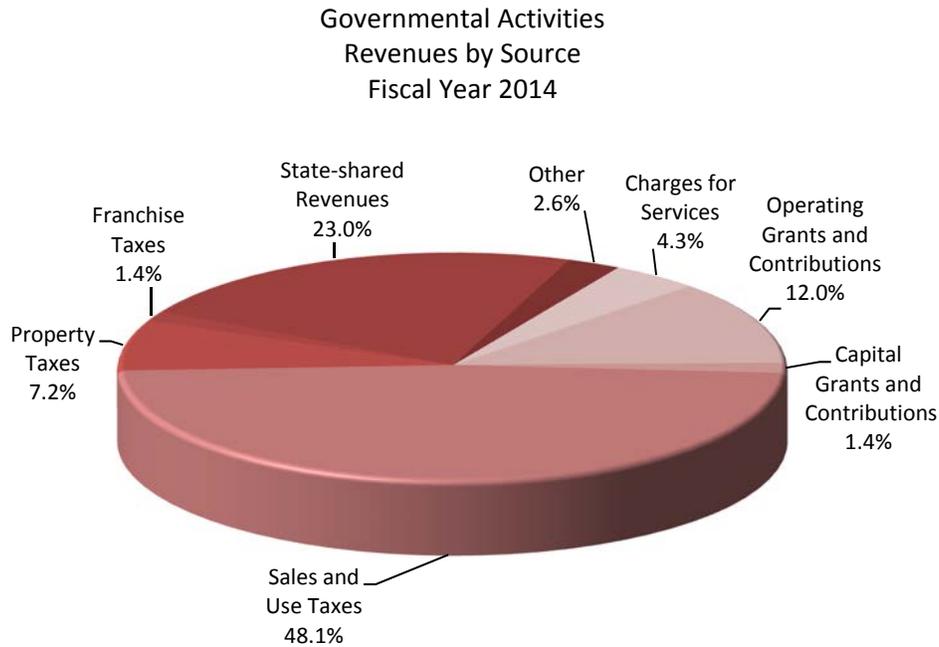
- Sales and use tax increased \$1.7 million (4.8%). An increase in sales and use tax revenues of 4% to 5% was projected based on collection trends by tax rate classification and assuming a stable population and employment.
- Property tax increased about \$1.1 million (23.2%). The increase was largely due to an increase in the total tax property rate by 35.7% over the previous year.
- State-shared revenues increased \$1.3 million (7.7%). The increase was mainly due to a \$0.4 million (6.0%) increase in state-shared sales tax revenues and a \$0.7 million (8.4%) increase in state-shared income tax revenues between years. An increase in state-shared sales tax revenues of 5% to 6% was projected. An increase in state-shared income tax revenues was also expected based on income taxes collected by the Arizona Department of Revenue for the 2012 tax year.

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

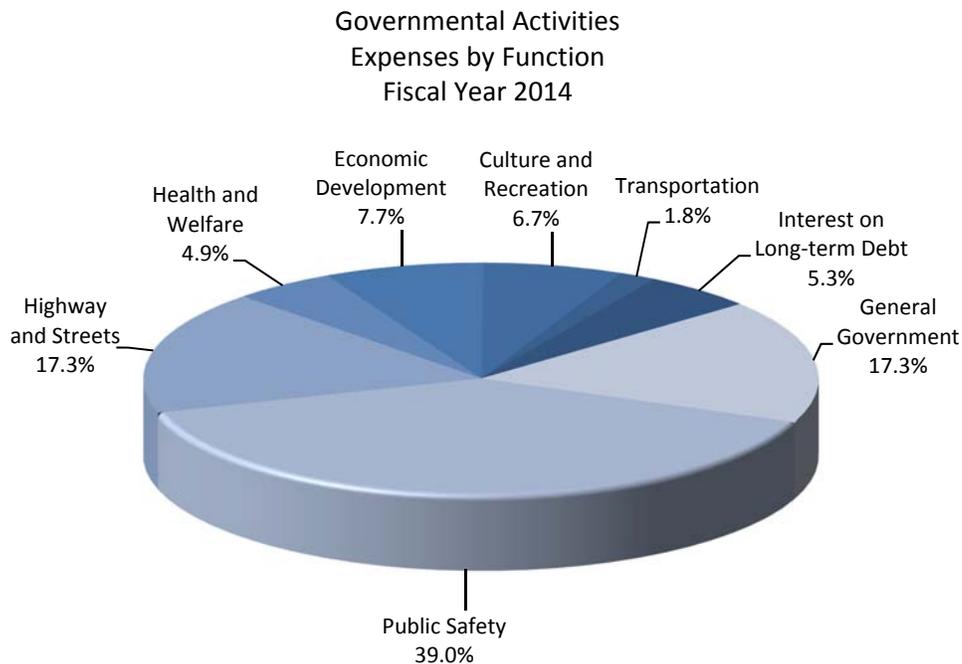
The following graph shows governmental activities functional revenues and expenses in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation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



As seen in the following graph, the largest governmental activities revenue sources are sales and use taxes of \$37.6 million (48.1%), followed by state-shared revenues of \$17.9 million (23.0%) and operating grants and contributions of \$9.4 million (12.0%).



The City's largest governmental activities expenses by function include public safety at \$27.9 million (39.1%), followed by highway and streets expenses at \$12.4 million (17.3%) and general government expenses at \$12.3 million (17.3%).



Business-type Activities

Business-type activities decreased net position before transfers by \$5.2 million during the year, compared to \$5.4 million in the prior year. The decrease in net position was less this year by \$0.2 million (4.1%) than in the previous year. This change was mainly due to a slight growth in revenue between years, offset by increasing operating expenses. Program revenues increased by \$0.3 million (1.0%) and general revenues increased \$0.4 million (211.7%) over the previous year, while program expenses increased \$0.4 million (1.4%) over the prior year. Business-type

activities accounted for 25.3% of the City’s total revenues and 30.7% of total expenses during the year. Program revenues of \$26.5 million were 83.6% of business-type expenses during the year, compared to \$25.6 million, or 82.0%, of expenses in 2013.

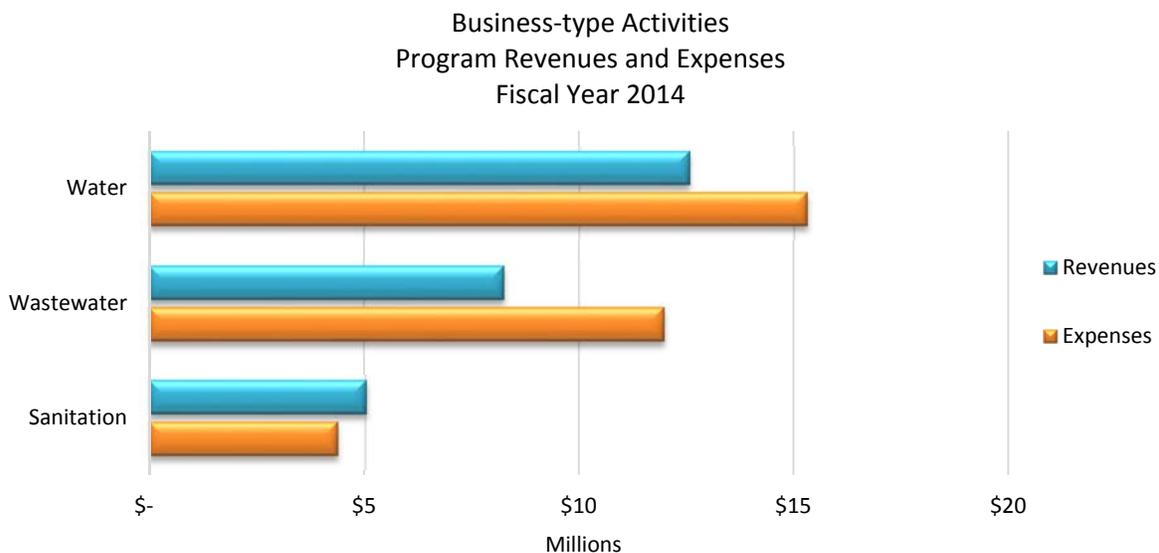
The changes in business-type activities program and general revenues between years were due to the following.

- Charges for services revenue increased about \$0.6 million (2.6%) over the prior year. A nominal increase in revenue between years was expected based on changes in the number of customers and water consumption and collection trends.
- Capital grants and contributions decreased about \$0.4 million (37.3%). This change largely resulted from the City receiving no water and sewer system capital contributions during the year, compared to receiving about \$0.6 million in the previous year.
- Investment income increased about \$0.3 million due to a net increase in the fair value of investments held by the Water and Wastewater Funds during the year.

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

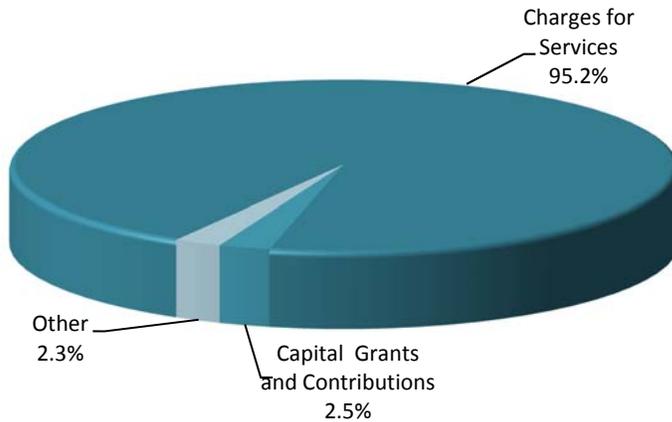
- *Water*—Expenses decreased about \$0.6 million from the previous year largely due to decreases in water treatment and repair and maintenance costs of about \$0.2 million and decreases in Central Arizona Project water payments of about \$0.3 million.
- *Wastewater*—Expenses increased about \$0.5 million (4.3%) during the year mainly due to increases in wastewater treatment plant and sewer repair and maintenance costs of about \$0.4 million.
- *Sanitation*— Expenses increased about \$0.5 million (13.3%) during the year mostly due to increased depreciation expenses of about \$0.4 million related to the City’s acquisition of \$1.7 million of sanitation vehicle during the year.

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



The City’s largest business-type activity is water services with expenses of \$15.3 million and revenues of \$12.6 million, followed by wastewater services with expenses of \$12.0 million and revenues of \$8.3 million, during the year.

Business-type Activities
Revenues by Source
Fiscal Year 2014



Charges for services, which consist almost entirely of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$25.2 million or 95.2%, followed by capital grants and contributions of \$0.7 million or 2.5%, which consisted entirely of development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

The financial performance of the City, as a whole, is reflected in its governmental funds. As of June 30, 2014, the City reported combined fund balance of \$72.1 million, an increase of \$2.4 million (3.4%) over the previous year. About \$1.2 million (1.6%) of the fund balance is unassigned and \$24.7 million (34.3%) is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of nonspendable balances of \$5.3 million (7.3%), restricted balances of \$21.6 million (30.0%), and committed balances of \$19.3 million (26.8%). More information on fund balances can be found in Note 1 - Summary of Significant Accounting Policies on pages 62-64 and Note 7 - Fund Balances on page 70.

General Fund—accounts for all city financial resources not required to be accounted for in other funds. This fund is the City's primary operating fund and accounts for many major functions of the City such as general government, public safety, health and welfare, economic and community development, and culture and recreation. At year end, fund balance of the General Fund was \$33.9 million compared to \$32.7 million in the prior year, an increase of \$1.1 million (3.5%). The overall increase in fund balance during the year was largely due to the following.

Revenues increased by \$3.7 million (7.8%) over the previous year. Tax revenue and intergovernmental revenue increased \$1.8 million (6.6%) and \$1.4 million (7.9%), respectively, and accounted for most of the revenue increase between years. Investment income also increased about \$0.5 million between years.

- Tax revenue increased mainly due to an increase in sales tax revenues of about \$1.8 million (7.3%) from growing retail sales. An increase in sales tax revenues of 4% to 5% was projected.

- Intergovernmental revenue increased largely from increases in state-shared sales taxes of about \$0.4 million (6.0%) and state-shared income taxes of \$0.7 million (8.4%). An increase in state-shared sales tax revenues in the range of about 5% to 6% was projected. The increase in state-shared income tax revenues was also expected based on income taxes collected by the Arizona Department of Revenue for the 2012 tax year.
- Investment income increased about \$0.5 million due to a net increase in the fair value of investments held by the General Fund during the year.

Expenditures increased by about \$5.5 million (14.7%) over the previous year. An explanation of some of the significant changes by function follows.

- *Public safety*—Expenditures increased \$1.9 million (9.8%) over the previous year. Most of the increase was due to increases in police and fire department employee salaries, wages, and employer-related costs between years. First, police and fire department employees received compensation packages averaging about 4% to 6%, respectively. Second, the City hired fifteen new firefighters and purchased safety apparel and equipment for Avondale Fire Station 174. Third, police officers previously funded by the federal Public Safety Partnership and Community Policing Grant are now being funded by the General Fund.
- *Culture and recreation*—Expenditures increased about \$1.1 million over the previous year. This increase resulted from the reclassification of parks grounds maintenance cost center and related expenditures from the general government to culture and recreation category in fiscal year 2014. These expenditures were misclassified in previous years.
- *Capital outlay*—Expenditures increased \$2.7 million over the prior year. The increase was primarily due to the City's purchase of the Avondale Corporate Center, the corporate headquarters of Phoenix International Raceway.

Transfers out decreased about \$2.2 million (30.7%) from the prior year. This decrease was mainly due to a reduction of transfers to capital project funds between years due to the completion of the Avondale Fire Station 174 and Avondale Transit Center.

Highway User Revenue Fund—accounts for excise fuel taxes that are charged on fuel purchases on a per gallon basis, currently \$0.18 per gallon, and distributed to cities and towns based on a formula. Cities and towns receive 27.5% of highway user revenues based on population estimates acquired through the most recent census, or census survey, and motor fuel sales within each county. A constitutional provision requires that these funds be used for highway and street purposes. Excise fuel taxes are subject to fluctuations in fuel prices and consumer behavior.

Excise fuel tax revenue, which accounted for about 96.8% of fund revenues, increased about \$0.1 million (2.9%) over the previous year. An increase in excise fuel tax revenues of 2% was projected based on projected fuel prices and consumer demand. Expenditures remained substantially unchanged from the prior year and transfers out increased about \$0.2 million (17.9%) between fiscal years. Budgeted expenditures remained substantially unchanged from the prior year due to little projected growth in revenues, so the nominal change in expenditures between years was expected. The transfers increase was mainly due to an increase in transfers to the Development Fees Fund to finance street construction projects between years. The net effect of these activities increased fund balance by \$0.3 million (7.2%) from the prior year.

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

Revenues, which consist almost entirely of the half-cent sales tax revenue, increased about \$0.1 million (0.9%) over the previous year. An increase in dedicated sales tax revenues of less than 1% was projected. Budgeted and actual expenditures remained substantially unchanged between years, which was expected. Transfers to other funds

remained substantially unchanged, decreasing only slightly between years. The net change in transfers was the result of an increase in debt service transfers of about \$0.5 million to the Dedicated Sales Tax Revenue Bonds Fund for MDC revenue bond debt service, offset by a decrease in transfers of about \$0.5 million to the same fund to finance street construction projects. The net effect of these activities increased fund balance by about \$0.6 million (69.2%) over the previous year.

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

Revenues, which consist almost entirely of the half-cent sales tax revenue, increased about \$0.1 million (0.9%) over the prior year. An increase in dedicated sales tax revenues of less than 1% was projected. Expenditures and transfers remained substantially unchanged between years which was expected. The net effect of these activities increased fund balance by \$1.3 million (39.3%) over the previous year.

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

Revenues decreased \$0.3 million (27.7%) from the previous year. This decrease was mainly due to a \$0.5 million (57.2%) decline in licenses and permit revenue and a \$0.2 million decline in intergovernmental revenue, offset by a \$0.4 million increase in contributions between years. The decline in licenses and in licenses and permits revenue was due to a decrease in development fees collected from the previous year. The decrease in intergovernmental revenue was largely due to a decline in revenue from joint-funded street projects for which other governments reimburse the City. The increase in contributions was due to \$0.4 million project cost sharing contribution to fund the City's Agua Fria Levee project.

Expenditures increased \$4.0 million (166.8%) over the previous year, which was mostly due to an increase in capital outlay expenditures of \$3.7 million between years. Capital outlay expenditures increased mainly due to several significant capital projects including the Avondale Fire Station 174 (\$2.0 million), City Center project (\$0.9 million), police radio system upgrades (\$0.6 million), and CDBG street and sidewalk improvements (\$0.6 million).

Transfers in decreased about \$1.4 million between years mainly due to changes in the number and size of capital projects funded between years. Transfer out increased about \$1.8 million between years mainly due to a decline in transfers to debt service funds to finance principal and interest payments on long-term bonded debt.

The net effect of these activities decreased fund balance by \$2.4 million (25.5%) from the prior year.

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

Revenues, which consist mainly of secondary property taxes, increased about \$0.9 million (29.5%) over the previous year. This increase was largely due to an increase in the secondary tax rate of 55.4% over the previous year to meet annual general obligation debt requirements. Expenditures remained substantially unchanged between years, which was expected as there were no general obligation bond issues or refundings during the year.

The net effect of these activities decreased fund balance by \$1.1 million (95.5%) from the prior year.

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

Revenues, which consist entirely of investment income, did not change significantly from the prior year as there were no significant changes in cash and cash equivalent balances held by the fund between years.

Expenditures decreased \$4.5 million (56.2%) and transfers in increased about \$0.5 million between years. Expenditures decreased mainly due to a decline in debt service requirements, which resulted from the prior year refunding of \$9.2 million of outstanding MDC revenue bonds. Transfers in increased to accumulate reserves for future debt service requirements.

The net effect of these activities increased fund balance by \$2.2 million (53.4%) over the previous year.

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

- Revenues, which consist primarily of intergovernmental revenues, increased about \$0.3 million (13.6%) over the previous year. This change was largely due to the net change in the deferred inflow of resources between years of about \$0.2 million from changes in unavailable grant revenue between years.
- Expenditures decreased about \$1.3 million (73.4%) between years. Most of this decrease resulted from an overall decline grant spending between years. Several large grants either expired or were substantially completed in the prior year, including the Public Safety Partnership and Community Policing Grant and Neighborhood Stabilization Program Grants. These grants contributed to about \$1.0 million of the decline.
- Transfers did not change significantly between years.

The net effect of these activities increased fund balance about \$0.7 million over the prior year.

Proprietary Funds—The proprietary fund financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Of the total enterprise funds net position of \$532.6 million, \$474.6 million consisted of net investment in capital assets, \$11.0 million was restricted, and \$47.0 million was unrestricted. The factors concerning the finances of these funds, as well as the changes in net position, have been addressed previously during the discussion of the City’s business-type activities.

BUDGETARY HIGHLIGHTS

The City’s *Annual Budget and Financial Plan* (council-adopted budget) established the legal level of expenditure control. Amendments to the adopted budget may occur throughout the year, in a legally permissible manner, between departments within the General Fund and between funds in all other funds. During the year, budget adjustments did occur. None of the adjustments increased the City’s total budget and all budget amendments were routine in nature. For more information on budgets and budgetary accounting, see Note 1 – Summary of Significant Accounting Policies, pages 58-59.

On August 28, 2012, city voters approved an alternative expenditure limitation, the effect of which allowed the City’s total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary comparison statements for the General Fund and major special revenue funds

can be found on pages 38-42. Budgetary comparison schedules for all other governmental funds can be found on pages 84-86 and 98-107.

General Fund Budgetary Analysis

General Fund revenues of \$51.5 million exceeded budgeted inflows by \$1.9 million or 3.4%, while expenditures and other financing uses of \$50.4 million was only 91.5% of final budgeted outflows of \$55.1 million. A more detailed analysis of General Fund revenues, expenditures, and other financing sources and use is outlined in the governmental funds section of this analysis.

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

General Government—The original adopted budget was amended and decreased \$3.7 million during the year. The budget was decreased mainly to transfer budgeted contingency and restricted use appropriations of \$2.8 million to capital outlay to finance the acquisition of the Avondale Corporate Center, which is the corporate headquarters of Phoenix International Raceway, \$0.2 million to economic and community development to maintain and operate the Avondale Corporate Center, and \$0.2 million to public safety to operate and maintain Avondale Fire Station 174. Actual expenditures were less than final budgeted expenditures by about \$1.3 million largely due to about \$0.7 million of contingency and restricted use appropriations not being spent and vacancy savings of about \$0.3 million.

Economic and Community Development—The original adopted budget was amended and increased \$0.2 million during the year. The budget increase came from budgeted contingency appropriation transfers to fund the maintenance and operation of the Avondale Corporate Center, which was acquired by the City during the year. Actual expenditures were less than final budgeted expenditures by \$1.5 million. The difference was mostly due to vacancy savings of about \$0.3 million and \$0.9 million of economic development activities that could not be completed during the year. The City has carried over about \$0.5 million of the economic development activities cost savings into the 2015 budget.

Culture and Recreation—The original adopted budget was amended and decreased about \$38,000 during the year. Actual expenditures were less than final budgeted expenditures by about \$0.9 million. The difference was largely due to vacancy savings of about \$0.1 million, savings in annual contractual payments to American Sports Center of about \$0.1 million, and savings of about \$0.6 million from lower-than-expected recreation activities and program costs (special event, leisure activity, and after school programs). The lower recreation costs were due to an ongoing downturn in citizen participation, donations, and sponsorship related to these activities and programs.

Capital Outlay—The original adopted budget was amended and increased \$3.0 million during the year. The budget increase resulted from budgeted contingency appropriation transfers to finance the acquisition of the Avondale Corporate Center, which was acquired by the City during the year. Actual expenditures were less than final budgeted expenditures by about \$0.7 million. About \$0.5 million of the savings resulted from the City not purchasing a pumper fire truck for Avondale Fire Station 174 during the year. The City has carried over the \$0.5 million of these savings into the 2015 budget for the purchase of the truck.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of June 30, 2014, the City had invested about \$1.1 billion in governmental and business-type capital assets, net of accumulated depreciation. Total depreciation expense for the year was \$27.4 million, with \$13.9 million attributed to governmental activities and \$13.5 to business-types activities.

The following schedule presents capital asset balances for the years ended June 30, 2014, and June 30, 2013. Additional information on the City's capital assets can be found in Note 6 - Capital Assets on pages 68-69.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
Land	\$ 254,841,778	\$ 253,951,778	\$ 16,257,756	\$ 16,255,356	\$ 271,099,534	\$ 270,207,134	0.3 %
Buildings and improvements	54,983,793	52,817,807	-	-	54,983,793	52,817,807	4.1
Improvements other than building	2,215,563	1,198,610	603,221	643,661	2,818,784	1,842,271	53.0
Vehicles, furniture and equipment	5,875,065	4,943,667	3,185,051	1,630,822	9,060,116	6,574,489	37.8
General infrastructure	239,487,541	248,179,765	-	-	239,487,541	248,179,765	(3.5)
Water system	-	-	222,170,383	227,397,004	222,170,383	227,397,004	(2.3)
Sewer system	-	-	162,598,669	163,989,459	162,598,669	163,989,459	(0.8)
Wastewater treatment system	-	-	67,251,315	68,252,940	67,251,315	68,252,940	(1.5)
Intangible assets	1,697,764	1,763,273	4,280,764	4,355,278	5,978,528	6,118,551	(2.3)
Construction in progress	16,685,861	13,256,485	3,076,702	2,945,457	19,762,563	16,201,942	22.0
Total	<u>\$ 575,787,365</u>	<u>\$ 576,111,385</u>	<u>\$ 479,423,861</u>	<u>\$ 485,469,977</u>	<u>\$ 1,055,211,226</u>	<u>\$ 1,061,581,362</u>	(0.6)

The City's governmental and business-type activities capital assets balances both decreased between fiscal years. The changes in capital asset balances were due to the following.

Governmental Activities—The \$0.3 million decrease between years was mostly due to about \$18.0 million of capital assets additions, offset by \$4.4 million of transfers from construction in progress and a \$13.9 million increase in accumulated depreciation during the year. Capital additions included \$0.9 million of land purchases (including Avondale Corporate Center land), \$7.8 million of new construction in progress (\$2.6 million of highway and street construction/improvements, \$1.9 million for the Avondale Fire Station 174, \$1.7 million for the Avondale Retail Center project, and \$1.6 million of other capital projects), \$5.3 million of building and improvements (includes \$2.3 million for Avondale Corporate Center building purchase and \$1.9 million transferred from construction in progress for Avondale Fire Station 174), \$1.5 million of general infrastructure construction and improvements (\$0.8 million was transferred from construction in progress and \$0.7 million was dedicated to the City), and \$2.4 million of vehicle, machinery and equipment purchases.

Business-type Activities—The \$6.0 million decrease between years largely resulted from \$12.3 million of capital additions, offset by \$4.8 million transferred from construction in progress and a \$13.5 million increase in accumulated depreciation during the year. Capital additions included \$4.9 million of new construction in progress, \$4.6 million of water system and sewer system construction and improvements (\$4.5 million was transferred from construction in progress), and \$2.5 million of vehicle, machinery and equipment purchases.

The City has adopted a ten-year capital improvement plan for years 2015 through 2024, with budgeted capital outlays totaling \$374.5 million. The plan, which includes \$70.6 million of budgeted capital outlays for 2015, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for 2015 is through a combination of existing fund balances (39.3%), development (impact) fees (6.1%), bond proceeds (27.7%), outside funding sources such as grants and intergovernmental cost-sharing agreements (9.9%), operating and non-operating revenues and other financing sources (17.0%). The capital improvement plan is updated annually as part of the City's formal budgetary process.

Debt Administration— As of June 30, 2014, the City had total long-term obligations outstanding of \$86.2 million, down \$6.1 million (6.6%) from the previous year. Of this balance, \$80.9 million (93.9%) was attributable to governmental activities and \$5.3 million (6.1%) was attributable to business-type activities. Of the total outstanding bonds of \$81.2 million, net of unamortized discounts and premiums, \$28.6 million (35.2%) are general obligation

bonds backed by the full faith and credit of the City, and \$52.6 million (64.8%) were revenue bonds secured by pledges of specific revenue sources of the City. Of the \$86.2 million of outstanding long-term debt obligations, \$10.7 million is due within one year.

The Arizona Constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the City's net secondary assessed property valuation. The City's legal debt margin at June 30, 2014, and June 30, 2013, is \$17.9 million and \$20.2 million in the 6% capacity, respectively, and \$42.4 million and \$32.5 million in the 20% capacity, respectively. Additional debt limitation and capacity information can be found in the statistical section of this report on pages 138-152.

The following schedule presents a summary of the City's outstanding long-term obligations as of June 30, 2014, and June 30, 2013. Additional information on the City's outstanding long-term obligations can be found in Note 9 - Long-term Obligations on pages 75-79.

	Governmental Activities		Business-type Activities		Total		Percent Change
	2014	2013	2014	2013	2014	2013	
Compensated absences	\$ 3,820,125	\$ 2,850,863	\$ 498,240	\$ 392,963	\$ 4,318,365	\$ 3,243,826	33.1 %
Capital leases payable	-	137,015	-	-	-	137,015	(100.0)
Claims payable	634,173	737,915	-	-	634,173	737,915	(14.1)
MDC revenue bonds	36,204,021	38,010,492	1,300,975	1,359,505	37,504,996	39,369,997	(4.7)
General obligation bonds	28,560,000	31,545,000	-	-	28,560,000	31,545,000	(9.5)
Pledged Revenue Obligations	9,275,000	9,275,000	-	-	9,275,000	9,275,000	0.0
Highway user revenue bonds	1,455,000	1,805,000	-	-	1,455,000	1,805,000	(19.4)
Water and sewer revenue bonds	-	-	3,190,000	4,770,000	3,190,000	4,770,000	(33.1)
Unamortized premiums and discounts, net	958,439	1,080,964	288,363	336,422	1,246,802	1,417,386	(12.0)
Total	\$ 80,906,758	\$ 85,442,249	\$ 5,277,578	\$ 6,858,890	\$ 86,184,336	\$ 92,301,139	(6.6)

ECONOMIC FACTORS

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

Current year local revenues continued an upward trend, increasing about 6.7% over the previous year. Retail sales tax collections have improved over the past two years, but construction sales tax collections, which are directly tied to housing starts, continue to be at a 10-year low. As the economy and local housing market continue to improve, construction appears poised for moderate growth in the near future.

The City's 2015 budget is structurally balanced and reflects continued growth in recurring General Fund revenues. City management continues to closely monitor its operations and adopted budget to help ensure that public service levels are maintained, while ensuring long-term financial stability of the City. Even though the City's revenue projections look promising, city management remained conservative in preparing the City's annual budget for fiscal year 2014-15. As a result, staffing levels remained the same as fiscal year 2013-14 in an effort to keep ongoing expenditures in line with ongoing funding, and the City cautiously moved forward with improvement projects for the City's infrastructure, as well as projects in alignment with City Council goals.

Request for Information

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

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

FINANCIAL SECTION

Basic Financial Statements

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

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

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

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

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



CITY OF AVONDALE, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 45,342,928	\$ 42,207,773	\$ 87,550,701
Receivables (net):			
Accounts	290,128	4,849,690	5,139,818
Taxes	3,760,468	131,503	3,891,971
Interest	47,582	30,674	78,256
Due from other governments	2,961,908	-	2,961,908
Internal balances	(391,102)	391,102	-
Inventories	465,370	496,493	961,863
Prepaid items	820,678	29,029	849,707
Restricted assets:			
Customer deposits	-	2,340,405	2,340,405
Cash with fiscal agents	7,520,141	601,167	8,121,308
Total current assets	<u>60,818,101</u>	<u>51,077,836</u>	<u>111,895,937</u>
Noncurrent assets:			
Restricted cash with fiscal agents	3,784,306	148,932	3,933,238
Investments	18,275,976	12,402,097	30,678,073
Capital assets:			
Non-depreciable	271,527,639	20,858,213	292,385,852
Depreciable (net)	304,259,726	458,565,648	762,825,374
Total noncurrent assets	<u>597,847,647</u>	<u>491,974,890</u>	<u>1,089,822,537</u>
Total assets	<u>658,665,748</u>	<u>543,052,726</u>	<u>1,201,718,474</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	405,031	23,905	428,936
Total deferred outflows of resources	<u>405,031</u>	<u>23,905</u>	<u>428,936</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,810,221	2,183,926	3,994,147
Accrued payroll	933,105	51,795	984,900
Accrued liabilities	2,376,208	94,730	2,470,938
Construction contracts payable	117,161	149,560	266,721
Sales taxes payable	2,951	127,870	130,821
Due to other governments	20,800	-	20,800
Deposits held for others	91,535	2,350,405	2,441,940
Unearned revenues	124,921	249,991	374,912
Claims payable	267,759	-	267,759
Compensated absences	3,056,100	398,593	3,454,693
General obligation bonds	2,058,048	-	2,058,048
Revenue bonds	4,388,630	558,907	4,947,537
Total current liabilities	<u>15,247,439</u>	<u>6,165,777</u>	<u>21,413,216</u>
Noncurrent liabilities:			
Claims payable	366,414	-	366,414
Compensated absences	764,025	99,647	863,672
General obligation bonds	26,539,824	-	26,539,824
Revenue bonds	43,465,958	4,220,431	47,686,389
Total noncurrent liabilities	<u>71,136,221</u>	<u>4,320,078</u>	<u>75,456,299</u>
Total liabilities	<u>86,383,660</u>	<u>10,485,855</u>	<u>96,869,515</u>
NET POSITION			
Net investment in capital assets	499,739,936	474,668,428	974,408,364
Restricted for:			
Transit services	1,331,708	-	1,331,708
Highways and streets	4,434,040	-	4,434,040
Grant and contributor purposes	1,965,924	-	1,965,924
Community development	5,230	-	5,230
Public safety	5,097,230	-	5,097,230
Debt service	7,983,570	750,099	8,733,669
Capital projects	2,558,483	7,856,920	10,415,403
Unrestricted	49,570,998	49,315,329	98,886,327
Total net position	<u>\$ 572,687,119</u>	<u>\$ 532,590,776</u>	<u>\$ 1,105,277,895</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 12,331,057	\$ 1,791,970	\$ 55,955	\$ 759,140
Public safety	27,920,756	469,192	1,122,946	94,428
Highways and streets	12,363,230	-	4,299,561	187,281
Health and welfare	3,491,716	-	2,075,447	-
Economic and community development	5,489,089	800,438	387,308	-
Culture and recreation	4,783,299	333,734	633,095	78,019
Transportation	1,280,435	-	818,991	-
Interest on long-term debt	3,788,220	-	-	-
Total governmental activities	71,447,802	3,395,334	9,393,303	1,118,868
Business-type activities:				
Water	15,313,614	12,227,233	-	348,946
Wastewater	11,992,043	7,963,581	-	304,473
Sanitation	4,373,521	5,032,187	-	-
Total business-type activities	31,679,178	25,223,001	-	653,419
Total primary government	\$ 103,126,980	\$ 28,618,335	\$ 9,393,303	\$ 1,772,287

General revenues:

Taxes:

Sales and use taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

State-shared revenues, unrestricted

Investment income:

Interest Income

Net increase in the fair value of investments

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Totals
\$ (9,723,992)	\$ -	\$ (9,723,992)
(26,234,190)	-	(26,234,190)
(7,876,388)	-	(7,876,388)
(1,416,269)	-	(1,416,269)
(4,301,343)	-	(4,301,343)
(3,738,451)	-	(3,738,451)
(461,444)	-	(461,444)
(3,788,220)	-	(3,788,220)
<u>(57,540,297)</u>	<u>-</u>	<u>(57,540,297)</u>
-	(2,737,435)	(2,737,435)
-	(3,723,989)	(3,723,989)
-	658,666	658,666
<u>-</u>	<u>(5,802,758)</u>	<u>(5,802,758)</u>
<u>(57,540,297)</u>	<u>(5,802,758)</u>	<u>(63,343,055)</u>
37,639,556	-	37,639,556
2,421,361	-	2,421,361
3,209,741	-	3,209,741
1,132,811	-	1,132,811
17,896,107	-	17,896,107
175,486	124,372	299,858
233,159	155,440	388,599
56,600	83,030	139,630
1,571,790	241,999	1,813,789
(150,000)	150,000	-
<u>64,186,611</u>	<u>754,841</u>	<u>64,941,452</u>
<u>6,646,314</u>	<u>(5,047,917)</u>	<u>1,598,397</u>
<u>566,040,805</u>	<u>537,638,693</u>	<u>1,103,679,498</u>
<u>\$ 572,687,119</u>	<u>\$ 532,590,776</u>	<u>\$ 1,105,277,895</u>



Governmental Fund Financial Statements

Major Funds

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

Highway User Revenue Fund accounts for excise fuel taxes which are distributed to cities and towns based on a formula. A constitutional provision requires that these funds be used for highway and street purposes.

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

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

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

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

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

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

Non-Major Funds

All other governmental funds are non-major funds. These funds can be found on pages 89-97.

CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
ASSETS				
Cash and cash equivalents	\$ 10,022,112	\$ 3,576,650	\$ 828,059	\$ 4,271,667
Investments	18,275,976	-	-	-
Receivables:				
Taxes	2,615,341	-	524,803	526,237
Accounts	102,977	-	-	-
Interest	46,012	-	-	-
Due from other funds	4,156,428	-	-	-
Due from other governments	885,038	490,807	-	-
Inventories	449	299,365	-	-
Prepaid items	131,306	-	-	121
Restricted cash with fiscal agents	-	-	-	-
Total assets	\$ 36,235,639	\$ 4,366,822	\$ 1,352,862	\$ 4,798,025
LIABILITIES				
Accounts payable	\$ 847,998	\$ 185,115	\$ 1,307	\$ 60,086
Accrued payroll and employee benefits	838,449	7,109	-	52,298
Accrued liabilities	501,164	-	-	-
Construction contracts payable	-	-	-	-
Deposits held for others	91,535	-	-	-
Sales taxes payable	-	641	-	-
Due to other governments	-	20,800	-	-
Due to other funds	-	213	-	-
Unearned revenues	-	-	-	-
Total liabilities	2,279,146	213,878	1,307	112,384
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	38,643	-	-	-
Unavailable revenue - other	42,859	-	-	-
Total deferred inflows of resources	81,502	-	-	-
FUND BALANCES				
Nonspendable	4,288,183	299,365	-	121
Restricted	130,205	3,853,579	1,351,555	4,685,520
Committed	18,934,773	-	-	-
Assigned	8,721,580	-	-	-
Unassigned	1,800,250	-	-	-
Total fund balances	33,874,991	4,152,944	1,351,555	4,685,641
Total liabilities, deferred inflows of resources, and fund balances	\$ 36,235,639	\$ 4,366,822	\$ 1,352,862	\$ 4,798,025

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

Grants-In-Aid Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 544,375	\$ 8,548,675	\$ -	\$ -	\$ 13,324,675	\$ 41,116,213
-	-	-	-	-	18,275,976
-	-	94,087	-	-	3,760,468
83,501	-	-	-	103,650	290,128
-	-	-	1,570	-	47,582
-	-	-	-	-	4,156,428
1,007,879	280,000	-	-	298,184	2,961,908
-	-	-	-	10,608	310,422
1,166	-	685,000	-	2,285	819,878
-	-	2,274,164	8,244,604	785,679	11,304,447
<u>\$ 1,636,921</u>	<u>\$ 8,828,675</u>	<u>\$ 3,053,251</u>	<u>\$ 8,246,174</u>	<u>\$ 14,525,081</u>	<u>\$ 83,043,450</u>
\$ 249,444	\$ 207,539	\$ -	\$ 1,900	\$ 144,635	\$ 1,698,024
-	-	-	-	11,515	909,371
-	-	914,164	889,237	71,643	2,376,208
30,127	2,072	-	-	84,962	117,161
-	-	-	-	-	91,535
-	-	-	-	-	641
-	-	-	-	-	20,800
12,521	1,200,000	2,034,651	907,949	-	4,155,334
-	124,921	-	-	-	124,921
<u>292,092</u>	<u>1,534,532</u>	<u>2,948,815</u>	<u>1,799,086</u>	<u>312,755</u>	<u>9,493,995</u>
-	-	51,811	-	-	90,454
830,552	280,001	-	-	205,613	1,359,025
<u>830,552</u>	<u>280,001</u>	<u>51,811</u>	<u>-</u>	<u>205,613</u>	<u>1,449,479</u>
1,166	-	685,000	-	12,893	5,286,728
513,111	-	-	6,447,088	4,626,620	21,607,678
-	322,646	-	-	43,974	19,301,393
-	6,691,496	-	-	9,323,226	24,736,302
-	-	(632,375)	-	-	1,167,875
<u>514,277</u>	<u>7,014,142</u>	<u>52,625</u>	<u>6,447,088</u>	<u>14,006,713</u>	<u>72,099,976</u>
<u>\$ 1,636,921</u>	<u>\$ 8,828,675</u>	<u>\$ 3,053,251</u>	<u>\$ 8,246,174</u>	<u>\$ 14,525,081</u>	<u>\$ 83,043,450</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances—total governmental funds \$ 72,099,976

Amounts reported for governmental activities in the Statements of Net Position are different because:

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

Capital assets	\$ 768,065,977	
Accumulated depreciation	<u>(192,278,612)</u>	575,787,365

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

Bonds payable	(75,494,021)	
Compensated absences	<u>(3,820,125)</u>	(79,314,146)

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

Bond discount/premium, net	(958,439)	
Deferred charge on debt refunding	<u>405,031</u>	(553,408)

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

3,217,853

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

Intergovernmental revenue	1,359,025	
Property tax revenue	<u>90,454</u>	<u>1,449,479</u>

Net position of governmental activities \$ 572,687,119

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, 2014

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund
Revenues				
Taxes	\$ 28,928,951	\$ -	\$ 6,157,616	\$ 6,158,967
Licenses and permits	748,475	-	-	-
Intergovernmental	18,277,155	4,438,393	-	-
Charges for services	1,028,755	-	-	-
Fines, forfeitures, and penalties	1,219,003	-	-	-
Investment income				
Interest Income	157,712	1,463	74	1,102
Net increase in the fair value of investments	233,159	-	-	-
Contributions	39,191	-	-	-
Miscellaneous	887,056	3,312	-	-
Total revenues	<u>51,519,457</u>	<u>4,443,168</u>	<u>6,157,690</u>	<u>6,160,069</u>
Expenditures				
Current:				
General government	10,660,454	-	5,054	215,678
Public safety	20,978,495	-	-	4,344,208
Highways and streets	-	1,329,524	-	-
Health and welfare	1,568,024	-	-	-
Economic and community development	3,494,841	1,846,794	-	-
Culture and recreation	3,406,635	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	137,015	-	-	-
Interest and other charges	601	-	-	-
Capital outlay	2,987,835	27,900	-	47,926
Total expenditures	<u>43,233,900</u>	<u>3,204,218</u>	<u>5,054</u>	<u>4,607,812</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,285,557</u>	<u>1,238,950</u>	<u>6,152,636</u>	<u>1,552,257</u>
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(7,140,430)	(959,800)	(5,600,000)	(229,340)
Total other financing sources (uses)	<u>(7,140,430)</u>	<u>(959,800)</u>	<u>(5,600,000)</u>	<u>(229,340)</u>
Net change in fund balances	1,145,127	279,150	552,636	1,322,917
Fund balances (deficits), beginning of year	<u>32,729,864</u>	<u>3,873,794</u>	<u>798,919</u>	<u>3,362,724</u>
Fund balances, end of year	<u>\$ 33,874,991</u>	<u>\$ 4,152,944</u>	<u>\$ 1,351,555</u>	<u>\$ 4,685,641</u>

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

Grants-In-Aid Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,208,983	\$ -	\$ -	\$ 44,454,517
-	418,856	-	-	268,217	1,435,548
2,085,638	-	-	-	1,767,042	26,568,228
-	-	-	-	82,620	1,111,375
-	-	-	-	-	1,219,003
158	5,006	864	1,518	5,858	173,755
-	-	-	-	-	233,159
262,915	400,000	-	-	112,212	814,318
226,969	-	565,551	-	-	1,682,888
<u>2,575,680</u>	<u>823,862</u>	<u>3,775,398</u>	<u>1,518</u>	<u>2,235,949</u>	<u>77,692,791</u>
2,593	-	-	-	222,898	11,106,677
109,934	58,014	-	-	776,853	26,267,504
-	614,127	-	-	-	1,943,651
1,409,936	-	-	-	564,551	3,542,511
-	-	-	-	-	5,341,635
31,999	71,068	-	-	-	3,509,702
-	-	-	-	1,277,281	1,277,281
-	-	2,985,000	1,707,693	448,778	5,278,486
-	-	1,896,548	1,803,688	143,537	3,844,374
165,649	5,591,470	-	-	4,171,584	12,992,364
<u>1,720,111</u>	<u>6,334,679</u>	<u>4,881,548</u>	<u>3,511,381</u>	<u>7,605,482</u>	<u>75,104,185</u>
855,569	(5,510,817)	(1,106,150)	(3,509,863)	(5,369,533)	2,588,606
-	-	-	-	58,094	58,094
85,200	3,990,000	-	5,753,400	5,285,720	15,114,320
(240,960)	(879,400)	-	-	(330,040)	(15,379,970)
<u>(155,760)</u>	<u>3,110,600</u>	<u>-</u>	<u>5,753,400</u>	<u>5,013,774</u>	<u>(207,556)</u>
699,809	(2,400,217)	(1,106,150)	2,243,537	(355,759)	2,381,050
<u>(185,532)</u>	<u>9,414,359</u>	<u>1,158,775</u>	<u>4,203,551</u>	<u>14,362,472</u>	<u>69,718,926</u>
<u>\$ 514,277</u>	<u>\$ 7,014,142</u>	<u>\$ 52,625</u>	<u>\$ 6,447,088</u>	<u>\$ 14,006,713</u>	<u>\$ 72,099,976</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances—total governmental funds \$ 2,381,050

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

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

Expenditures for capital assets	\$ 12,992,364	
Depreciation expense	<u>(13,837,080)</u>	(844,716)

The net effect of miscellaneous transactions involving capital assets (e.g., contributions, transfers and disposals) not recorded in governmental funds. 539,756

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

Principal paid on long-term debt	5,141,471	
Principal paid on capital leases	137,015	
Amortization of bond discount/premium	122,525	
Amortization of deferred charge on debt refunding	<u>(92,016)</u>	5,308,995

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities in the Statement of Activities. 427,417

Some revenues and expenses reported in the Statement of Activities do not provide or use current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

Compensated absences	(959,187)	
Property tax revenue	(7,621)	
Intergovernmental revenue	<u>(199,380)</u>	<u>(1,166,188)</u>

Change in net position of governmental activities \$ 6,646,314

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

**FINANCIAL
SECTION**

**Major Governmental Funds
Budgetary Comparison Statements**

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 27,242,270	\$ 27,242,270	\$ 28,928,951	\$ 1,686,681
Licenses and permits	1,028,260	1,028,260	748,475	(279,785)
Intergovernmental	17,628,420	17,628,420	18,277,155	648,735
Charges for services	1,453,750	1,453,750	1,028,755	(424,995)
Fines, forfeitures, and penalties	1,269,830	1,269,810	1,219,003	(50,807)
Investment income	331,920	331,920	390,871	58,951
Contributions	101,110	101,110	39,191	(61,919)
Miscellaneous	602,690	602,710	887,056	284,346
Total revenues	49,658,250	49,658,250	51,519,457	1,861,207
Expenditures				
Current:				
General government	15,539,100	11,930,996	10,660,454	1,270,542
Public safety	20,912,010	21,108,475	20,978,495	129,980
Health and welfare	1,545,360	1,730,936	1,568,024	162,912
Economic and community development	4,751,140	4,978,382	3,494,841	1,483,541
Culture and recreation	4,397,700	4,359,997	3,406,635	953,362
Debt service:				
Principal	137,020	137,020	137,015	5
Interest and other charges	1,670	1,670	601	1,069
Capital outlay	675,870	3,684,970	2,987,835	697,135
Total expenditures	47,959,870	47,932,446	43,233,900	4,698,546
Excess (deficiency) of revenues over (under) expenditures	1,698,380	1,725,804	8,285,557	6,559,753
Other financing sources (uses)				
Transfers out	(7,151,430)	(7,151,430)	(7,140,430)	11,000
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(7,151,430)	(7,151,430)	(7,140,430)	11,000
Net change in fund balance	(5,453,050)	(5,425,626)	1,145,127	6,570,753
Fund balance, beginning of year	30,168,228	30,168,228	32,729,864	2,561,636
Fund balance, end of year	\$ 24,715,178	\$ 24,742,602	\$ 33,874,991	\$ 9,132,389

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,128,910	\$ 4,128,910	\$ 4,438,393	\$ 309,483
Investment income	3,290	3,290	1,463	(1,827)
Miscellaneous	8,690	8,690	3,312	(5,378)
Total revenues	<u>4,140,890</u>	<u>4,140,890</u>	<u>4,443,168</u>	<u>302,278</u>
Expenditures				
Current:				
Highways and streets	1,628,830	1,628,830	1,329,524	299,306
Economic and community development	1,961,310	1,945,710	1,846,794	98,916
Capital outlay	-	15,600	27,900	(12,300)
Total expenditures	<u>3,590,140</u>	<u>3,590,140</u>	<u>3,204,218</u>	<u>385,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>550,750</u>	<u>550,750</u>	<u>1,238,950</u>	<u>688,200</u>
Other financing sources (uses)				
Transfers out	(959,800)	(959,800)	(959,800)	-
Total other financing sources (uses)	<u>(959,800)</u>	<u>(959,800)</u>	<u>(959,800)</u>	<u>-</u>
Net change in fund balance	(409,050)	(409,050)	279,150	688,200
Fund balance, beginning of year	<u>3,899,543</u>	<u>3,899,543</u>	<u>3,873,794</u>	<u>(25,749)</u>
Fund balance, end of year	<u>\$ 3,490,493</u>	<u>\$ 3,490,493</u>	<u>\$ 4,152,944</u>	<u>\$ 662,451</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,777,760	\$ 5,777,760	\$ 6,157,616	\$ 379,856
Investment income	1,440	1,440	74	(1,366)
Total revenues	<u>5,779,200</u>	<u>5,779,200</u>	<u>6,157,690</u>	<u>378,490</u>
Expenditures				
Current:				
General government	4,000	4,000	5,054	(1,054)
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>5,054</u>	<u>(1,054)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,775,200</u>	<u>5,775,200</u>	<u>6,152,636</u>	<u>377,436</u>
Other financing sources (uses)				
Transfers out	(5,600,000)	(5,600,000)	(5,600,000)	-
Total other financing sources (uses)	<u>(5,600,000)</u>	<u>(5,600,000)</u>	<u>(5,600,000)</u>	<u>-</u>
Net change in fund balance	175,200	175,200	552,636	377,436
Fund balance, beginning of year	<u>306,198</u>	<u>306,198</u>	<u>798,919</u>	<u>492,721</u>
Fund balance, end of year	<u>\$ 481,398</u>	<u>\$ 481,398</u>	<u>\$ 1,351,555</u>	<u>\$ 870,157</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,777,760	\$ 5,777,760	\$ 6,158,967	\$ 381,207
Investment income	2,200	2,200	1,102	(1,098)
Total revenues	<u>5,779,960</u>	<u>5,779,960</u>	<u>6,160,069</u>	<u>380,109</u>
Expenditures				
Current:				
General government	712,990	692,960	215,678	477,282
Public safety	4,789,510	4,801,635	4,344,208	457,427
Capital outlay	36,150	44,055	47,926	(3,871)
Total expenditures	<u>5,538,650</u>	<u>5,538,650</u>	<u>4,607,812</u>	<u>930,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>241,310</u>	<u>241,310</u>	<u>1,552,257</u>	<u>1,310,947</u>
Other financing sources (uses)				
Transfers out	(229,340)	(229,340)	(229,340)	-
Total other financing sources (uses)	<u>(229,340)</u>	<u>(229,340)</u>	<u>(229,340)</u>	<u>-</u>
Net change in fund balance	11,970	11,970	1,322,917	1,310,947
Fund balance, beginning of year	<u>2,808,083</u>	<u>2,808,083</u>	<u>3,362,724</u>	<u>554,641</u>
Fund balance, end of year	<u>\$ 2,820,053</u>	<u>\$ 2,820,053</u>	<u>\$ 4,685,641</u>	<u>\$ 1,865,588</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
GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,218,760	\$ 2,854,200	\$ 2,085,638	\$ (768,562)
Interest income	50	50	158	108
Contributions	133,010	280,750	262,915	(17,835)
Miscellaneous	5,000,000	4,216,820	226,969	(3,989,851)
Total revenues	<u>7,351,820</u>	<u>7,351,820</u>	<u>2,575,680</u>	<u>(4,776,140)</u>
Expenditures				
Current:				
General government	5,067,700	4,013,075	2,593	4,010,482
Public safety	71,110	260,824	109,934	150,890
Health and welfare	2,093,050	2,406,096	1,409,936	996,160
Economic and community development	18,500	7,488	-	7,488
Culture and recreation	-	25,160	31,999	(6,839)
Capital outlay	102,330	269,642	165,649	103,993
Total expenditures	<u>7,352,690</u>	<u>6,982,285</u>	<u>1,720,111</u>	<u>5,262,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(870)</u>	<u>369,535</u>	<u>855,569</u>	<u>486,034</u>
Other financing sources (uses)				
Transfers in	96,200	96,200	85,200	(11,000)
Transfers out	(240,960)	(240,898)	(240,960)	(62)
Total other financing sources (uses)	<u>(144,760)</u>	<u>(144,698)</u>	<u>(155,760)</u>	<u>(11,062)</u>
Net change in fund balance	(145,630)	224,837	699,809	474,972
Fund balance (deficit), beginning of year	494,333	494,333	(185,532)	(679,865)
Fund balance, end of year	<u>\$ 348,703</u>	<u>\$ 719,170</u>	<u>\$ 514,277</u>	<u>\$ (204,893)</u>

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

Proprietary Fund Financial Statements

Major Funds

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

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

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

Non-Major Funds

These funds can be found on pages 109-112.

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities—Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Sanitation Fund	Total	Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 27,121,535	\$ 5,999,822	\$ 9,086,416	\$ 42,207,773	\$ 4,226,715
Receivables:					
Accounts (net)	2,505,727	1,429,513	914,450	4,849,690	-
State and county taxes	131,503	-	-	131,503	-
Interest	15,337	15,337	-	30,674	-
Due from other governments	-	-	-	-	-
Inventories	363,996	62,628	69,869	496,493	154,948
Prepaid items	16,357	12,672	-	29,029	800
Restricted assets:					
Customer deposits	2,340,405	-	-	2,340,405	-
Cash with fiscal agents	33,841	567,326	-	601,167	-
Total current assets	32,528,701	8,087,298	10,070,735	50,686,734	4,382,463
Noncurrent assets:					
Restricted cash with fiscal agents	-	148,932	-	148,932	-
Investments	6,310,105	6,091,992	-	12,402,097	-
Capital assets:					
Non-depreciable	17,941,441	2,916,772	-	20,858,213	-
Depreciable (net)	226,239,772	230,404,953	1,920,923	458,565,648	135,832
Total noncurrent assets	250,491,318	239,562,649	1,920,923	491,974,890	135,832
Total assets	283,020,019	247,649,947	11,991,658	542,661,624	4,518,295
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	-	23,905	-	23,905	-
Total deferred outflows of resources	-	23,905	-	23,905	-
LIABILITIES					
Current liabilities:					
Accounts payable	1,061,712	1,047,905	74,309	2,183,926	114,507
Accrued payroll and employee benefits	23,188	14,922	13,685	51,795	23,734
Accrued liabilities	8,641	86,089	-	94,730	-
Construction contracts payable	112,476	37,084	-	149,560	-
Sales taxes payable	127,870	-	-	127,870	-
Deposits held in custody for others	2,340,405	-	10,000	2,350,405	-
Claims payable	-	-	-	-	267,759
Due to other funds	615	404	58	1,077	17
Unearned revenues	249,991	-	-	249,991	-
Compensated absences	191,177	99,247	108,169	398,593	48,067
Revenue bonds	32,772	526,135	-	558,907	-
Total current liabilities	4,148,847	1,811,786	206,221	6,166,854	454,084
Noncurrent liabilities:					
Claims payable	-	-	-	-	366,414
Compensated absences	47,794	24,811	27,042	99,647	12,016
Revenue bonds	196,104	4,024,327	-	4,220,431	-
Total noncurrent liabilities	243,898	4,049,138	27,042	4,320,078	378,430
Total liabilities	4,392,745	5,860,924	233,263	10,486,932	832,514
NET POSITION					
Net investment in capital assets	243,952,337	228,795,168	1,920,923	474,668,428	135,832
Restricted for:					
Debt service	33,841	716,258	-	750,099	-
Capital projects	6,320,237	1,536,683	-	7,856,920	-
Unrestricted	28,320,859	10,764,819	9,837,472	48,923,150	3,549,949
Total net position	\$ 278,627,274	\$ 241,812,928	\$ 11,758,395	532,198,597	\$ 3,685,781
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time				392,179	
Net position of business-type activities (page 25)				<u>\$ 532,590,776</u>	

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Sanitation Fund	Total	Internal Service Funds
Operating revenues:					
Charges for services	\$ 12,227,233	\$ 7,963,581	\$ 5,032,187	\$ 25,223,001	\$ 4,253,264
Miscellaneous	40,719	-	201,280	241,999	2,050
Total operating revenues	<u>12,267,952</u>	<u>7,963,581</u>	<u>5,233,467</u>	<u>25,465,000</u>	<u>4,255,314</u>
Operating expenses:					
Salaries, wages and benefits	2,589,719	1,527,931	1,312,703	5,430,353	642,245
Contractual services, materials and supplies	6,216,106	3,988,028	2,531,361	12,735,495	1,842,224
Insurance claims and expenses	-	-	-	-	1,301,392
Depreciation and amortization	6,517,385	6,377,353	582,440	13,477,178	57,014
Total operating expenses	<u>15,323,210</u>	<u>11,893,312</u>	<u>4,426,504</u>	<u>31,643,026</u>	<u>3,842,875</u>
Operating income (loss)	<u>(3,055,258)</u>	<u>(3,929,731)</u>	<u>806,963</u>	<u>(6,178,026)</u>	<u>412,439</u>
Non-operating revenues (expenses):					
Gain on sale of capital assets	-	-	83,030	83,030	-
Investment income					
Interest Income	66,008	54,127	4,237	124,372	1,731
Net increase in the fair value of investments	77,720	77,720	-	155,440	-
Interest expense	(5,300)	(133,256)	-	(138,556)	-
Total non-operating revenues (expenses)	<u>138,428</u>	<u>(1,409)</u>	<u>87,267</u>	<u>224,286</u>	<u>1,731</u>
Income (loss) before development fees and transfers	<u>(2,916,830)</u>	<u>(3,931,140)</u>	<u>894,230</u>	<u>(5,953,740)</u>	<u>414,170</u>
Development fees	348,946	304,473	-	653,419	-
Transfers in	-	150,000	-	150,000	130,000
Transfers out	-	-	-	-	(14,350)
Change in net position	<u>(2,567,884)</u>	<u>(3,476,667)</u>	<u>894,230</u>	<u>(5,150,321)</u>	<u>529,820</u>
Net position, beginning of year	<u>281,195,158</u>	<u>245,289,595</u>	<u>10,864,165</u>	<u>537,348,918</u>	<u>3,155,961</u>
Net position, end of year	<u>\$ 278,627,274</u>	<u>\$ 241,812,928</u>	<u>\$ 11,758,395</u>		<u>\$ 3,685,781</u>
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds				<u>102,404</u>	
Change in net position of business-type activities (pages 26-27)				<u>\$ (5,047,917)</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, 2014

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Sanitation Fund	Total	Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 12,465,081	\$ 7,957,337	\$ 5,024,098	\$ 25,446,516	\$ 4,253,264
Payments to suppliers	(5,783,644)	(3,541,730)	(2,550,167)	(11,875,541)	(3,193,075)
Payments to employees	(2,517,082)	(1,503,553)	(1,279,441)	(5,300,076)	(627,241)
Miscellaneous	40,719	-	201,280	241,999	2,050
Net cash provided (used) by operating activities	<u>4,205,074</u>	<u>2,912,054</u>	<u>1,395,770</u>	<u>8,512,898</u>	<u>434,998</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	(102)	58	37	(7)	(21)
Transfers in	-	150,000	-	150,000	130,000
Transfers out	-	-	-	-	(14,350)
Net cash provided (used) for noncapital financing activities	<u>(102)</u>	<u>150,058</u>	<u>37</u>	<u>149,993</u>	<u>115,629</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(2,914,879)	(2,888,642)	(1,650,379)	(7,453,900)	(37,937)
Principal payments on capital debt	(107,126)	(1,579,463)	-	(1,686,589)	-
Interest paid on capital debt	(7,379)	(157,824)	-	(165,203)	-
Development fees	348,946	304,473	-	653,419	-
Gain on sale of capital assets	-	-	83,030	83,030	-
Net cash provided (used) for capital and related financing activities	<u>(2,680,438)</u>	<u>(4,321,456)</u>	<u>(1,567,349)</u>	<u>(8,569,243)</u>	<u>(37,937)</u>
Cash flows from investing activities:					
Purchase of investments	(422,222)	(422,222)	-	(844,444)	-
Proceeds from sales and maturities of investments	231,441	231,822	-	463,263	-
Investment income	142,978	131,097	4,237	278,312	1,731
Net cash provided by investing activities	<u>(47,803)</u>	<u>(59,303)</u>	<u>4,237</u>	<u>(102,869)</u>	<u>1,731</u>
Net increase (decrease) in cash and cash equivalents	1,476,731	(1,318,647)	(167,305)	(9,221)	514,421
Cash and cash equivalents, beginning of year	<u>28,019,050</u>	<u>8,034,727</u>	<u>9,253,721</u>	<u>45,307,498</u>	<u>3,712,294</u>
Cash and cash equivalents, end of year	<u>\$ 29,495,781</u>	<u>\$ 6,716,080</u>	<u>\$ 9,086,416</u>	<u>\$ 45,298,277</u>	<u>\$ 4,226,715</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (3,055,258)	\$ (3,929,731)	\$ 806,963	\$ (6,178,026)	\$ 412,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,517,385	6,377,353	582,440	13,477,178	57,014
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(4,435)	(6,244)	(8,089)	(18,768)	-
(Increase) decrease in due from other governments	-	-	-	-	-
(Increase) decrease in inventories	(21,432)	(2,752)	(34,934)	(59,118)	52,313
(Increase) decrease in prepaid items	12,653	(12,544)	8,492	8,601	39,141
Increase (decrease) in accounts payable	416,349	461,852	7,636	885,837	(37,171)
Increase (decrease) in accrued payroll and employee benefits	9,876	7,460	9,664	27,000	4,929
Increase (decrease) in accrued liabilities	(200)	-	-	(200)	-
Increase (decrease) in sales taxes payable	25,092	(258)	-	24,834	-
Increase (decrease) in deposits held in custody for others	265,036	-	-	265,036	-
Increase (decrease) in unearned revenue	(22,753)	-	-	(22,753)	-
Increase (decrease) in compensated absences	62,761	16,918	23,598	103,277	10,075
Increase (decrease) in claims payable	-	-	-	-	(103,742)
Net cash provided (used) by operating activities	<u>\$ 4,205,074</u>	<u>\$ 2,912,054</u>	<u>\$ 1,395,770</u>	<u>\$ 8,512,898</u>	<u>\$ 434,998</u>

Continued

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Wastewater Fund	Sanitation Fund	Total	Internal Service Funds
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at end of year to statement of net position:					
Cash and cash equivalents	\$ 27,121,535	\$ 5,999,822	\$ 9,086,416	\$ 42,207,773	\$ 4,226,715
Restricted:					
Customer deposits	2,340,405	-	-	2,340,405	-
Cash with fiscal agents	33,841	716,258	-	750,099	-
Total cash and cash equivalents	<u>\$ 29,495,781</u>	<u>\$ 6,716,080</u>	<u>\$ 9,086,416</u>	<u>\$ 45,298,277</u>	<u>\$ 4,226,715</u>
Noncash capital, financing and investing activities:					
Amortization of bond premiums, discounts, and deferred loss on refunding	\$ 3,162	\$ 50,873	\$ -	\$ 54,035	\$ -
Amortization of investment premium (net)	17,837	17,837	-	35,674	-
Increase in fair value of investments	(77,720)	(77,720)	-	(155,440)	-

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

Avondale
Aspiring. Achieving. Accelerating.

FINANCIAL SECTION

Fiduciary Fund Financial Statements

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
JUNE 30, 2014**

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	\$ 239,857
Accounts receivable	<u>200</u>
Total assets	<u>240,057</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET POSITION	
Held in trust for pension benefits	<u>240,057</u>
Total net position	<u><u>\$ 240,057</u></u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
VOLUNTEER FIREFIGHTERS RELIEF AND PENSION FUND
YEAR ENDED JUNE 30, 2014

	<u>Volunteer Firefighters Relief and Pension Fund</u>
ADDITIONS	
Contributions:	
Investment income	<u>\$ 122</u>
Total additions	<u>122</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net position	(4,678)
Net position, beginning of year	<u>244,735</u>
Net position, end of year	<u><u>\$ 240,057</u></u>

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



FINANCIAL SECTION

Notes to the Financial Statements

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

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CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

The government-wide 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 functional activity (general government, public safety, highway and streets, etc.) or segment. Interest on long-term debt is not allocated to various functions in the governmental activities so 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 particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues that are not restricted for use, or identifiable with a particular function or segment, are reported as general revenues. These general revenues support the net costs of the functions and segments not covered by program revenues.

For the most part, the effect of interfund activity has been removed 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. Certain charges for interfund services provided and used, such as charges between the Enterprise Fund utility systems and various functional activities, were not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned. The General Fund charges administrative service fees to other operating funds to support general services used by the other operating funds (e.g., purchasing, accounting and administration). These administrative fees are not eliminated from the government-wide or fund financial statements.

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

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

Government-wide Financial Statements: The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flows occur.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

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

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

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

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

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

The proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition, such as investment income and interest expense are reported as non-operating revenues and expenses.

Internal service funds of the City, which provide services primarily to the other funds of the City, are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental activities column when presented at the government-wide level. The costs of these services

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

are reflected in the appropriate functional activity (general government, public safety, etc.) on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

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

D. Fund Accounting

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

The City reports the following major governmental funds:

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

The *Highway User Revenue Fund* accounts for excise fuel taxes that are distributed to cities and towns based on a formula. A constitutional provision requires that these funds be used for highway and street purposes.

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

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

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

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

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

E. Budgets and Budgetary Accounting

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

The constitutional amendment includes provisions that require voter approval to establish an alternative expenditure limitation for cities and towns. The alternative expenditure limitation is valid for a period of two to seven years. On August 28, 2012, city voters approved an alternative expenditure limitation, the effect of which allowed the total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for another three years.

The following is a brief budgetary overview of the City.

1. The City's fiscal year is established by state law and runs from July 1st through June 30th of each year.

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2. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the City to obtain citizen comments.
3. On or before the first Monday in August, the budget for the ensuing year is legally adopted through passage of an ordinance. Budgets for all funds are adopted in accordance with the requirements of the Arizona Constitution, A.R.S., and City Charter. These appropriations lapse at the end of the fiscal year.
4. The City Council formally adopts the budget and legally allocates available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Grants-in-Aid Fund, Development Fees Fund, General Obligation Bonds Fund, Dedicated Sales Tax Revenue Bonds Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Family Advocacy Center Fund, Environmental Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, Highway User Revenue Bonds Fund, and Other Debt Service Fund.
5. The City Manager is authorized to transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within a department or fund. At the request of the City Manager, the City Council may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures from one department or fund to another.
6. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. During the year ended June 30, 2014, the original budget was amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.

F. Cash and Investments

For the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agents (trustees), investments in the State Treasurer's investment pool, and investments with an original maturity of 3 months or less when purchased.

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

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

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

G. Restricted Assets

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

H. Inventories

Inventories of the governmental and proprietary funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a periodic inventory system, and they are valued at cost using the first-in, first-out inventory flow assumption. At year-end, inventories are adjusted to the physical inventory counts and differences are recorded as expenditures in the governmental funds and expenses in the proprietary funds. In the governmental fund financial statements, inventories are offset by nonspendable fund balance.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund and government-wide financial statements. Prepaid items are recorded as expenditures/expenses when consumed in the governmental fund and government-wide financial statements. In the governmental fund financial statements, prepaid items are offset by nonspendable fund balance.

J. Receivables and Payables

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

K. Capital Assets

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

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

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

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so it will not be recognized as an outflow of resources (expenditures or expense) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on debt refunding reported in the government-wide Statement of Net Position which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so it will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for reporting in this category under the modified accrual basis of accounting. It is unavailable revenue reported in the governmental funds Balance Sheet. Unavailable revenue is deferred and recognized as inflows of resources in the period that the amounts become available.

M. Compensated Absences

Compensated absence liabilities consist of vacation and sick leave earned by employees based on services already rendered. Vacation leave vests with the employees as it is earned. Sick leave does not vest with the employees with certain exceptions. 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 employee and 336 hours for regular full-time fire department employees. Sick leave accumulates without limit.

Upon resignation or retirement, leave balance compensation is calculated based on the employee's current hourly rate and accrued leave balances at the time of resignation or retirement. Upon resignation, employees receive compensation equal to 100 percent (100%) and 33.3 percent (33.3%) of their accrued vacation balance and sick leave balances, respectively. Upon retirement, all employees receive compensation equal to 100 percent (100%) of their accrued vacation balance, and vested employees with 10 years of continuous city service receive sick leave compensation equal to 100 percent (100%) of their balance up to 250 hours, or 33.3 percent (33.3%) of the total balance, whichever is larger. Employees with 20 years of continuous service receive 100 percent (100%) of their accrued sick leave balance up to 500 hours, or 33.3 percent (33.3%) of the total balance, whichever is larger.

The accumulated current and long-term compensated absence liabilities of the governmental funds are reported in the governmental activities column of the government-wide financial statements. The City only reports liabilities for these amounts in the governmental fund financial statements if they have matured due to employee

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leave, resignation or retirement. Compensated absence liabilities of the proprietary funds are reported in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements.

N. Long-term Obligations

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

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

O. Transactions between Funds

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

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

P. Fund Balance Policies

In the governmental fund financial statements, fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts on those funds can be spent. The fund balance classifications and their definitions follow:

Nonspendable fund balance consists of funds that cannot be spent because they are either 1) not in spendable form, such as inventory or prepaid items, or 2) legally or contractually required to be maintained intact.

Restricted fund balance consists of funds that are restricted to specific purposes when the constraints placed on the use of resources are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources from external resource providers (such as taxpayers) and includes legally enforceable requirements that those resources be used only for specific purposes stipulated in the legislation (e.g., secondary property taxes must be used solely for debt service).

Committed fund balance consists of funds that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority; the City Council. Once committed, these funds cannot be used for any other purpose unless the City Council removes or changes the

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specified uses by taking the same formal action it employed to previously commit the funds. The formal action to commit funds must occur prior to the end of the fiscal year. Committed fund balance also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Commitments may be established, modified, or rescinded only through resolutions approved by City Council.

Assigned fund balance consists of funds that are constrained by the City's intent to be used for specific purposes by the City Council or a body or official who has been given the authority to assign funds. Assigned fund balance consists of all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

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

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

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

The stabilization reserves shall be used only if:

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

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

Emergency Reserve

The emergency reserve shall be used only if 1) the City directly experiences a natural disaster or urgent event that jeopardizes public safety, 2) the federal government and/or the State of Arizona formally declares a disaster or emergency, and 3) there are no reasonable budget adjustments available to continue essential public services. Emergency reserves shall be used only for the following reasons:

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

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Rainy Day Reserve

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

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

If the reserves are spent down below the minimum required reserve levels, the City shall develop and implement a reserve restoration plan to return the reserves to their required balances. The City shall replenish the emergency and rainy day reserves within two (2) fiscal years and five (5) fiscal years following the fiscal year in which the event occurred, respectively. If the depletion of the reserve occurs during an ongoing economic downturn, the City shall replenish the reserves within two (2) or five (5) years of revenue stabilization. The progress of replenishment shall be reported in the City’s *Annual Budget & Financial Plan*.

Q. Resource Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to deplete restricted resources before using unrestricted resources. Further, when unrestricted resources can be used for the same purpose, committed resources are depleted first, followed by assigned resources. Unassigned resources are applied last.

R. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures in Excess of Appropriations

At June 30, 2014, the City’s expenditures in the following funds exceeded appropriations do to unanticipated costs during the year; however, this does not constitute a violation of any legal provisions.

Fund	Excess
Dedicated Sales Tax Revenue Fund	\$ 1,054
Senior Programs Fund	27,147

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NOTE 3 - CASH AND INVESTMENTS

A.R.S. authorize the City to invest public monies in the State Treasurer’s investment pool, the County Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,970 at June 30, 2014.

Deposits

Cash in bank—The carrying amount of City’s operating account deposits at June 30, 2014, excluding fiduciary cash, was \$8,826,118 and the bank balance was \$529,792. Deposits of \$9,101,564 were held in a sweep account, which purchases investments nightly. The difference between the carrying amount and bank balance was due to deposits held in the sweep account, outstanding checks and deposits, and other reconciling items. The balance was either covered by the Federal Depository Insurance Corporation (FDIC) or collateralized at 101 percent of deposits not covered by FDIC. The City also held \$18,446 of cash deposits in a U.S. Government securities investment account at June 30, 2014. The balance was covered by the Securities Investor Protection Corporation (SIPC).

Restricted cash with fiscal agents—At June 30, 2014, the City had restricted cash with fiscal agents of \$12,054,546. Of this balance, \$3,933,238 was held in reserve funds, and the remaining cash balance of \$8,121,308 was held by fiscal agents for the City’s July 1, 2014, debt service payments. Of the restricted cash with fiscal agents, \$5,094,369 was covered by SIPC and \$6,960,177 was uninsured or not collateralized with securities held by the pledging institution or by its trust department or agent.

Fiduciary cash—The carrying amount of fiduciary deposits at June 30, 2014, was \$2,095 and the bank balance was \$2,234. The difference between the carrying amount and bank balance was due to outstanding checks. The balance was entirely covered by the FDIC.

Investments

At June 30, 2014, the City had the following investments:

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Investment Type	Fair Value	Maturities		Moody's Investors Service	Standard & Poor's
		Less than 90 Days	1-5 Years		
Federal Farm Credit Banks Funding Corp.	\$ 3,485,180	\$ -	\$ 3,485,180	Aaa	AA+
Federal Home Loan Bank	7,164,183	-	7,164,183	Aaa - A2	AA+ - AA-
Federal Home Loan Mortgage Corp.	3,996,160	-	3,996,160	Aaa	AA+
Federal National Mortgage Association	15,779,423	-	15,779,423	Aaa	AA+
US Treasury Note	35,014	-	35,014	Aaa	Unrated
	<u>30,459,960</u>	-	<u>30,459,960</u>		
Certificates of Deposit	218,113	-	218,113	Unrated	Unrated
Total	<u>30,678,073</u>	<u>\$ -</u>	<u>\$ 30,678,073</u>		
		Maturities in Days			
State Treasurer's Investment Pool 7					
Primary government	81,040,572		19	Unrated	Unrated
Fiduciary activities	237,798		19	Unrated	Unrated
Total	<u>81,278,370</u>				
Repurchase Agreements	9,101,564		Less than 1	Unrated	Unrated
Total investments	<u>\$ 121,058,007</u>				

During the year, the fair value of non-pooled investments increased \$388,599. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on these investments held at June 30, 2014, was \$152,251. The calculation of realized gains and losses on investments is independent of the calculation of the change in fair value of investments. In addition, gains and losses of the current period include unrealized amounts from the prior period.

Custodial Credit Risk

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

Deposits—At June 30, 2014, \$6,960,177 of the City's bank balance of \$12,604,843 was exposed to custodial risk because it was uninsured or not collateralized with securities held by the pledging financial institution's trust department or agent.

Investments—At June 30, 2014, investments consisted of \$30,459,960 invested in obligations issued or guaranteed by the United States, \$218,113 invested in certificates of deposit that were covered by SIPC, \$81,278,370 invested in the State Treasurer's investment pool, which is not subject to custodial credit risk, and \$9,101,564 invested in fully-collateralized, over-night repurchase agreements, pledged at 101 percent of the principal investment, with bank-owned securities consisting of government-sponsored entities and/or agency securities. The repurchase agreements and collateral were held by the pledging institution or by its trust department or agent, but not in the City's name

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of deposits or investments in a single depository institution or issuer. The City does not have a formal investment policy for concentration of credit risk,

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nor does state law specify any requirements for concentration of credit risk. In addition, the City does not limit the amount that may be deposited or invested with any one institution.

At June 30, 2014, the City's investments included 67.1% invested in the State Treasurer investment pool, 25.2% in obligations issued or guaranteed by the United States, 7.5% in repurchase agreements, and the remaining 0.2% being invested in certificates of deposit.

Interest Rate Risk

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

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

Credit Risk

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

The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. At June 30, 2014, the City's investments in obligations issued or guaranteed by the United States were rated Aaa or A2 by Moody's Investors Service and AA+ or AA- by Standard & Poor's. The City's investment in the State Treasurer's investment pool, which only invests in obligations issued or guaranteed by the United States, does not carry a credit rating.

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 percent (16%). A lien against property assessed attaches on the first day of January preceding the levy.

The State 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 general obligation bonded indebtedness.

The primary tax levy is limited to an increase of 2 percent (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 percent (1%) of the market value of their homes. If the combined primary property tax (city, county, school district, etc.) exceeds 1 percent (1%) of the market value of the homes, the school districts must reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable one percent (1%). The State will then subsidize the school districts for the reduced revenue. This one percent (1%) limitation applies to primary property taxes only and does not affect the secondary property tax levy.

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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 1979. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than ten percent (10%) a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

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

NOTE 5 - RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water, Wastewater, and Sanitation Funds at June 30, 2014, are \$146,331, \$83,659, and \$51,990, respectively. Uncollectible amounts related to current period revenues of the Water, Wastewater, and Sanitation Funds are \$44,935, \$60,273 and \$37,823, 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, 2014, follows:

Governmental Activities	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable assets:				
Land	\$ 253,951,778	\$ 890,000	\$ -	\$ 254,841,778
Construction in progress	13,256,485	7,802,615	(4,373,239)	16,685,861
Total non-depreciable capital assets	<u>267,208,263</u>	<u>8,692,615</u>	<u>(4,373,239)</u>	<u>271,527,639</u>
Depreciable assets:				
Buildings and improvements	71,184,628	4,203,935	-	75,388,563
Improvements other than buildings	1,443,589	1,093,847	-	2,537,436
Vehicles, furniture, and equipment	30,677,699	2,416,444	(758,144)	32,335,999
Infrastructure	382,773,115	1,537,966	-	384,311,081
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	<u>488,044,290</u>	<u>9,252,192</u>	<u>(758,144)</u>	<u>496,538,338</u>
Less accumulated depreciation for:				
Buildings and improvements	18,366,821	2,037,949	-	20,404,770
Improvements other than buildings	244,979	76,894	-	321,873
Vehicles, furniture and equipment	25,734,032	1,483,552	(756,650)	26,460,934
Infrastructure	134,593,350	10,230,190	-	144,823,540
Intangible assets	201,986	65,509	-	267,495
Total accumulated depreciation	<u>179,141,168</u>	<u>13,894,094</u>	<u>(756,650)</u>	<u>192,278,612</u>
Total capital assets being depreciated, net	<u>308,903,122</u>	<u>(4,641,902)</u>	<u>(1,494)</u>	<u>304,259,726</u>
Total governmental activities capital assets, net	<u>\$ 576,111,385</u>	<u>\$ 4,050,713</u>	<u>\$ (4,374,733)</u>	<u>\$ 575,787,365</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2014, follows:

Business-type activities:	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable assets:				
Land	\$ 16,255,356	\$ 2,400	\$ -	\$ 16,257,756
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	2,945,457	4,928,880	(4,797,635)	3,076,702
Total non-depreciable assets	20,724,568	4,931,280	(4,797,635)	20,858,213
Depreciable assets:				
Water system	299,276,588	835,739	-	300,112,327
Sewer system	222,943,904	3,762,544	-	226,706,448
Wastewater treatment system	81,877,353	-	-	81,877,353
Vehicles, furniture and equipment	9,248,321	2,782,622	(1,055,877)	10,975,066
Intangible Assets	2,980,551	-	-	2,980,551
Improvements other than buildings	808,883	-	-	808,883
Total depreciable capital assets	617,135,600	7,380,905	(1,055,877)	623,460,628
Less accumulated depreciation for:				
Water system	71,879,584	6,062,360	-	77,941,944
Sewer system	58,954,445	5,153,334	-	64,107,779
Wastewater treatment system	13,624,413	1,001,625	-	14,626,038
Vehicles, furniture and equipment	7,617,499	1,144,905	(972,389)	7,790,015
Intangible Assets	149,028	74,514	-	223,542
Improvements other than buildings	165,222	40,440	-	205,662
Total accumulated depreciation	152,390,191	13,477,178	(972,389)	164,894,980
Total business-type activities capital assets being depreciated, net	464,745,409	(6,096,273)	(83,488)	458,565,648
Total business-type activity capital assets, net	\$ 485,469,977	\$ (1,164,993)	\$ (4,881,123)	\$ 479,423,861

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

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 938,972
Public safety	1,156,940
Highways and streets	10,436,610
Health and welfare	24,452
Economic and community development	10,898
Culture and recreation	1,269,208
Internal services	57,014
Total	\$ 13,894,094
Business-type activities:	
Water	\$ 6,517,385
Wastewater	6,377,353
Sanitation	582,440
Total	\$ 13,477,178

CITY OF AVONDALE, ARIZONA
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NOTE 7 - FUND BALANCES

The fund balance classifications of the governmental funds as of June 30, 2014, were as follows:

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Revenue Fund	Grants-in-Aid Fund	Development Fees Fund	General Obligation Bonds Fund	Dedicated Sales Tax Revenue Bonds Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund balances:										
Nonspendable:										
Inventory	\$ 449	\$ 299,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,608	\$ 310,422
Prepaid items	131,306	-	-	121	1,166	-	685,000	-	2,285	819,878
Due from other funds	4,156,428	-	-	-	-	-	-	-	-	4,156,428
Restricted for:										
Transit services	-	-	-	-	-	-	-	-	1,137,018	1,137,018
Highway and streets	-	3,853,579	-	-	-	-	-	-	-	3,853,579
Courts	-	-	-	-	-	-	-	-	634,184	634,184
Grant and contributor purposes	-	-	-	-	513,111	-	-	-	84,520	597,631
Public safety	130,205	-	-	4,685,520	-	-	-	-	-	4,815,725
Debt service	-	-	-	-	-	-	-	6,447,088	1,432,046	7,879,134
Capital projects	-	-	-	-	-	-	-	-	792,935	792,935
Water, sewer and street projects	-	-	1,351,555	-	-	-	-	-	413,993	1,765,548
Crime victim advocacy	-	-	-	-	-	-	-	-	131,924	131,924
Committed to:										
Budgetary stabilization	18,934,773	-	-	-	-	-	-	-	-	18,934,773
Capital projects	-	-	-	-	-	322,646	-	-	-	322,646
Crime victim advocacy	-	-	-	-	-	-	-	-	43,974	43,974
Assigned to:										
Vehicle replacement	-	-	-	-	-	-	-	-	8,171,863	8,171,863
Equipment replacement	-	-	-	-	-	-	-	-	664,109	664,109
Capital projects	-	-	-	-	-	6,691,496	-	-	487,254	7,178,750
Other purposes	8,721,580	-	-	-	-	-	-	-	-	8,721,580
Unassigned	1,800,250	-	-	-	-	-	(632,375)	-	-	1,167,875
Total fund balances	\$33,874,991	\$4,152,944	\$1,351,555	\$4,685,641	\$ 514,277	\$7,014,142	\$ 52,625	\$6,447,088	\$14,006,713	\$72,099,976

NOTE 8 - RETIREMENT AND PENSION PLANS

The City contributes to the four plans described below. The plans are component units of the State of Arizona, state statutes establish benefits, and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

Plan Descriptions

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of

CITY OF AVONDALE, ARIZONA
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Arizona and participating political subdivisions and school districts. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan (CORP)* is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers state, county, and local corrections officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by the PSPRS Board of Trustees and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan (EORP)* is a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities who were plan members on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. EORP's health insurance premium benefit portion is not administered as its own formal trust. Therefore, the City is reporting the EORP as an agent multiple-employer defined benefit plan in accordance with GASB Statement No. 43. However, the Board of Trustees obtains actuarial valuation for both EORP portions on their statutory basis as cost-sharing plans and, therefore, actuarial information for the City, as a participating government employer, is not available.

Financial Reports

Each plan issues a publically available financial report that includes its financial statements and required supplementary information. A report is available on their web sites or may be obtained by writing or calling the applicable plan.

ASRS

3300 N. Central Avenue
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778
www.azasrs.gov

PSPRS, CORP, and EORP

3010 E. Camelback Road, Ste. 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates for the ASRS, PSPRS, CORP, and EORP.

Cost-sharing plans

For the year ended June 30, 2014, statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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The City’s contributions to ASRS for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund
2014	\$ 1,928,382	\$ 108,134	\$ 43,253
2013	1,831,533	116,146	42,885
2012	1,678,477	107,137	40,814

Agent plans

For the year ended June 30, 2014, statute required active PSPRS members to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute 17.15 percent for the police (16.26 percent for retirement and 0.89 percent health insurance premium benefit) and 14.96 percent for the firefighters (14.04 percent for retirement and 0.92 percent for the health insurance premium benefit) of the covered payroll. Statute required active CORP members to contribute 8.41 percent of the members’ annual covered payroll, and the City was required to contribute 10.03 percent (9.34 percent for retirement and 0.69 percent health insurance premium benefit) of the covered payroll. Statute required active EORP members to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute 25.94 percent through December 31, 2013. Beginning January 1, 2014, the contributions were at the statutorily required rate of 23.5 percent. Both rates include the actuarially set rate of 1.56 percent for the plan’s health insurance premium benefit. The City’s contributed the actuarially required amounts to all agent plans.

Actuarial Methods and Assumptions

The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as the City and plans’ members understand them and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans’ members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2014 contribution requirements.

CITY OF AVONDALE, ARIZONA
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	PSPRS Police	PSPRS Fire Fighters	CORP	EORP
Contribution Rates:				
City-retirement	16.26 %	14.04 %	9.34 %	21.94 %
City-health insurance premium	0.89	0.92	0.69	1.56
Plan members	7.65	7.65	8.41	13.00
Annual pension cost				
Retirement	\$ 1,131,473	\$ 562,996	\$ 49,212	\$ 19,081
Health insurance premium	62,932	36,891	3,636	1,357
Pension contributions made				
Retirement	\$ 1,131,473	\$ 562,996	\$ 49,212	\$ 19,081
Health insurance premium	62,932	36,891	3,636	1,357
Actuarial valuation date	June 30, 2012			
Actuarial cost method	Entry Age Normal			
Amortization method	Level percent-of-pay closed			
Remaining amortization period	24 years for unfunded actuarial liability, 20 years for excess			
Asset valuation method	7-year smoothed market (80%/120% market)			
Cost-of-living adjustments	None			
Actuarial assumptions:				
Investment rate of return		8%		
Projected salary increases	5% - 9%	5% - 9%	5% - 8.25%	4.8%
Payroll growth	5%	5%	5%	4.5%

Annual Pension Cost and Trend Information—Annual pension costs for the current year and two preceding years follows for each of the agent plans.

Plan	Annual Pension Cost	Percentage of Annual Cost Contributed	Net Pension Obligation
Year ended June 30, 2014			
Pension:			
PSPRS (Police)	\$ 1,131,473	100.0 %	\$ -
PSPRS (Firefighters)	562,996	100.0	-
CORP	49,212	100.0	-
EORP	19,081	100.0	-
Health insurance premium benefit:			
PSPRS (Police)	\$ 62,932	100.0 %	\$ -
PSPRS (Firefighters)	36,891	100.0	-
CORP	3,636	100.0	-
EORP	1,357	100.0	-
Year ended June 30, 2013			
Pension:			
PSPRS (Police)	\$ 1,082,668	100.0 %	\$ -
PSPRS (Firefighters)	559,010	100.0	-
CORP	42,320	100.0	-
EORP	21,569	100.0	-
Health insurance premium benefit:			
PSPRS (Police)	\$ 70,231	100.0 %	\$ -
PSPRS (Firefighters)	35,922	100.0	-
CORP	3,701	100.0	-
EORP	1,121	100.0	-
Year ended June 30, 2012			
Pension:			
PSPRS (Police)	\$ 888,987	100.0 %	\$ -
PSPRS (Firefighters)	535,547	100.0	-
CORP	33,509	100.0	-
EORP	18,932	100.0	-
Health insurance premium benefit:			
PSPRS (Police)	\$ 65,048	100.0 %	\$ -
PSPRS (Firefighters)	35,620	100.0	-
CORP	3,378	100.0	-
EORP	1,086	100.0	-

CITY OF AVONDALE, ARIZONA
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Schedule of Funding Progress

The plans' funded status as of the most recent valuation date, June 30, 2013, and two prior years follows.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability AAL (b)	Unfunded AAL (b)-(a)	Funded Ratio (a)/(b)	Annual Covered Payroll (c) (c)	Unfunded AAL as a Percent of Covered Payroll [(b)-(a)]/(c)
<i>Public Safety Retirement System</i>						
<i>Police</i>						
Pension						
June 30, 2011	\$ 14,242,919	\$ 19,065,895	\$ 4,822,976	74.70 %	\$ 6,716,207	71.80 %
June 30, 2012	16,248,840	21,385,100	5,136,260	76.00	6,657,158	77.20
June 30, 2013	17,506,275	23,374,155	5,867,880	74.90	7,009,002	83.70
Health insurance premium benefit						
June 30, 2011	\$ -	\$ 711,132	\$ 711,132	0.00 %	\$ 6,716,207	10.59 %
June 30, 2012	-	656,831	656,898	0.00	6,657,158	9.87
June 30, 2013	-	665,831	665,831	0.00	7,009,002	9.50
<i>Firefighters</i>						
Pension						
June 30, 2011	\$ 11,125,806	\$ 12,669,687	\$ 1,543,881	87.80 %	\$ 3,896,182	39.60 %
June 30, 2012	13,212,178	14,252,679	1,040,501	92.70	3,875,467	26.90
June 30, 2013	14,599,018	16,473,952	1,874,934	88.60	4,255,000	44.10
Health insurance premium benefit						
June 30, 2011	\$ -	\$ 403,234	\$ 403,234	0.00 %	\$ 3,896,182	10.35 %
June 30, 2012	-	446,457	446,457	0.00	3,875,467	11.52
June 30, 2013	-	467,137	467,137	0.00	4,255,000	10.98
<i>Corrections Officers Retirement Plan</i>						
Pension						
June 30, 2011	\$ 782,276	\$ 977,378	\$ 195,102	80.00 %	\$ 529,057	36.90 %
June 30, 2012	807,901	1,039,483	231,582	77.70	513,216	45.10
June 30, 2013	951,103	1,229,186	278,083	77.40	584,392	47.60
Health insurance premium benefit						
June 30, 2011	\$ -	\$ 46,826	\$ 46,826	0.00 %	\$ 529,057	8.85 %
June 30, 2012	-	44,973	44,973	0.00	513,216	8.76
June 30, 2013	-	50,091	50,091	0.00	584,392	8.57
<i>Elected Officials Retirement Plan</i>						
Pension						
June 30, 2011	\$ 366,429,302	\$ 577,826,717	\$ 211,397,415	63.40 %	\$ 66,637,032	317.20 %
June 30, 2012	356,345,977	598,328,645	241,982,668	59.60	67,933,920	356.20
June 30, 2013	350,884,652	620,890,500	270,005,848	56.50	67,504,798	400.00
Health insurance premium benefit						
June 30, 2011	\$ -	\$ 12,494,791	\$ 12,494,791	0.00 %	\$ 66,637,032	18.75 %
June 30, 2012	-	11,900,126	11,900,126	0.00	67,933,920	17.52
June 30, 2013	-	11,646,432	11,646,432	0.00	67,504,798	17.25

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

CITY OF AVONDALE, ARIZONA
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The assets of the plan are valued annually and the earnings or loss are distributed among participant accounts in the plan. The only deductions from the plan are to pay benefits to the remaining plan member plan members. Firefighters who have served 20 years of service and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, are entitled to a monthly pension not to exceed \$400. As of June 30, 2014, the plan was fully vested and there was one remaining eligible employee participating in the plan.

The plan has never had an actuarial valuation, but plan benefits cannot exceed plan assets. This employee benefit plan is not separately audited and, therefore, separate audited financial statements are not available. The payroll for the firefighter covered by the plan for the year ended June 30, 2014, was \$0 and, therefore, neither the City nor the firefighter made contributions to the plan during the year.

NOTE 9 - LONG-TERM OBLIGATIONS

A summary of changes in governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2014, follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,850,863	\$ 3,515,561	\$ 2,546,299	\$ 3,820,125	\$ 3,056,100
Capital leases payable	137,015	-	137,015	-	-
Claims payable	737,915	777,392	881,134	634,173	267,759
MDC revenue bonds	38,010,492	-	1,806,471	36,204,021	1,874,153
General obligation bonds	31,545,000	-	2,985,000	28,560,000	2,045,000
Pledged revenue refunding obligations	9,275,000	-	-	9,275,000	2,045,000
Highway user revenue bonds	1,805,000	-	350,000	1,455,000	360,000
Unamortized premiums and discounts, net	1,080,964	-	122,525	958,439	122,525
Total	<u>\$ 85,442,249</u>	<u>\$ 4,292,953</u>	<u>\$ 8,828,444</u>	<u>\$ 80,906,758</u>	<u>\$ 9,770,537</u>

The internal service funds primarily provide services to the governmental funds. Accordingly, their long-term liabilities are reported with governmental activities in the Statement of Net Position. At fiscal year-end, internal service funds compensated absences of \$60,083 and risk management claims payable of \$634,173 are included in the above liabilities.

Compensated Absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the year ended June 30, 2014, the City primarily paid for compensated absences from the General Fund.

Capital Leases—The City acquired a heating, cooling and ventilation system under the provisions of long-term lease agreement classified as a capital lease for accounting purposes because it provided for transfer of ownership at the end of the lease term. The lease ended in fiscal year 2014.

CITY OF AVONDALE, ARIZONA
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The following asset was acquired and capitalized through the lease:

Buildings and Improvements	\$ 2,174,449
Less: accumulated depreciation	<u>(575,324)</u>
Carrying value	<u><u>\$ 1,599,125</u></u>

MDC Revenue Bonds—These bonds were issued for the purpose of constructing capital assets and related improvements. These 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>	Outstanding Principal <u>June 30, 2014</u>
2005 series bonds (88% of total issue)	3.00 - 4.00%	2020	\$ 9,924,021
2006 series bonds	4.00 - 5.00%	2027	13,900,000
2008 series bonds	4.00 - 5.00%	2029	<u>12,380,000</u>
			<u><u>\$ 36,204,021</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,874,152	\$ 1,555,482
2016	1,946,835	1,475,521
2017	3,350,667	1,339,320
2018	3,468,713	1,191,471
2019	3,614,441	1,042,119
2020-2024	12,869,213	3,275,576
2025-2029	<u>9,080,000</u>	<u>738,500</u>
Total	<u><u>\$ 36,204,021</u></u>	<u><u>\$ 10,617,989</u></u>

Refunded MDC Revenue Bonds—In prior years, the City defeased \$9,195,000 of MDC revenue bonds, series 2002 and 2004, by issuing pledged revenue refunding obligations and placing the proceeds from the obligations and city funds in an irrevocable trust to provide for all future debt service on the refunded bonds. During the year, the trustee called and retired the \$2,800,000 of outstanding MDC revenue bonds, series 2002. The trust account assets and liability for the remaining defeased bonds are not included in the City’s financial statements. The cash and investments held in the irrevocable trust at June 30, 2014, totaled \$6,527,238.

The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal <u>June 30, 2014</u>
2004 series bonds	2.50 - 4.30%	2020	<u>\$ 6,395,000</u>
			<u><u>\$ 6,395,000</u></u>

CITY OF AVONDALE, ARIZONA
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Pledged Revenue Refunding Obligations—These obligations were issued to refund outstanding MDC Revenue Bonds. These obligations are backed by the City’s general excise taxes. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2014</u>
2013 series bonds	2.00 - 4.00%	2020	\$ 9,275,000
			<u>\$ 9,275,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,045,000	\$ 194,950
2016	2,350,000	147,950
2017	920,000	129,550
2018	935,000	101,500
2019	975,000	82,000
2020-2024	2,050,000	41,800
Total	<u>\$ 9,275,000</u>	<u>\$ 697,750</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2014</u>
2003 series A bonds	2.00 - 4.00%	2014	\$ 340,000
2005 series bonds	3.00 - 5.00%	2016	1,655,000
2006 series bonds	3.75 - 4.00%	2018	830,000
2009 series bonds	2.75 - 7.80%	2034	23,900,000
2010 series bonds	2.75 - 3.25%	2018	1,835,000
			<u>\$ 28,560,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 2,045,000	\$ 1,815,223
2016	1,765,000	1,739,785
2017	2,060,000	1,641,743
2018	1,400,000	1,574,438
2019	1,215,000	1,511,850
2020-2024	4,215,000	6,751,576
2025-2029	5,745,000	4,903,470
2030-2034	8,125,000	2,132,130
2035-2038	1,990,000	-
Total	<u>\$ 28,560,000</u>	<u>\$ 22,070,215</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2014
2005 series bonds	3.00 - 3.875%	2017	\$ 1,455,000
			<u>\$ 1,455,000</u>

Annual debt service requirements to maturity for highway user revenue bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 360,000	\$ 41,963
2016	375,000	27,900
2017	390,000	12,788
2018	330,000	-
Total	<u>\$ 1,455,000</u>	<u>\$ 82,651</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, 2014, follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 394,963	\$ 470,938	\$ 367,661	\$ 498,240	\$ 398,593
MDC revenue bonds	1,359,505	-	58,530	1,300,975	60,848
Water and sewer revenue bonds	4,770,000	-	1,580,000	3,190,000	450,000
Unamortized premiums and discounts, net	336,422	-	48,059	288,363	48,059
Total	<u>\$ 6,860,890</u>	<u>\$ 470,938</u>	<u>\$ 2,054,250</u>	<u>\$ 5,277,578</u>	<u>\$ 957,500</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2014
2010 series obligations	3.00 - 5.00%	2020	\$ 3,190,000
			<u>\$ 3,190,000</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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>
2015	\$ 450,000	\$ 115,100
2016	460,000	101,300
2017	475,000	82,300
2018	495,000	57,550
2019	515,000	31,800
2020-2024	795,000	16,200
Total	<u>\$ 3,190,000</u>	<u>\$ 404,250</u>

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

<u>Issue</u>	<u>Interest</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2014</u>
2005 series bonds (12% of total)	3.00 - 4.00%	2021	<u>\$ 1,300,975</u>
			<u>\$ 1,300,975</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 60,848	\$ 49,605
2016	63,166	47,079
2017	239,334	37,505
2018	246,288	27,654
2019	255,560	17,431
2020-2024	435,779	6,699
Total	<u>\$ 1,300,975</u>	<u>\$ 185,973</u>

NOTE 10 - INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2014, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Development Fees Fund	\$ 1,200,000
General Fund	General Obligation Bonds Fund	2,034,651
General Fund	Dedicated Sales Tax Revenue Bonds Fund	907,949
General Fund	Other Funds	13,828
		<u>\$ 4,156,428</u>

About \$2.9 million of the \$4.2 million General Fund interfund receivables is due to temporary borrowing by the General Obligation Bonds Fund and Dedicated Sales Tax Revenue Bonds Fund to offset temporary cash deficit positions at June 30, 2014. The remaining \$1.3 million is due to temporary borrowing by the Development Fees Fund to pay debt service on debt-financed capital projects where development fees had been pledged to repay the debt, but where insufficient development fees had been collected to service the debt. All other interfund receivables and payables were routine in nature.

Interfund transfers for the year ended June 30, 2014, primarily consisted of the following activity:

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

General Fund transfers included \$3.5 million to the Development Fees Fund to finance various street construction projects, police radio system upgrade project, and parks improvement projects, \$1.3 million to the Other Capital Projects Fund to finance City Center development and construction, \$1.5 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment, and \$0.4 million to debt service funds to service debt.

Highway User Revenue Fund transfers included \$0.4 million to debt service funds to service debt, \$0.3 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles, and about \$0.3 to the Development Fees Fund to finance street construction projects.

Dedicated Sales Tax Revenue Fund transfers included \$5.5 million to debt service funds to service debt and about \$0.2 million to the Wastewater Fund for sewer development.

Public Safety Sales Tax Revenue Fund transfers included about \$0.2 million to the Vehicle Replacement Fund and Equipment Replacement Fund to accumulate reserves for the future replacement of vehicles and equipment.

Development Fees Fund transfers included \$3.5 million from the General Fund and about \$0.4 million from other governmental funds to finance various capital projects including citywide street overlay and preventive street maintenance, bridge repairs, and drainage improvements; upgrades of the Police Department radio system; and enhancements to the City’s Friendship Park and Festival Fields. About \$0.4 million was transferred to debt service funds to service debt, and \$0.5 million was transferred to the Other Capital Projects Fund to finance City Center construction.

Dedicated Sales Tax Revenue Bonds Fund transfers included \$5.5 million and \$0.3 million from the Dedicated Sales Tax Revenue and Development Fees Funds, respectively, to service debt service fund used to finance city capital development projects.

Grants-in-Aid Fund transfers included about \$0.1 million from the General Fund to meet grant cost-sharing requirements and about \$0.2 million to the Development Fees Fund to finance street and sidewalk projects.

Non-Major Governmental Fund transfers included about \$0.8 million from the General Fund and Highway User Revenue Fund for debt service, \$2.1 million from other governmental funds for vehicle and equipment replacement, and \$2.1 million from the General Fund, Development Fees Fund and Local Transportation Assistance Fund to finance various capital projects.

All other transfers between funds were routine in nature and consistent with the fund making the transfer. Interfund transfers for the year ended June 30, 2014, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ -	\$ (7,140,430)
Highway User Revenue Fund	-	(959,800)
Dedicated Sales Tax Revenue Fund	-	(5,600,000)
Public Safety Sales Tax Revenue Fund	-	(229,340)
Grants-in-Aid Fund	85,200	(240,960)
Development Fees Fund	3,990,000	(879,400)
Dedicated Sales Tax Revenue Bonds Fund	5,753,400	-
Non-major Governmental Funds	5,285,720	(330,040)
Total governmental funds	<u>15,114,320</u>	<u>(15,379,970)</u>
Enterprise funds:		
Wastewater Utility Fund	150,000	-
Total enterprise funds	<u>150,000</u>	<u>-</u>
Internal service funds:	130,000	(14,350)
Grand total	<u>\$ 15,394,320</u>	<u>\$ (15,394,320)</u>

**CITY OF AVONDALE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014**

NOTE 11 - SEGMENT INFORMATION

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

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for property insurance, public employee fidelity bonds, crime insurance and miscellaneous insurance (such as surety bonds, special event insurance, and fine arts coverage). City workers’ compensation insurance is carried through the Arizona Municipal Workers’ Compensation Pool (the Pool). The City retains all risks not covered by commercial carriers and the Pool and has effectively managed risk through various employee education and prevention programs.

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

Annually, the City estimates the liabilities for unpaid claims using a historical cost information method. Claims and expenses are recognized when it is probable that a loss has been incurred, and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported claims (IBNR). The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Unpaid claims liability amounts are reported gross (no discounting).

Changes in the Risk Management Fund's aggregate claims liability for the fiscal years ended June 30, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Beginning balance at July 1	\$737,915	\$639,138
Current year claims and changes in estimates (includes IBNR)	777,392	934,422
Claim payments	<u>881,134</u>	<u>835,645</u>
Ending balance at June 30	<u>\$634,173</u>	<u>\$737,915</u>

NOTE 13 - CONTINGENT LIABILITIES

Lawsuits—The City is a defendant in a number of lawsuits as of June 30, 2014. It is the opinion of city management that the amount of losses resulting from this litigation at June 30, 2014, if any, would not be material to the financial position of the City.

Federal and State Grants—The City received grants from both the federal and state governments during the year end June 30, 2014. Some programs have been audited as of June 30, 2014. The City expects no material disallowance of expenditures.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14 – CONSTRUCTION AND OTHER COMMITMENTS

The City had contractual commitments related to various capital project at June 30, 2014. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The project categories and remaining commitments at June 30, 2014, were as follows.

	<u>Balance</u>
Street construction and improvements	\$ 322,646
Sewer construction and improvements	1,129,169
Water system construction and improvements	1,453,579
City Center construction and improvements	<u>17,414</u>
Total	<u><u>\$ 2,922,808</u></u>

NOTE 15 - OPERATING LEASES

The City jointly operates and funds the Southwest Family Advocacy Center (SWAC) with the municipalities and police departments of Avondale, Buckeye, Goodyear, and the Maricopa County Sheriff's Office through the County of Maricopa. The City leases SWAC office space under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease were \$267,656 for the year ended June 30, 2014. The following future minimum payments were required under the operating lease at June 30, 2014.

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 300,657
2016	306,972
2017	315,813
2018	322,128
2019	<u>214,752</u>
Total	<u><u>\$ 1,460,322</u></u>

SUPPLEMENTARY INFORMATION

Major Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 870,030	\$ 870,030	\$ 418,856	\$ (451,174)
Intergovernmental	4,504,000	4,504,000	-	(4,504,000)
Investment income	93,860	93,860	5,006	(88,854)
Contributions	-	-	400,000	400,000
Total revenues	<u>5,467,890</u>	<u>5,467,890</u>	<u>823,862</u>	<u>(4,644,028)</u>
Expenditures				
Current:				
Public safety	-	65,400	58,014	7,386
Highways and streets	-	954,600	614,127	340,473
Culture and recreation	-	25,000	71,068	(46,068)
Capital outlay	18,228,100	17,183,100	5,591,470	11,591,630
Total expenditures	<u>18,228,100</u>	<u>18,228,100</u>	<u>6,334,679</u>	<u>11,893,421</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,760,210)</u>	<u>(12,760,210)</u>	<u>(5,510,817)</u>	<u>(16,537,449)</u>
Other financing sources (uses)				
Transfers in	3,990,000	3,990,000	3,990,000	-
Transfers out	(861,400)	(861,400)	(879,400)	(18,000)
Total other financing sources (uses)	<u>3,128,600</u>	<u>3,128,600</u>	<u>3,110,600</u>	<u>(18,000)</u>
Net change in fund balance	(9,631,610)	(9,631,610)	(2,400,217)	7,231,393
Fund balance, beginning of year	<u>11,637,127</u>	<u>11,637,127</u>	<u>9,414,359</u>	<u>(2,222,768)</u>
Fund balance, end of year	<u>\$ 2,005,517</u>	<u>\$ 2,005,517</u>	<u>\$ 7,014,142</u>	<u>\$ 5,008,625</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,205,190	\$ 3,205,190	\$ 3,208,983	\$ 3,793
Intergovernmental	602,000	602,000	-	(602,000)
Investment income	2,310	2,310	864	(1,446)
Miscellaneous	-	-	565,551	565,551
Total revenues	<u>3,809,500</u>	<u>3,809,500</u>	<u>3,775,398</u>	<u>(34,102)</u>
Expenditures				
Debt service:				
Principal	2,985,000	2,985,000	2,985,000	-
Interest and other charges	1,910,550	1,910,550	1,896,548	14,002
Total expenditures	<u>4,895,550</u>	<u>4,895,550</u>	<u>4,881,548</u>	<u>14,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,086,050)</u>	<u>(1,086,050)</u>	<u>(1,106,150)</u>	<u>(20,100)</u>
Net change in fund balance	(1,086,050)	(1,086,050)	(1,106,150)	(20,100)
Fund balance, beginning of year	<u>1,104,800</u>	<u>1,104,800</u>	<u>1,158,775</u>	<u>53,975</u>
Fund balance, end of year	<u>\$ 18,750</u>	<u>\$ 18,750</u>	<u>\$ 52,625</u>	<u>\$ 33,875</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEDICATED SALES TAX REVENUE BONDS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 640	\$ 640	\$ 1,518	\$ 878
Total revenues	640	640	1,518	878
Expenditures				
Debt service:				
Principal	3,797,690	3,797,690	1,707,693	2,089,997
Interest and other charges	1,956,090	1,956,090	1,803,688	152,402
Total expenditures	5,753,780	5,753,780	3,511,381	2,242,399
Excess (deficiency) of revenues over (under) expenditures	(5,753,140)	(5,753,140)	(3,509,863)	2,243,277
Other financing sources (uses)				
Transfers in	5,753,400	5,753,400	5,753,400	-
Total other financing sources (uses)	5,753,400	5,753,400	5,753,400	-
Net change in fund balance	260	260	2,243,537	2,243,277
Fund balance, beginning of year	6,700,000	6,700,000	4,203,552	(2,496,448)
Fund balance, end of year	\$ 6,700,260	\$ 6,700,260	\$ 6,447,089	\$ (253,171)

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Combining Financial Statements

Special Revenue Funds

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

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

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

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

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

Capital Projects Funds

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

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

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

Debt Service Funds

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

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

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
ASSETS			
Cash and cash equivalents	\$ 1,147,863	\$ 29,335	\$ 634,385
Receivables:			
Accounts	-	60,069	-
Due from other governments	204,421	-	-
Inventories	10,608	-	-
Prepaid items	290	-	1,995
Restricted cash with fiscal agents	-	-	-
Total assets	<u>\$ 1,363,182</u>	<u>\$ 89,404</u>	<u>\$ 636,380</u>
LIABILITIES			
Accounts payable	\$ 26,177	\$ 1,718	\$ 201
Accrued payroll and employee benefits	1,482	3,166	-
Accrued liabilities	-	-	-
Construction contracts payable	-	-	-
Total liabilities	<u>27,659</u>	<u>4,884</u>	<u>201</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - other	187,607	-	-
Total deferred inflows of resources	<u>187,607</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	10,898	-	1,995
Restricted	1,137,018	84,520	634,184
Committed	-	-	-
Assigned	-	-	-
Total fund balances	<u>1,147,916</u>	<u>84,520</u>	<u>636,179</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,363,182</u>	<u>\$ 89,404</u>	<u>\$ 636,380</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

(continuation)	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement
ASSETS				
Cash and cash equivalents	\$ 107,772	\$ 395,380	\$ 8,249,056	\$ 680,445
Receivables:				
Accounts	-	40,343	-	-
Due from other governments	93,763	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	-	-
Restricted cash with fiscal agents	-	-	-	-
Total assets	<u>\$ 201,535</u>	<u>\$ 435,723</u>	<u>\$ 8,249,056</u>	<u>\$ 680,445</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 764	\$ 21,730	\$ 77,193	\$ 16,336
Accrued payroll and employee benefits	6,867	-	-	-
Accrued liabilities	-	-	-	-
Construction contracts payable	-	-	-	-
Total liabilities	<u>7,631</u>	<u>21,730</u>	<u>77,193</u>	<u>16,336</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - other	18,006	-	-	-
Total deferred inflows of resources	<u>18,006</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	131,924	413,993	-	-
Committed	43,974	-	-	-
Assigned	-	-	8,171,863	664,109
Total fund balances	<u>175,898</u>	<u>413,993</u>	<u>8,171,863</u>	<u>664,109</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 201,535</u>	<u>\$ 435,723</u>	<u>\$ 8,249,056</u>	<u>\$ 680,445</u>

Debt Service Funds			Total Non-Major Governmental Funds
Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	
\$ 1,362,429	\$ 117,482	\$ 600,528	\$ 13,324,675
3,238	-	-	103,650
-	-	-	298,184
-	-	-	10,608
-	-	-	2,285
-	387,731	397,948	785,679
<u>\$ 1,365,667</u>	<u>\$ 505,213</u>	<u>\$ 998,476</u>	<u>\$ 14,525,081</u>
\$ 516	\$ -	\$ -	\$ 144,635
-	-	-	11,515
-	27,731	43,912	71,643
84,962	-	-	84,962
<u>85,478</u>	<u>27,731</u>	<u>43,912</u>	<u>312,755</u>
-	-	-	205,613
-	-	-	205,613
-	-	-	12,893
792,935	477,482	954,564	4,626,620
-	-	-	43,974
487,254	-	-	9,323,226
<u>1,280,189</u>	<u>477,482</u>	<u>954,564</u>	<u>14,006,713</u>
<u>\$ 1,365,667</u>	<u>\$ 505,213</u>	<u>\$ 998,476</u>	<u>\$ 14,525,081</u>

Avondale
Aspiring. Achieving. Accelerating.

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
Revenues			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	867,342	366,515	-
Charges for services	-	-	82,620
Interest income	847	72	139
Contributions	-	14,784	-
Total revenue	<u>868,189</u>	<u>381,371</u>	<u>82,759</u>
Expenditures			
Current:			
General government	-	-	60,216
Public safety	-	-	-
Health and welfare	-	409,167	-
Transportation	1,277,281	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	21,537	7,405	-
Total expenditures	<u>1,298,818</u>	<u>416,572</u>	<u>60,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,629)</u>	<u>(35,201)</u>	<u>22,543</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(286,400)	-	-
Total other financing sources (uses)	<u>(286,400)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(717,029)	(35,201)	22,543
Fund balances, beginning of year	<u>1,864,945</u>	<u>119,721</u>	<u>613,636</u>
Fund balances, end of year	<u>\$ 1,147,916</u>	<u>\$ 84,520</u>	<u>\$ 636,179</u>

(continued on next page)

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

(continuation)	Special Revenue Funds		Capital Projects Funds	
	Family Advocacy Center	Environmental Fees	Vehicle Replacement	Equipment Replacement
Revenues				
Licenses and permits	\$ -	\$ 268,217	\$ -	\$ -
Intergovernmental	533,185	-	-	-
Charges for services	-	-	-	-
Interest income	29	-	4,051	179
Contributions	60,246	-	-	-
Total revenue	<u>593,460</u>	<u>268,217</u>	<u>4,051</u>	<u>179</u>
Expenditures				
Current:				
General government	-	-	3,089	159,593
Public safety	776,853	-	-	-
Health and welfare	-	155,384	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	1,675,748	275,487
Total expenditures	<u>776,853</u>	<u>155,384</u>	<u>1,678,837</u>	<u>435,080</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,393)</u>	<u>112,833</u>	<u>(1,674,786)</u>	<u>(434,901)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	54,982	3,112
Transfers in	195,800	-	1,352,910	760,570
Transfers out	(42,280)	(1,360)	-	-
Total other financing sources (uses)	<u>153,520</u>	<u>(1,360)</u>	<u>1,407,892</u>	<u>763,682</u>
Net change in fund balances	(29,873)	111,473	(266,894)	328,781
Fund balances, beginning of year	<u>205,771</u>	<u>302,520</u>	<u>8,438,757</u>	<u>335,328</u>
Fund balances, end of year	<u>\$ 175,898</u>	<u>\$ 413,993</u>	<u>\$ 8,171,863</u>	<u>\$ 664,109</u>

Debt Service Funds			Total Non-Major Governmental Funds
Other Capital Projects	Highway User Revenue Bonds	Other Debt Service	
\$ -	\$ -	\$ -	\$ 268,217
-	-	-	1,767,042
-	-	-	82,620
366	73	102	5,858
37,182	-	-	112,212
<u>37,548</u>	<u>73</u>	<u>102</u>	<u>2,235,949</u>
-	-	-	222,898
-	-	-	776,853
-	-	-	564,551
-	-	-	1,277,281
-	350,000	98,778	448,778
-	55,713	87,824	143,537
2,191,407	-	-	4,171,584
<u>2,191,407</u>	<u>405,713</u>	<u>186,602</u>	<u>7,605,482</u>
<u>(2,153,859)</u>	<u>(405,640)</u>	<u>(186,500)</u>	<u>(5,369,533)</u>
-	-	-	58,094
2,085,440	415,000	476,000	5,285,720
-	-	-	(330,040)
<u>2,085,440</u>	<u>415,000</u>	<u>476,000</u>	<u>5,013,774</u>
(68,419)	9,360	289,500	(355,759)
<u>1,348,608</u>	<u>468,122</u>	<u>665,064</u>	<u>14,362,472</u>
<u>\$ 1,280,189</u>	<u>\$ 477,482</u>	<u>\$ 954,564</u>	<u>\$ 14,006,713</u>



SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Budgetary Comparison Schedules

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 840,000	\$ 840,000	\$ 867,342	\$ 27,342
Interest income	2,010	2,010	847	(1,163)
Total revenues	<u>842,010</u>	<u>842,010</u>	<u>868,189</u>	<u>26,179</u>
Expenditures				
Current:				
Transportation	1,554,640	1,531,970	1,277,281	254,689
Capital outlay	-	22,670	21,537	1,133
Total expenditures	<u>1,554,640</u>	<u>1,554,640</u>	<u>1,298,818</u>	<u>255,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(712,630)</u>	<u>(712,630)</u>	<u>(430,629)</u>	<u>282,001</u>
Other financing sources (uses)				
Transfers out	<u>(286,400)</u>	<u>(286,400)</u>	<u>(286,400)</u>	-
Total other financing sources (uses)	<u>(286,400)</u>	<u>(286,400)</u>	<u>(286,400)</u>	-
Net change in fund balance	(999,030)	(999,030)	(717,029)	282,001
Fund balance, beginning of year	<u>1,196,377</u>	<u>1,196,377</u>	<u>1,864,945</u>	<u>668,568</u>
Fund balance, end of year	<u>\$ 197,347</u>	<u>\$ 197,347</u>	<u>\$ 1,147,916</u>	<u>\$ 950,569</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 312,550	\$ 312,550	\$ 366,515	\$ 53,965
Interest income	170	170	72	(98)
Contributions	15,280	15,280	14,784	(496)
Total revenues	<u>328,000</u>	<u>328,000</u>	<u>381,371</u>	<u>53,371</u>
Expenditures				
Current:				
Health and welfare	358,880	389,425	409,167	(19,742)
Capital outlay	-	-	7,405	(7,405)
Total expenditures	<u>358,880</u>	<u>389,425</u>	<u>416,572</u>	<u>(27,147)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,880)</u>	<u>(61,425)</u>	<u>(35,201)</u>	<u>26,224</u>
Net change in fund balance	(30,880)	(61,425)	(35,201)	26,224
Fund balance, beginning of year	<u>110,077</u>	<u>110,077</u>	<u>119,721</u>	<u>9,644</u>
Fund balance, end of year	<u>\$ 79,197</u>	<u>\$ 48,652</u>	<u>\$ 84,520</u>	<u>\$ 35,868</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 104,510	\$ 104,510	\$ 82,620	\$ (21,890)
Interest income	360	360	139	(221)
Total revenues	<u>104,870</u>	<u>104,870</u>	<u>82,759</u>	<u>(22,111)</u>
Expenditures				
Current:				
General government	220,660	220,660	60,216	160,444
Total expenditures	<u>220,660</u>	<u>220,660</u>	<u>60,216</u>	<u>160,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(115,790)</u>	<u>(115,790)</u>	<u>22,543</u>	<u>138,333</u>
Net change in fund balance	(115,790)	(115,790)	22,543	138,333
Fund balance, beginning of year	<u>612,294</u>	<u>612,294</u>	<u>613,636</u>	<u>1,342</u>
Fund balance, end of year	<u>\$ 496,504</u>	<u>\$ 496,504</u>	<u>\$ 636,179</u>	<u>\$ 139,675</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FAMILY ADVOCACY CENTER FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 619,080	\$ 619,080	\$ 533,185	\$ (85,895)
Interest income	-	-	29	29
Contributions	100,000	100,000	60,246	(39,754)
Miscellaneous	170	170	-	(170)
Total revenues	<u>719,250</u>	<u>719,250</u>	<u>593,460</u>	<u>(125,790)</u>
Expenditures				
Current:				
Public safety	886,120	915,148	776,853	138,295
Total expenditures	<u>886,120</u>	<u>915,148</u>	<u>776,853</u>	<u>138,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(166,870)</u>	<u>(195,898)</u>	<u>(183,393)</u>	<u>12,505</u>
Other financing sources (uses)				
Transfers in	195,800	195,800	195,800	-
Transfers out	(42,280)	(42,280)	(42,280)	-
Total other financing sources (uses)	<u>153,520</u>	<u>153,520</u>	<u>153,520</u>	<u>-</u>
Net change in fund balance	(13,350)	(42,378)	(29,873)	12,505
Fund balance, beginning of year	<u>15,521</u>	<u>15,521</u>	<u>205,771</u>	<u>190,250</u>
Fund balance (deficit), end of year	<u>\$ 2,171</u>	<u>\$ (26,857)</u>	<u>\$ 175,898</u>	<u>\$ 202,755</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL FEES FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 226,740	\$ 226,740	\$ 268,217	\$ 41,477
Total revenues	<u>226,740</u>	<u>226,740</u>	<u>268,217</u>	<u>41,477</u>
Expenditures				
Current:				
Health and welfare	309,840	349,840	155,384	194,456
Capital Outlay	40,000	-	-	-
Total expenditures	<u>349,840</u>	<u>349,840</u>	<u>155,384</u>	<u>194,456</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(123,100)</u>	<u>(123,100)</u>	<u>112,833</u>	<u>235,933</u>
Other financing sources (uses)				
Transfers out	(1,360)	(1,360)	(1,360)	-
Total other financing sources (uses)	<u>(1,360)</u>	<u>(1,360)</u>	<u>(1,360)</u>	<u>-</u>
Net change in fund balance	(124,460)	(124,460)	111,473	235,933
Fund balance, beginning of year	<u>266,680</u>	<u>266,680</u>	<u>302,520</u>	<u>35,840</u>
Fund balance, end of year	<u>\$ 142,220</u>	<u>\$ 142,220</u>	<u>\$ 413,993</u>	<u>\$ 271,773</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 10,670	\$ 10,670	\$ 4,051	\$ (6,619)
Total revenues	<u>10,670</u>	<u>10,670</u>	<u>4,051</u>	<u>(6,619)</u>
Expenditures				
Current:				
General government	-	-	3,089	(3,089)
Capital outlay	1,814,020	2,154,020	1,675,748	478,272
Total expenditures	<u>1,814,020</u>	<u>2,154,020</u>	<u>1,678,837</u>	<u>475,183</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,803,350)</u>	<u>(2,143,350)</u>	<u>(1,674,786)</u>	<u>468,564</u>
Other financing sources (uses)				
Sale of capital assets	9,730	9,730	54,982	45,252
Transfers in	1,352,910	1,352,910	1,352,910	-
Total other financing sources (uses)	<u>1,362,640</u>	<u>1,362,640</u>	<u>1,407,892</u>	<u>45,252</u>
Net change in fund balance	(440,710)	(780,710)	(266,894)	513,816
Fund balance, beginning of year	<u>8,685,686</u>	<u>8,685,686</u>	<u>8,438,757</u>	<u>(246,929)</u>
Fund balance, end of year	<u>\$ 8,244,976</u>	<u>\$ 7,904,976</u>	<u>\$ 8,171,863</u>	<u>\$ 266,887</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 980	\$ 980	\$ 179	\$ (801)
Total revenues	<u>980</u>	<u>980</u>	<u>179</u>	<u>(801)</u>
Expenditures				
Current:				
General government	97,900	105,900	159,593	(53,693)
Capital outlay	357,000	349,000	275,487	73,513
Total expenditures	<u>454,900</u>	<u>454,900</u>	<u>435,080</u>	<u>19,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(453,920)</u>	<u>(453,920)</u>	<u>(434,901)</u>	<u>19,019</u>
Other financing sources (uses)				
Sale of capital assets	11,350	11,350	3,112	(8,238)
Transfers in	760,570	760,570	760,570	-
Total other financing sources (uses)	<u>771,920</u>	<u>771,920</u>	<u>763,682</u>	<u>(8,238)</u>
Net change in fund balance	318,000	318,000	328,781	10,781
Fund balance, beginning of year	<u>250,230</u>	<u>250,230</u>	<u>335,328</u>	<u>85,098</u>
Fund balance, end of year	<u>\$ 568,230</u>	<u>\$ 568,230</u>	<u>\$ 664,109</u>	<u>\$ 95,879</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 840	\$ 840	\$ 366	\$ (474)
Contributions	25,580	25,580	37,182	11,602
Total revenues	<u>26,420</u>	<u>26,420</u>	<u>37,548</u>	<u>11,128</u>
Expenditures				
Capital outlay	<u>27,585,440</u>	<u>27,585,440</u>	<u>2,191,407</u>	<u>25,394,033</u>
Total expenditures	<u>27,585,440</u>	<u>27,585,440</u>	<u>2,191,407</u>	<u>25,394,033</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,559,020)</u>	<u>(27,559,020)</u>	<u>(2,153,859)</u>	<u>25,405,161</u>
Other financing sources (uses)				
Bonds issued	25,000,000	25,000,000	-	(25,000,000)
Transfers in	<u>1,585,440</u>	<u>1,585,440</u>	<u>2,085,440</u>	<u>500,000</u>
Total other financing sources (uses)	<u>26,585,440</u>	<u>26,585,440</u>	<u>2,085,440</u>	<u>(24,500,000)</u>
Net change in fund balance	(973,580)	(973,580)	(68,419)	905,161
Fund balance, beginning of year	<u>1,695,424</u>	<u>1,695,424</u>	<u>1,348,608</u>	<u>(346,816)</u>
Fund balance, end of year	<u>\$ 721,844</u>	<u>\$ 721,844</u>	<u>\$ 1,280,189</u>	<u>\$ 558,345</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 130	\$ 130	\$ 73	\$ (57)
Total revenues	<u>130</u>	<u>130</u>	<u>73</u>	<u>(57)</u>
Expenditures				
Debt service:				
Principal	350,000	350,000	350,000	-
Interest and other charges	65,460	65,460	55,713	9,747
Total expenditures	<u>415,460</u>	<u>415,460</u>	<u>405,713</u>	<u>9,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(415,330)</u>	<u>(415,330)</u>	<u>(405,640)</u>	<u>9,690</u>
Other financing sources (uses)				
Transfers in	415,000	415,000	415,000	-
Total other financing sources (uses)	<u>415,000</u>	<u>415,000</u>	<u>415,000</u>	<u>-</u>
Net change in fund balance	(330)	(330)	9,360	9,690
Fund balance, beginning of year	<u>456,000</u>	<u>456,000</u>	<u>468,122</u>	<u>12,122</u>
Fund balance, end of year	<u>\$ 455,670</u>	<u>\$ 455,670</u>	<u>\$ 477,482</u>	<u>\$ 21,812</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest income	\$ 30	\$ 30	\$ 102	\$ 72
Contributions	117,350	117,350	-	(117,350)
Total revenues	<u>117,380</u>	<u>117,380</u>	<u>102</u>	<u>(117,278)</u>
Expenditures				
Debt service:				
Principal	3,043,780	3,043,780	98,778	2,945,002
Interest and other charges	163,770	163,770	87,824	75,946
Total expenditures	<u>3,207,550</u>	<u>3,207,550</u>	<u>186,602</u>	<u>3,020,948</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,090,170)</u>	<u>(3,090,170)</u>	<u>(186,500)</u>	<u>2,903,670</u>
Other financing sources (uses)				
Transfers in	958,000	958,000	476,000	(482,000)
Total other financing sources (uses)	<u>958,000</u>	<u>958,000</u>	<u>476,000</u>	<u>(482,000)</u>
Net change in fund balance	(2,132,170)	(2,132,170)	289,500	2,421,670
Fund balance, beginning of year	<u>3,847,686</u>	<u>3,847,686</u>	<u>665,064</u>	<u>(3,182,622)</u>
Fund balance, end of year	<u>\$ 1,715,516</u>	<u>\$ 1,715,516</u>	<u>\$ 954,564</u>	<u>\$ (760,952)</u>



SUPPLEMENTARY INFORMATION

Internal Service Funds Combining Financial Statements

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

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

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

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,476,673	\$ 515,288	\$ 234,754	\$ 4,226,715
Inventories	-	-	154,948	154,948
Prepaid items	800	-	-	800
Total current assets	<u>3,477,473</u>	<u>515,288</u>	<u>389,702</u>	<u>4,382,463</u>
Noncurrent assets:				
Capital assets, depreciable (net)	37,579	94,817	3,436	135,832
Total noncurrent assets	<u>37,579</u>	<u>94,817</u>	<u>3,436</u>	<u>135,832</u>
Total assets	<u>3,515,052</u>	<u>610,105</u>	<u>393,138</u>	<u>4,518,295</u>
LIABILITIES				
Current liabilities:				
Accounts payable	57,124	5,300	52,083	114,507
Accrued payroll and employee benefits	-	-	23,734	23,734
Claims payable	267,759	-	-	267,759
Due to other funds	17	-	-	17
Compensated absences	9,785	-	38,282	48,067
Total current liabilities	<u>334,685</u>	<u>5,300</u>	<u>114,099</u>	<u>454,084</u>
Noncurrent liabilities:				
Claims payable	366,414	-	-	366,414
Compensated absences	2,446	-	9,570	12,016
Total noncurrent liabilities	<u>368,860</u>	<u>-</u>	<u>9,570</u>	<u>378,430</u>
Total liabilities	<u>703,545</u>	<u>5,300</u>	<u>123,669</u>	<u>832,514</u>
NET POSITION				
Net investment in capital assets	37,579	94,817	3,436	135,832
Unrestricted	2,773,928	509,988	266,033	3,549,949
Total net position	<u>\$ 2,811,507</u>	<u>\$ 604,805</u>	<u>\$ 269,469</u>	<u>\$ 3,685,781</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,781,260	\$ 214,429	\$ 2,257,575	\$ 4,253,264
Miscellaneous	280	-	1,770	2,050
Total operating revenues	<u>1,781,540</u>	<u>214,429</u>	<u>2,259,345</u>	<u>4,255,314</u>
Operating expenses:				
Salaries, wages and benefits	161,344	-	480,901	642,245
Contractual services, materials and supplies	69,617	88,305	1,684,302	1,842,224
Insurance claims and expenses	1,301,392	-	-	1,301,392
Depreciation	358	54,869	1,787	57,014
Total operating expenses	<u>1,532,711</u>	<u>143,174</u>	<u>2,166,990</u>	<u>3,842,875</u>
Operating income (loss)	<u>248,829</u>	<u>71,255</u>	<u>92,355</u>	<u>412,439</u>
Non-operating revenues:				
Interest income	1,531	173	27	1,731
Total non-operating revenues	<u>1,531</u>	<u>173</u>	<u>27</u>	<u>1,731</u>
Income before transfers	250,360	71,428	92,382	414,170
Transfers in	130,000	-	-	130,000
Transfers out	(2,030)	-	(12,320)	(14,350)
Change in net position	<u>378,330</u>	<u>71,428</u>	<u>80,062</u>	<u>529,820</u>
Net position, beginning of year	<u>2,433,177</u>	<u>533,377</u>	<u>189,407</u>	<u>3,155,961</u>
Net position, end of year	<u>\$ 2,811,507</u>	<u>\$ 604,805</u>	<u>\$ 269,469</u>	<u>\$ 3,685,781</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,781,260	\$ 214,429	\$ 2,257,575	\$ 4,253,264
Payments to suppliers	(1,492,722)	(49,098)	(1,651,255)	(3,193,075)
Payments to employees	(156,230)	-	(471,011)	(627,241)
Miscellaneous	280	-	1,770	2,050
Net cash provided (used) by operating activities	<u>132,588</u>	<u>165,331</u>	<u>137,079</u>	<u>434,998</u>
Cash flows from noncapital financing activities:				
Interfund borrowing	(21)	-	-	(21)
Transfers in	130,000	-	-	130,000
Transfers out	(2,030)	-	(12,320)	(14,350)
Net cash provided (used) for noncapital financing activities	<u>127,949</u>	<u>-</u>	<u>(12,320)</u>	<u>115,629</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(37,937)	-	-	(37,937)
Net cash provided (used) for capital and related financing activities	<u>(37,937)</u>	<u>-</u>	<u>-</u>	<u>(37,937)</u>
Cash flows from investing activities:				
Investment income	1,531	173	27	1,731
Net cash provided by investing activities	<u>1,531</u>	<u>173</u>	<u>27</u>	<u>1,731</u>
Net increase (decrease) in cash and cash equivalents	224,131	165,504	124,786	514,421
Cash and cash equivalents, beginning of year	3,252,542	349,784	109,968	3,712,294
Cash and cash equivalents, end of year	<u>\$ 3,476,673</u>	<u>\$ 515,288</u>	<u>\$ 234,754</u>	<u>\$ 4,226,715</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 248,829	\$ 71,255	\$ 92,355	\$ 412,439
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	358	54,869	1,787	57,014
Change in assets and liabilities:				
(Increase) decrease in inventories	-	-	52,313	52,313
(Increase) decrease in prepaid items	(800)	39,941	-	39,141
Increase (decrease) in accounts payable	(17,171)	(734)	(19,266)	(37,171)
Increase (decrease) in accrued payroll and employee benefits	-	-	4,929	4,929
Increase (decrease) in compensated absences	5,114	-	4,961	10,075
Increase (decrease) in claims payable	(103,742)	-	-	(103,742)
Net cash provided (used) by operating activities	<u>\$ 132,588</u>	<u>\$ 165,331</u>	<u>\$ 137,079</u>	<u>\$ 434,998</u>
Reconciliation of cash and cash equivalents at end of year to statement of net position:				
Cash and cash equivalents	<u>\$ 3,476,673</u>	<u>\$ 515,288</u>	<u>\$ 234,754</u>	<u>\$ 4,226,715</u>
Total cash and cash equivalents	<u>\$ 3,476,673</u>	<u>\$ 515,288</u>	<u>\$ 234,754</u>	<u>\$ 4,226,715</u>

SUPPLEMENTARY INFORMATION

Capital Assets Used in the Operation of Governmental Activities

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2014

Function and Activity	Land	Buildings and Improvements	Improvements Other Than Buildings
General government	\$ 12,079,440	\$ 18,965,278	\$ 23,504
Public safety	307,003	17,960,662	229,476
Highways and streets	234,021,574	1,224,862	488,034
Health and welfare	215,948	978,211	-
Economic and community development	51,711	134,540	1,081,348
Culture and recreation	6,677,463	36,125,010	715,074
Transportation	1,488,639	-	-
Total	\$ 254,841,778	\$ 75,388,563	\$ 2,537,436

Vehicles, Furniture and Equipment	Infrastructure	Intangible Assets	Construction in Progress	Total
\$ 14,887,283	\$ -	\$ -	\$ 105,627	\$ 46,061,132
13,493,790	-	1,965,259	743,506	34,699,696
2,453,813	384,311,081	-	1,537,376	624,036,740
93,959	-	-	-	1,288,118
119,036	-	-	-	1,386,635
1,288,118	-	-	12,064,985	56,870,650
-	-	-	2,234,367	3,723,006
<u>\$ 32,335,999</u>	<u>\$ 384,311,081</u>	<u>\$ 1,965,259</u>	<u>\$ 16,685,861</u>	<u>\$ 768,065,977</u>

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
YEAR ENDED JUNE 30, 2014

Function and Activity	Capital Assets July 1, 2013	Additions	Deletions	Capital Assets June 30, 2014
General government	\$ 42,968,871	\$ 3,324,341	\$ 232,080	\$ 46,061,132
Public safety	30,892,240	6,226,898	2,419,442	34,699,696
Highways and streets	621,769,073	4,747,528	2,479,861	624,036,740
Health and welfare	1,277,722	10,396	-	1,288,118
Economic and community development	289,830	1,096,805	-	1,386,635
Culture and recreation	56,523,218	347,432	-	56,870,650
Transportation	1,531,599	2,191,407	-	3,723,006
Total	\$ 755,252,553	\$ 17,944,807	\$ 5,131,383	\$ 768,065,977

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
YEAR ENDED JUNE 30, 2014

Governmental fund capital assets:

Land	\$ 254,841,778
Buildings and improvements	75,388,563
Improvements other than buildings	2,537,436
Vehicles, furniture and equipment	32,335,999
Infrastructure	384,311,081
Intangible assets	1,965,259
Construction in progress	16,685,861
Total	<u>\$ 768,065,977</u>

Investment in governmental activities capital assets by source:

General Fund	\$ 22,319,630
Special Revenue Funds	9,562,977
Capital Projects Funds	735,443,376
Internal Service Funds	739,994
Total	<u>\$ 768,065,977</u>



STATISTICAL SECTION

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

	<u>Schedule</u>	<u>Page</u>
Financial Trends		
These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
Net Position by Component - Last Ten Fiscal Years	1	120
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Fund Balances of Governmental Funds - Last Ten Fiscal Years	3	126
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These schedules contain information to help users understand and assess the City's local revenue sources such as property taxes and transaction privilege taxes.		
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These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.		
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Schedule of Water and Sewer Sales, Number of Customers, and Other Fees and Revenue - Last Two Fiscal Years	20	152
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Operating Information		
These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.		
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CITY OF AVONDALE, ARIZONA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2005	2006¹	2007²	2008
Governmental activities				
Net investment in capital assets	\$ (2,213,511)	\$ 196,509,921	\$ 453,900,454	\$ 480,355,653
Restricted	33,627,735	28,808,290	45,778,226	48,127,562
Unrestricted	20,756,092	31,939,142	40,533,604	42,848,985
Total governmental activities net position	<u>\$ 52,170,316</u>	<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>	<u>\$ 571,332,200</u>
Business-type activities				
Net investment in capital assets	\$ 76,032,966	\$ 382,500,757	\$ 437,478,163	\$ 454,628,362
Restricted	44,558,842	40,439,483	43,493,012	36,367,868
Unrestricted	24,462,385	28,749,995	33,992,839	38,511,906
Total business-type activities net position	<u>\$ 145,054,193</u>	<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>
Primary government				
Net investment in capital assets	\$ 73,819,455	\$ 579,010,678	\$ 891,378,617	\$ 934,984,015
Restricted	78,186,577	69,247,773	89,271,238	84,495,430
Unrestricted	45,218,477	60,689,137	74,526,443	81,360,891
Total primary government net position	<u>\$ 197,224,509</u>	<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>

¹ In 2006, the City completed the retroactive infrastructure reporting requirements of GASB Statement No. 34 for infrastructure assets acquired prior to the fiscal year ended June 30, 2003. This restatement accounts for \$475.8 million of the increase in net position between fiscal years 2005 and 2006.

² During fiscal year 2007, the City recorded adjustments to correct prior period errors which resulted in capital assets, net of accumulated depreciation, and net position being understated by \$234.5 million in governmental activities and \$23.3 million in business-type activities on the government-wide financial statements. In total, the restatement accounts for \$257.8 million of the increase in net position between fiscal years 2006 and 2007.

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

Schedule 1

2009	2010	2011	2012	2013	2014
\$ 486,881,869	\$ 466,763,910	\$ 484,872,851	\$ 489,161,664	\$ 494,754,961	\$ 499,739,936
39,386,916	57,592,957	30,174,849	27,637,885	20,548,326	23,376,185
39,653,933	36,971,792	45,218,881	45,541,352	50,737,518	49,570,998
<u>\$ 565,922,718</u>	<u>\$ 561,328,659</u>	<u>\$ 560,266,581</u>	<u>\$ 562,340,901</u>	<u>\$ 566,040,805</u>	<u>\$ 572,687,119</u>
\$ 494,353,666	\$ 497,810,394	\$ 488,787,961	\$ 482,912,493	\$ 479,033,932	\$ 474,668,428
16,598,095	14,798,748	14,520,330	15,358,409	12,092,990	8,607,019
37,775,176	41,606,778	44,374,708	44,766,194	46,511,771	49,315,329
<u>\$ 548,726,937</u>	<u>\$ 554,215,920</u>	<u>\$ 547,682,999</u>	<u>\$ 543,037,096</u>	<u>\$ 537,638,693</u>	<u>\$ 532,590,776</u>
\$ 981,235,535	\$ 964,574,304	\$ 973,660,812	\$ 972,074,157	\$ 973,788,893	\$ 974,408,364
55,985,011	72,391,705	44,695,179	42,996,294	32,641,316	31,983,204
77,429,109	78,578,570	89,593,589	90,307,546	97,249,289	98,886,327
<u>\$ 1,114,649,655</u>	<u>\$ 1,115,544,579</u>	<u>\$ 1,107,949,580</u>	<u>\$ 1,105,377,997</u>	<u>\$ 1,103,679,498</u>	<u>\$ 1,105,277,895</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	\$ 17,652,671	\$ 22,764,573	\$ 18,346,534	\$ 17,792,047
Public safety	14,797,695	14,935,013	22,873,912	25,841,680
Highways and streets	2,842,497	7,781,653	10,347,480	10,898,173
Health and welfare	806,332	939,572	1,787,162	2,404,144
Economic and community development	3,356,334	5,213,085	6,542,881	8,665,232
Culture and recreation	1,157,280	1,816,712	3,474,717	2,665,257
Transportation	237,535	615,055	594,823	2,701,817
Interest on long-term debt	2,530,003	2,042,879	2,810,763	2,921,420
Total governmental activities expenses	<u>43,380,347</u>	<u>56,108,542</u>	<u>66,778,272</u>	<u>73,889,770</u>
Business-type activities:				
Water utility	6,939,975	11,818,914	13,630,207	14,797,982
Wastewater utility	4,733,439	8,296,298	9,371,087	9,850,598
Sanitation utility	3,145,714	3,266,298	4,192,462	4,361,538
Total business-type activities expenses	<u>14,819,128</u>	<u>23,381,510</u>	<u>27,193,756</u>	<u>29,010,118</u>
Total primary government expenses	<u>\$ 58,199,475</u>	<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 918,596	\$ 1,267,440	\$ 1,638,662	\$ 1,924,171
Public safety	50,474	147,137	403,696	716,940
Highways and streets	-	-	14,846	-
Economic and community development	5,589,855	5,817,266	3,728,984	2,354,229
Culture and recreation	135,916	254,323	507,118	402,105
Operating grants and contributions	4,462,062	5,085,797	7,877,600	9,004,224
Capital grants and contributions	7,924,999	10,699,397	41,453,780	25,442,212
Total governmental activities program revenues	<u>19,081,902</u>	<u>23,271,360</u>	<u>55,624,686</u>	<u>39,843,881</u>
Business-type activities:				
Charges for Services:				
Water utility	8,485,789	9,336,905	11,277,850	11,689,072
Wastewater utility	6,907,659	6,946,157	7,431,247	7,720,602
Sanitation utility	2,890,001	3,392,810	3,915,823	4,346,931
Capital grants and contributions	14,686,667	12,531,009	30,783,194	14,128,878
Total business-type activities program revenues	<u>32,970,116</u>	<u>32,206,881</u>	<u>53,408,114</u>	<u>37,885,483</u>
Total primary government program revenues	<u>\$ 52,052,018</u>	<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>

Schedule 2

2009	2010	2011	2012	2013	2014
\$ 14,968,809	\$ 12,862,710	\$ 15,364,915	\$ 12,194,735	\$ 12,769,952	\$ 12,331,057
26,634,975	24,168,796	25,139,168	24,509,660	26,087,882	27,920,756
11,069,079	12,322,104	13,246,764	12,514,335	12,144,322	12,363,230
2,545,061	2,470,031	2,511,615	2,748,093	3,937,970	3,491,716
6,808,330	7,985,413	5,091,504	5,015,366	5,036,147	5,489,089
3,327,765	3,190,869	3,268,540	3,675,781	3,813,472	4,783,299
867,173	1,902,347	1,581,404	1,824,128	1,236,160	1,280,435
3,246,602	5,129,250	4,849,805	4,573,048	4,357,797	3,788,220
<u>69,467,794</u>	<u>70,031,520</u>	<u>71,053,715</u>	<u>67,055,146</u>	<u>69,383,702</u>	<u>71,447,802</u>
15,542,394	15,442,478	16,686,715	15,517,184	15,879,676	15,313,614
10,555,903	10,252,684	11,361,012	11,232,156	11,500,364	11,992,043
4,117,318	3,613,617	3,530,472	3,748,396	3,860,578	4,373,521
<u>30,215,615</u>	<u>29,308,779</u>	<u>31,578,199</u>	<u>30,497,736</u>	<u>31,240,618</u>	<u>31,679,178</u>
<u>\$ 99,683,409</u>	<u>\$ 99,340,299</u>	<u>\$ 102,631,914</u>	<u>\$ 97,552,882</u>	<u>\$ 100,624,320</u>	<u>\$ 103,126,980</u>
\$ 1,787,153	\$ 1,656,665	\$ 1,465,160	\$ 1,543,248	\$ 1,962,825	\$ 1,791,970
665,937	407,961	415,243	290,321	458,799	469,192
-	-	-	-	-	-
805,550	576,436	895,233	614,765	862,360	800,438
492,988	575,046	257,614	413,832	360,924	333,734
8,386,128	12,712,420	10,449,880	8,665,735	9,373,853	9,393,303
8,855,743	1,795,711	3,639,920	1,642,679	1,973,402	1,118,868
<u>20,993,499</u>	<u>17,724,239</u>	<u>17,123,050</u>	<u>13,170,580</u>	<u>14,992,163</u>	<u>13,907,505</u>
10,903,178	11,097,099	11,315,015	12,241,675	11,882,083	12,227,233
7,124,168	7,220,779	7,466,785	7,695,007	7,746,807	7,963,581
4,414,342	4,732,011	4,845,058	4,909,423	4,954,195	5,032,187
8,216,300	1,648,926	719,803	444,983	1,042,780	653,419
<u>30,657,988</u>	<u>24,698,815</u>	<u>24,346,661</u>	<u>25,291,088</u>	<u>25,625,865</u>	<u>25,876,420</u>
<u>\$ 51,651,487</u>	<u>\$ 42,423,054</u>	<u>\$ 41,469,711</u>	<u>\$ 38,461,668</u>	<u>\$ 40,618,028</u>	<u>\$ 39,783,925</u>

(continued on next page)

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

(Continuation)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net (Expense) Revenue				
Governmental activities	\$ (24,298,445)	\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)
Business-type activities	18,150,988	8,825,371	26,214,358	8,875,365
Total primary government net (expenses) revenues	<u>\$ (6,147,457)</u>	<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Sales and use taxes	\$ 36,525,428	\$ 39,883,436	\$ 42,691,477	\$ 38,291,070
Property taxes, levied for general purposes	1,147,443	1,310,133	1,519,425	1,815,527
Property taxes, levied for debt service	1,941,381	2,319,060	2,800,966	4,135,646
Franchise taxes	682,292	876,224	982,033	1,001,905
State shared revenues, unrestricted	8,218,495	10,022,750	17,513,121	18,983,659
Investment income	1,093,019	2,331,224	3,642,859	2,984,483
Gain on sale of capital assets	286,400	61,289	146,585	140,504
Miscellaneous	407,388	358,317	392,483	610,011
Transfers	<u>(13,072,979)</u>	<u>(800,000)</u>	<u>(10,123,583)</u>	<u>(2,800,000)</u>
Total governmental activities	<u>37,228,867</u>	<u>56,362,433</u>	<u>59,565,366</u>	<u>65,162,805</u>
Business-type activities:				
Investment income	1,087,666	2,684,687	3,536,505	2,658,608
Gain on sale of capital assets	50,100	7,803	64,223	51,442
Miscellaneous	3,915	70,470	84,193	158,707
Transfers	<u>13,072,979</u>	<u>800,000</u>	<u>10,123,583</u>	<u>2,800,000</u>
Total business-type activities	<u>14,214,660</u>	<u>3,562,960</u>	<u>13,808,504</u>	<u>5,668,757</u>
Total primary government	<u>\$ 51,443,527</u>	<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>
Changes in Net Position				
Governmental activities	\$ 12,930,422	\$ 23,525,251	\$ 48,411,780	\$ 31,116,916
Business-type activities	<u>32,365,648</u>	<u>12,388,331</u>	<u>40,022,862</u>	<u>14,544,122</u>
Total primary government	<u>\$ 45,296,070</u>	<u>\$ 35,913,582</u>	<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>

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

Schedule 2

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (48,474,295)	\$ (52,307,281)	\$ (53,930,665)	\$ (53,884,566)	\$ (54,391,539)	\$ (57,540,297)
442,373	(4,609,964)	(7,231,538)	(5,206,648)	(5,614,753)	(5,802,758)
<u>\$ (48,031,922)</u>	<u>\$ (56,917,245)</u>	<u>\$ (61,162,203)</u>	<u>\$ (59,091,214)</u>	<u>\$ (60,006,292)</u>	<u>\$ (63,343,055)</u>
\$ 33,021,053	\$ 30,298,359	\$ 30,417,802	\$ 32,914,546	\$ 35,929,759	\$ 37,639,556
1,916,742	2,063,316	2,210,771	2,278,643	2,302,649	2,421,361
5,061,320	4,716,859	3,473,069	2,985,899	2,268,323	3,209,741
1,033,993	1,047,312	1,950,000	1,096,920	1,101,693	1,132,811
18,249,722	15,644,558	14,410,652	14,870,469	16,617,488	17,896,107
592,542	417,727	318,931	282,485	(127,021)	408,645
217,001	25,307	7,794	33,435	19,498	56,600
934,675	2,376,003	1,084,568	1,646,489	1,170,396	1,571,790
(17,962,235)	(8,876,219)	(150,000)	(150,000)	(150,000)	(150,000)
<u>43,064,813</u>	<u>47,713,222</u>	<u>53,723,587</u>	<u>55,958,886</u>	<u>59,132,785</u>	<u>64,186,611</u>
574,400	195,602	166,893	196,973	(69,172)	279,812
77,747	75,345	-	-	-	83,030
162,046	135,320	381,724	213,772	263,193	241,999
17,962,235	8,876,219	150,000	150,000	150,000	150,000
<u>18,776,428</u>	<u>9,282,486</u>	<u>698,617</u>	<u>560,745</u>	<u>344,021</u>	<u>754,841</u>
<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>	<u>\$ 54,422,204</u>	<u>\$ 56,519,631</u>	<u>\$ 59,476,806</u>	<u>\$ 64,941,452</u>
\$ (5,409,482)	\$ (4,594,059)	\$ (1,062,078)	\$ 2,074,320	\$ 4,741,246	\$ 6,646,314
19,218,801	4,672,522	(6,532,921)	(4,645,903)	(5,270,732)	(5,047,917)
<u>\$ 13,809,319</u>	<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>	<u>\$ (2,571,583)</u>	<u>\$ (529,486)</u>	<u>\$ 1,598,397</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved	\$ 212,336	\$ 154,179	\$ 77,994	\$ 51,796
Unreserved	19,781,789	27,505,360	37,381,040	35,854,897
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Committed to:				
Budgetary stabilization	-	-	-	-
Assigned to:				
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>	<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>
All other governmental funds				
Reserved	\$ 8,965,365	\$ 11,270,955	\$ 13,459,405	\$ 13,221,123
Unreserved, reported in:				
Special Revenue Funds	10,831,027	12,260,058	14,493,602	11,769,069
Capital Projects Funds	18,186,566	11,923,289	18,261,268	28,023,908
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Transit services	-	-	-	-
Highway and streets	-	-	-	-
Court	-	-	-	-
Grant and contributor purposes	-	-	-	-
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Water, sewer and street projects	-	-	-	-
Crime victim advocacy	-	-	-	-
Committed to:				
Capital projects	-	-	-	-
Crime victim advocacy	-	-	-	-
Assigned to:				
Vehicle replacement	-	-	-	-
Equipment replacement	-	-	-	-
Capital projects	-	-	-	-
Transit services	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>	<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>

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

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

Schedule 3

2009	2010	2011	2012	2013	2014
\$ 12,435	\$ 77,125	\$ -	\$ -	\$ -	\$ -
32,285,521	29,013,029	-	-	-	-
-	-	3,783	3,176	2,202	449
-	-	164,012	271,673	131,888	131,306
-	-	-	-	1,200,000	4,156,428
-	-	326,879	349,992	171,150	130,205
-	-	20,107,819	16,192,523	15,389,437	18,934,773
-	-	2,150,250	7,253,410	5,453,049	8,721,580
-	-	3,036,074	7,916,399	10,382,138	1,800,250
<u>\$ 32,297,956</u>	<u>\$ 29,090,154</u>	<u>\$ 25,788,817</u>	<u>\$ 31,987,173</u>	<u>\$ 32,729,864</u>	<u>\$ 33,874,991</u>
\$ 16,565,285	\$ 30,429,893	\$ -	\$ -	\$ -	\$ -
9,383,952	9,323,672	-	-	-	-
18,585,349	22,958,296	-	-	-	-
-	-	225,904	220,837	281,218	309,973
-	-	612,457	771,513	671,092	688,572
-	-	61,744	1,688,441	1,627,956	1,137,018
-	-	3,249,085	3,334,517	3,601,986	3,853,579
-	-	516,711	554,471	613,134	634,184
-	-	1,139,954	955,553	119,721	597,631
-	-	1,233,782	2,090,147	3,362,724	4,685,520
-	-	12,648,785	11,726,347	5,830,512	7,879,134
-	-	8,810,461	4,073,188	2,442,036	792,935
-	-	523,204	420,781	1,099,439	1,765,548
-	-	93,903	155,389	154,178	131,924
-	-	2,871,197	668,344	3,956,556	322,646
-	-	46,951	77,694	51,393	43,974
-	-	6,442,998	7,062,662	8,438,757	8,171,863
-	-	1,033,740	331,294	335,328	664,109
-	-	4,536,974	4,288,987	4,588,564	7,178,750
-	-	2,945,885	-	-	-
-	-	-	-	(185,532)	(632,375)
<u>\$ 44,534,586</u>	<u>\$ 62,711,861</u>	<u>\$ 46,993,735</u>	<u>\$ 38,420,165</u>	<u>\$ 36,989,062</u>	<u>\$ 38,224,985</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Taxes	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641	\$ 45,103,331
Licenses and permits	11,976,285	12,683,605	7,673,913	8,640,183
Intergovernmental	12,999,608	16,815,306	24,790,367	28,703,206
Charges for services	943,619	1,955,528	1,624,541	1,726,235
Fines, forfeitures, and penalties	660,602	951,969	1,280,434	1,467,011
Investment income	1,093,019	2,331,223	3,603,941	2,946,716
Contributions	824,627	735,024	1,278,270	874,006
Miscellaneous	425,769	751,867	1,575,441	377,544
Total revenues	<u>69,120,428</u>	<u>80,592,405</u>	<u>89,886,548</u>	<u>89,838,232</u>
Expenditures				
General government	15,738,926	16,820,415	16,774,809	16,334,100
Public safety	13,859,897	17,254,476	20,729,479	23,478,075
Highways and streets	1,902,555	2,205,035	2,359,925	1,833,928
Health and welfare	793,862	914,806	1,719,404	2,120,063
Economic and community development	2,370,053	3,976,363	5,083,707	7,312,754
Culture and recreation	969,467	1,232,332	4,081,600	3,379,661
Transportation	237,535	615,055	588,627	2,693,561
Debt Service				
Principal	3,882,461	4,914,723	5,718,590	6,547,759
Interest and other charges	2,957,914	2,909,515	3,529,618	3,264,547
Capital outlay	12,704,572	25,180,046	20,830,712	14,807,347
Total expenditures	<u>55,417,242</u>	<u>76,022,766</u>	<u>81,416,471</u>	<u>81,771,795</u>
Excess of revenues over (under) expenditures	13,703,186	4,569,639	8,470,077	8,066,437
Other Financing Sources (Uses)				
Bond issuance	12,400,000	18,690,685	21,000,000	-
Refunding bonds issued	-	-	-	-
Payment to refunding bonds escrow agent	-	(18,337,174)	-	-
Bond premium (discount)	(45,989)	38,724	945,767	-
Sale of capital assets	436,574	85,724	252,296	224,347
Capital leases	-	927,040	-	-
Transfer in	13,551,582	14,234,220	28,055,659	19,867,345
Transfer out	(26,672,708)	(15,072,100)	(38,164,331)	(22,910,645)
Total other financing sources (uses)	<u>(330,541)</u>	<u>567,119</u>	<u>12,089,391</u>	<u>(2,818,953)</u>
Net change in fund balances	<u>\$ 13,372,645</u>	<u>\$ 5,136,758</u>	<u>\$ 20,559,468</u>	<u>\$ 5,247,484</u>
Debt service as a percentage of noncapital expenditures	16.0%	15.4%	15.3%	14.7%

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

Schedule 4

2009	2010	2011	2012	2013	2014
\$ 40,966,295	\$ 38,227,410	\$ 37,206,864	\$ 39,383,889	\$ 41,645,010	\$ 44,454,517
3,134,769	1,996,430	1,073,233	1,342,998	2,076,599	1,435,548
27,035,675	27,626,462	26,755,077	23,743,672	25,607,050	26,568,228
1,179,405	944,332	1,322,030	891,777	1,129,782	1,111,375
1,357,050	1,262,853	1,152,077	1,175,041	1,357,243	1,219,003
580,422	415,395	315,685	279,999	(130,638)	406,914
1,137,849	942,440	813,886	1,042,296	268,399	814,318
261,427	2,431,170	1,117,621	1,364,648	1,222,169	1,682,888
<u>75,652,892</u>	<u>73,846,492</u>	<u>69,756,473</u>	<u>69,224,320</u>	<u>73,175,614</u>	<u>77,692,791</u>
10,970,755	9,477,910	12,077,265	11,049,852	11,679,121	11,106,677
23,939,534	22,881,143	23,717,192	23,360,386	24,810,275	26,267,504
2,177,687	2,605,224	3,472,183	2,518,264	1,766,303	1,943,651
2,719,779	4,931,655	2,660,252	2,766,874	3,966,243	3,542,511
6,588,345	5,528,640	4,886,947	5,015,247	5,055,207	5,341,635
4,021,204	3,396,173	3,409,346	2,484,829	2,480,049	3,509,702
870,662	1,895,324	1,580,838	1,823,627	1,234,845	1,277,281
7,684,563	8,620,474	8,585,695	8,554,217	13,712,314	5,278,486
3,855,789	5,427,681	5,023,373	4,706,601	4,621,821	3,844,374
22,182,625	15,262,429	23,240,459	9,223,066	4,656,036	12,992,364
<u>85,010,943</u>	<u>80,026,653</u>	<u>88,653,550</u>	<u>71,502,963</u>	<u>73,982,214</u>	<u>75,104,185</u>
(9,358,051)	(6,180,161)	(18,897,077)	(2,278,643)	(806,600)	2,588,606
15,000,000	29,800,000	-	-	-	-
-	2,815,000	-	-	9,275,000	-
-	(2,753,893)	-	-	(9,469,388)	-
91,235	48,388	-	-	427,048	-
223,770	-	7,794	38,369	19,498	58,094
-	116,358	-	-	-	-
18,277,333	41,785,235	12,859,860	10,356,562	18,827,399	15,114,320
<u>(36,322,538)</u>	<u>(50,661,454)</u>	<u>(12,990,040)</u>	<u>(10,491,502)</u>	<u>(18,961,369)</u>	<u>(15,379,970)</u>
<u>(2,730,200)</u>	<u>21,149,634</u>	<u>(122,386)</u>	<u>(96,571)</u>	<u>118,188</u>	<u>(207,556)</u>
<u>\$ (12,088,251)</u>	<u>\$ 14,969,473</u>	<u>\$ (19,019,463)</u>	<u>\$ (2,375,214)</u>	<u>\$ (688,412)</u>	<u>\$ 2,381,050</u>
18.4%	21.7%	20.8%	21.3%	26.4%	14.7%

CITY OF AVONDALE, ARIZONA

**ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY²
LAST TEN FISCAL YEARS**

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Residential Historical Property
2014	\$ 132,908,565	\$ 93,145,393	\$ 118,877,122	\$ 93,364,094	\$ 394,449	\$ 146,376
2013	113,438,968	75,890,104	116,797,461	99,601,422	363,777	166,031
2012	134,867,886	67,361,870	132,735,913	102,602,512	358,763	-
2011	151,109,673	72,776,766	157,022,411	117,887,415	335,769	-
2010	196,235,454	85,274,561	212,453,689	149,830,377	364,145	-
2009	292,044,995	92,215,354	212,214,174	154,112,452	376,314	-
2008	373,154,615	92,685,824	186,089,522	135,969,538	415,276	-
2007	322,476,066	70,412,295	149,002,237	109,719,498	435,213	-
2006	200,052,758	35,937,301	117,241,485	89,720,469	326,959	-
2005	182,086,324	25,380,852	95,313,347	73,626,681	315,401	-

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Residential Historical Property
2014	10.0 %	10.0 %	19.0 %	16.0 %	16.0 %	5.0 %
2013	10.0	10.0	19.5	16.0	15.0	5.0
2012	10.0	10.0	20.0	16.0	15.0	5.0
2011	10.0	10.0	20.0	16.0	15.0	5.0
2010	10.0	10.0	21.0	16.0	17.0	5.0
2009	10.0	10.0	21.0	16.0	18.0	5.0
2008	10.0	10.0	24.0	16.0	21.0	5.0
2007	10.0	10.0	24.0	16.0	21.0	5.0
2006	10.0	10.0	24.5	16.0	22.0	5.0
2005	10.0	10.0	25.0	16.0	21.0	5.0

¹ Includes tax-exempt property.

² Property in Maricopa County is required to be reassessed yearly. Upon meeting certain requirements, the County Assessor may value residential, agricultural, and vacant land at the same full cash valuation for up to three years. Tax rates are determined using assessed valuations and the required tax levy. The assessed value divided by 100 multiplied by the tax rate determines the taxes billed.

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

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

Municipal Property Improvements	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value¹
\$ 59,574	\$ 438,895,573	\$ (88,208,960)	\$ 350,686,613	1.75	\$ 3,478,927,843	12.62 %
-	406,257,763	(91,282,079)	314,975,684	1.80	3,118,036,373	13.03
-	437,926,944	(92,254,812)	345,672,132	1.33	3,329,277,135	13.15
-	499,132,034	(96,728,376)	402,403,658	1.33	3,762,818,468	13.26
-	644,158,226	(119,852,877)	524,305,349	1.11	4,765,228,782	13.52
-	750,963,289	(109,200,312)	641,762,977	1.11	5,772,182,553	13.01
-	788,314,775	(84,159,774)	704,155,001	1.11	6,319,124,006	12.48
-	652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.45
-	443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.02
-	376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.90

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

Fiscal Year ¹	Direct Rate	Overlapping Rates ¹				
	City of Avondale, Arizona	County		Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92
		County-wide	Community College			
2014 Primary	0.78	1.32	1.28	1.98	2.86	2.68
2014 Secondary	0.97	0.00	0.24	2.59	1.68	4.51
2013 Primary	0.79	1.28	1.29	1.92	3.22	2.76
2013 Secondary	1.02	0.00	0.24	2.27	2.27	4.51
2012 Primary	0.68	1.24	1.16	2.38	2.30	2.05
2012 Secondary	0.66	0.00	0.22	1.67	2.54	4.33
2011 Primary	0.58	1.24	1.01	2.47	1.96	1.82
2011 Secondary	0.75	0.00	0.20	2.46	2.11	4.79
2010 Primary	0.45	1.05	0.79	2.19	1.51	1.69
2010 Secondary	0.65	0.00	0.18	3.11	1.21	4.11
2009 Primary	0.36	0.99	0.72	0.98	1.06	1.77
2009 Secondary	0.74	0.00	0.16	2.93	1.04	3.44
2008 Primary	0.37	1.03	0.78	2.46	1.60	1.90
2008 Secondary	0.73	0.00	0.16	1.69	1.01	3.02
2007 Primary	0.41	1.10	0.82	2.06	1.62	1.99
2007 Secondary	0.70	0.00	0.15	2.15	1.24	3.32
2006 Primary	0.44	1.20	0.89	2.90	2.70	2.25
2006 Secondary	0.73	0.00	0.14	2.34	1.09	3.79
2005 Primary	0.46	1.21	0.92	4.01	3.15	2.35
2005 Secondary	0.71	0.00	0.12	2.73	1.14	4.02

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

Source: Arizona Research Foundation and Maricopa County Assessor's Office Property Tax Rates and Assessed Values (1998-2008) and Maricopa County Finance Department web publication, (2008-2013) Tax Rates Maricopa County, Arizona.

Overlapping Rates¹

Litchfield Elementary School District No. 79	Avondale Elementary School District No. 44	Agua Fria Union High School District No. 216	Littleton Elementary School District No. 65	Liberty Elementary School District No. 25
2.33	2.74	2.99	2.59	2.80
1.45	3.06	1.21	3.31	1.70
2.44	2.31	2.29	2.42	1.91
1.54	2.33	1.28	3.55	1.55
2.31	2.02	2.04	2.45	2.07
1.58	2.31	1.13	1.93	1.47
1.94	2.77	1.69	1.33	1.87
1.32	2.03	0.99	2.47	1.33
1.62	1.51	1.62	1.60	1.96
1.30	1.43	0.83	1.87	1.34
1.62	1.96	2.04	2.51	1.49
1.01	1.36	0.65	1.26	1.18
1.76	1.87	1.88	2.38	1.70
0.77	1.76	0.52	1.39	1.00
1.82	1.91	1.62	2.33	2.28
0.90	1.89	1.01	1.61	1.34
1.89	2.38	2.24	2.74	2.22
1.46	1.89	1.36	1.85	1.73
2.50	2.61	3.38	2.12	2.50
1.61	1.85	1.37	1.72	0.58

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

Schedule 7

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Mirabella Avondale Apartments LLC	\$ 5,818,000	1	1.33 %	-	-	-
Inland Westland Avondale Mcdowell LLC	5,027,131	2	1.15	-	-	-
Phoenix Speedway Corp	4,326,083	3	0.99	\$ 3,538,871	2	1.10 %
Raintree Pad 2 LLC	4,000,963	4	0.91	-	-	-
J & J Coldwater LLC	3,970,308	5	0.90	-	-	-
Arizona Public Service Company	3,921,835	6	0.89	2,449,339	7	0.76
Mechanic (AZ) QRS 15-41 INC	3,113,967	7	0.71	3,418,898	3	1.06
Smiths Food & Drug Centers Inc	3,109,312	8	0.71	2,372,919	9	0.74
Moreland Arizona Properties LLC	3,076,248	9	0.70	2,523,404	6	0.78
Alameda Venture LLC	2,826,763	10	0.64	-	-	-
Gateway Pavillions	-	-	-	5,597,680	1	1.74
Pulte Home Corporation	-	-	-	-	-	-
Harkins Phoenix Cinemas	-	-	-	2,800,902	4	0.87
No Bull LLC	-	-	-	2,763,237	5	0.86
Fulton Homes Corporation	-	-	-	2,430,329	8	0.75
Aventura Apartments	-	-	-	2,164,380	10	0.67
Total	\$ 39,190,610		8.93 %	\$ 30,059,959		9.33 %

Source: Stone & Youngberg, LLC, Official Statements and Maricopa County Assessor records.

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

Schedule 8

Fiscal Year	Original Property Tax Levy	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 5,659,729	\$ 5,545,279	97.98 %	\$ 33,176	\$ 5,578,455	98.56 %
2013	4,589,635	4,474,610	97.49	103,740	4,578,350	99.75
2012	5,294,450	5,131,506	96.92	111,331	5,242,837	99.03
2011	5,632,413	5,413,477	96.11	133,448	5,546,925	98.48
2010	6,843,611	6,526,469	95.37	250,342	6,776,811	99.02
2009	7,102,059	6,710,295	94.48	305,457	7,015,752	98.78
2008	5,906,911	5,639,466	95.47	188,933	5,828,399	98.67
2007	4,389,587	4,225,998	96.27	131,854	4,357,852	99.28
2006	3,668,855	3,521,489	95.98	100,720	3,622,209	98.73
2005	2,977,361	2,872,201	96.47	71,052	2,943,253	98.85

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, 2014*.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Retail	\$ 23,538,506	\$ 19,845,087	\$ 18,244,074	\$ 18,832,147
Construction	4,443,542	3,693,612	2,061,391	1,188,487
Real Estate & Rentals	3,507,850	3,477,613	3,487,130	3,890,097
Hotels & Other Lodging	217,293	174,643	229,818	200,151
Communication & Utilities	2,015,740	1,997,716	2,061,554	2,022,346
Restaurants & Bars	2,591,479	2,434,741	2,277,265	2,459,856
Amusement	868,406	751,050	661,557	592,433
Use Tax	247,415	212,186	204,191	201,255
All Others	95,776	122,837	123,663	102,139
Total	<u>\$ 37,526,007</u>	<u>\$ 32,709,485</u>	<u>\$ 29,350,643</u>	<u>\$ 29,488,911</u>

	<u>Year-over-Year Increase (Decrease)</u>			
Retail	unavailable	(15.7) %	(8.1) %	3.2 %
Construction	unavailable	(16.9)	(44.2)	(42.3)
Real Estate & Rentals	unavailable	(0.9)	0.3	11.6
Hotels & Other Lodging	unavailable	(19.6)	31.6	(12.9)
Communication & Utilities	unavailable	(0.9)	3.2	(1.9)
Restaurants & Bars	unavailable	(6.0)	(6.5)	8.0
Amusement	unavailable	(13.5)	(11.9)	(10.4)
Use Tax	unavailable	(14.2)	(3.8)	(1.4)
All Others	unavailable	28.3	0.7	(17.4)
Total		<u>(12.8) %</u>	<u>(10.3) %</u>	<u>0.5 %</u>

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

Source: City records

Schedule 9

2012	2013	2014
\$ 20,938,049	\$ 22,749,307	\$ 24,510,356
1,415,172	1,323,781	1,139,469
4,131,206	3,909,022	4,025,883
181,968	208,492	228,270
2,041,519	2,082,661	2,049,404
2,695,339	2,875,647	3,226,930
590,559	616,874	666,567
249,884	235,002	278,274
102,988	102,511	90,559
<u>\$ 32,346,684</u>	<u>\$ 34,103,297</u>	<u>\$ 36,215,712</u>

Year-over-Year Increase (Decrease)		
11.2 %	8.7 %	7.7 %
19.1	(6.5)	(13.9)
6.2	(5.4)	3.0
(9.1)	14.6	9.5
0.9	2.0	(1.6)
9.6	6.7	12.2
(0.3)	4.5	8.1
24.2	(6.0)	18.4
0.8	(0.5)	(11.7)
<u>9.7 %</u>	<u>5.4 %</u>	<u>6.2 %</u>

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

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Pledged Revenue Refunding Obligations	Capital Leases
2014	\$ 28,598	\$ 1,451	\$ 36,823	\$ 9,580	\$ -
2013	31,596	1,800	38,679	9,641	137
2012	34,449	2,133	58,144	-	551
2011	37,237	2,456	63,275	-	948
2010	40,085	2,780	67,350	-	1,329
2009	13,450	3,085	72,042	-	1,727
2008	16,365	3,375	61,110	-	2,139
2007	18,630	3,510	64,802	-	2,594
2006	17,705	3,920	49,569	-	3,061
2005	18,775	4,065	51,744	-	2,508

¹ See Demographics and Economic Statistics schedule on page 153 for personal income and population data.

Source: City records.

Business-Type Activities					
Water and Sewer Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans	Total Primary Government	Percentage of Personal Income¹	Per Capita¹
\$ 3,190	\$ 1,589	\$ -	\$ 81,231	2.49 %	\$ 1,048
4,770	1,696	-	88,319	2.79	1,116
6,785	1,800	-	103,862	3.74	1,327
8,625	2,166	-	114,707	4.07	1,482
8,625	2,085	-	122,254	4.29	1,604
1,225	6,038	7,235	104,802	3.69	1,356
1,320	6,935	8,054	99,298	3.29	1,296
1,410	7,793	8,845	107,584	4.11	1,613
1,500	8,631	9,604	93,990	3.72	1,422
1,585	9,296	10,332	98,305	4.58	1,631

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Net secondary assessed valuation	\$ 322,603,779	\$ 386,790,640	\$ 586,169,088	\$ 704,155,001
<u>20% Limitation</u>				
Debt limit	64,520,756	77,358,128	117,233,818	140,831,000
Net debt applicable to limit	<u>9,565,000</u>	<u>8,930,000</u>	<u>16,130,000</u>	<u>14,185,000</u>
Legal 20% debt margin	<u>\$ 54,955,756</u>	<u>\$ 68,428,128</u>	<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>
Total net debt applicable to the limit as a percentage of debt limit	14.8%	11.5%	13.8%	10.1%
<u>6% Limitation</u>				
Debt limit	\$ 19,356,227	\$ 23,207,438	\$ 35,170,145	\$ 42,249,300
Net debt applicable to limit	<u>9,210,000</u>	<u>8,775,000</u>	<u>2,500,000</u>	<u>2,180,000</u>
Legal 6% debt margin	<u>\$ 10,146,227</u>	<u>\$ 14,432,438</u>	<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>
Total net debt applicable to the limit as a percentage of debt limit	47.6%	37.8%	7.1%	5.2%

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

Source: City records.

Schedule 11

2009	2010	2011	2012	2013	2014
\$ 641,762,977	\$ 524,305,349	\$ 402,403,658	\$ 345,672,132	\$ 314,975,684	\$ 350,686,613
128,352,595	104,861,070	80,480,732	69,134,426	62,995,137	70,137,323
11,785,000	38,570,000	35,875,810	33,253,796	30,576,782	27,764,770
<u>\$ 116,567,595</u>	<u>\$ 66,291,070</u>	<u>\$ 44,604,922</u>	<u>\$ 35,880,630</u>	<u>\$ 32,418,355</u>	<u>\$ 42,372,553</u>
9.2%	36.8%	44.6%	48.1%	48.5%	39.6%
\$ 38,505,779	\$ 31,458,321	\$ 24,144,219	\$ 20,740,328	\$ 18,898,541	\$ 21,041,197
1,665,000	1,515,000	1,361,204	1,195,170	1,019,136	833,102
<u>\$ 36,840,779</u>	<u>\$ 29,943,321</u>	<u>\$ 22,783,015</u>	<u>\$ 19,545,158</u>	<u>\$ 17,879,405</u>	<u>\$ 20,208,095</u>
4.3%	4.8%	5.6%	5.8%	5.4%	4.0%

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total operating revenues ¹	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786	\$ 19,436,132
Total operating expenses ²	<u>8,851,960</u>	<u>10,023,264</u>	<u>12,473,104</u>	<u>13,259,794</u>
Net operating income	<u>6,544,748</u>	<u>6,318,826</u>	<u>6,276,682</u>	<u>6,176,338</u>
Other revenues	<u>15,289,088</u>	<u>14,796,223</u>	<u>10,894,834</u>	<u>4,531,680</u>
Net revenues before debt service	<u>\$ 21,833,836</u>	<u>\$ 21,115,049</u>	<u>\$ 17,171,516</u>	<u>\$ 10,708,018</u>
Debt service ³	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394	\$ 2,444,879
Debt service coverage	8.87	8.60	6.95	4.38

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

² Excludes depreciation and interest expenses.

³ Debt Service includes all bonds having a water and sewer system revenue pledge which includes the following outstanding debt: Municipal Development Corporation Excise Tax Revenue Bonds, Series 2005 (12% of total issue) and Water and Sewer Revenue Bonds, Series 2010.

Note: See Note 9 - Long-term Obligations on pages 75-79 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 12

2009	2010	2011	2012	2013	2014
\$ 18,073,444	\$ 18,357,018	\$ 18,416,763	\$ 19,984,828	\$ 19,715,295	\$ 20,231,533
<u>14,419,200</u>	<u>13,843,483</u>	<u>14,591,625</u>	<u>13,850,258</u>	<u>14,301,632</u>	<u>14,321,784</u>
<u>3,654,244</u>	<u>4,513,535</u>	<u>3,825,138</u>	<u>6,134,570</u>	<u>5,413,663</u>	<u>5,909,749</u>
<u>3,563,462</u>	<u>1,846,783</u>	<u>874,992</u>	<u>633,797</u>	<u>544,163</u>	<u>773,554</u>
<u>\$ 7,217,706</u>	<u>\$ 6,360,318</u>	<u>\$ 4,700,130</u>	<u>\$ 6,768,367</u>	<u>\$ 5,957,826</u>	<u>\$ 6,683,303</u>
\$ 2,441,059	\$ 2,437,250	\$ 775,518	\$ 2,486,512	\$ 2,275,017	\$ 1,819,169
2.96	2.61	6.06	2.72	2.62	3.67

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

Source	2005	2006	2007	2008
City sales tax	\$ 35,955,607	\$ 39,327,962	\$ 42,619,823	\$ 37,549,019
State sales tax	3,324,212	4,055,107	6,592,077	6,374,091
State revenue sharing	3,336,656	4,100,286	8,031,441	9,806,105
Utility and cable franchise fees	682,292	876,223	982,032	1,001,905
Licenses and permits	5,518,886	4,884,077	3,974,976	2,405,938
Fines and forfeitures	660,601	951,968	1,249,998	1,387,841
Totals	<u>\$ 49,478,254</u>	<u>\$ 54,195,623</u>	<u>\$ 63,450,347</u>	<u>\$ 58,524,899</u>

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

Source: City records.

Schedule 13

2009	2010	2011	2012	2013	2014
\$ 32,618,773	\$ 29,664,531	\$ 30,079,230	\$ 32,639,353	\$ 35,455,829	\$ 37,387,063
5,518,183	5,089,719	5,351,475	5,957,260	6,240,221	6,635,966
10,195,604	8,208,394	6,750,611	6,434,543	7,787,548	8,497,693
1,033,993	1,067,061	1,095,000	1,096,920	1,101,693	1,132,811
972,685	1,810,205	810,508	827,949	1,041,295	846,554
850,862	1,328,659	1,032,246	1,047,582	1,166,102	1,000,841
<u>\$ 51,190,100</u>	<u>\$ 47,168,569</u>	<u>\$ 45,119,070</u>	<u>\$ 48,003,607</u>	<u>\$ 52,792,688</u>	<u>\$ 55,500,928</u>

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

Schedule 14

Fiscal Year	Secondary Assessed Valuation²	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of	Per Capita¹
2014	\$ 350,686,613	\$ 28,597,872	\$ 52,625	\$ 28,545,247	8.14 %	\$ 368
2013	314,975,684	31,595,918	1,158,775	30,437,143	9.66	385
2012	345,672,132	34,448,966	3,126,687	31,322,279	9.06	400
2011	402,403,658	37,237,014	4,343,222	32,893,792	8.17	425
2010	524,305,349	40,085,000	5,371,632	34,713,368	6.62	449
2009	641,762,977	13,450,000	5,406,716	8,043,284	1.25	104
2008	704,155,001	16,365,000	3,797,761	12,567,239	1.78	164
2007	586,169,088	18,630,000	2,546,201	16,083,799	2.75	241
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	240
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290

¹ See Demographics and Economic Statistics Schedule on page 153 for population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 130 for secondary assessed valuation data.

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

CITY OF AVONDALE, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF JUNE 30, 2014
(amounts expressed in thousands)

Schedule 15

Governmental Unit	Debt Outstanding²	Estimated Share of Overlapping Debt	
		Percent²	Amount
Debt repaid with property taxes			
State of Arizona	NONE	0.60 %	NONE
Maricopa County	NONE	0.98	NONE
Maricopa County Community College District	\$ 654,190	0.98	\$ 6,411
Avondale Elementary School District No. 44	30,755	16.08	4,945
Litchfield Elementary School District No. 79	32,750	11.07	3,625
Littleton Elementary School District No. 65	13,485	52.53	7,084
Pendergast Elementary School District No. 92	25,080	32.31	8,103
Tolleson Elementary School District No. 17	9,735	10.31	1,004
Agua Fria Union High School District No. 216	54,795	12.79	7,008
Tolleson Union High School District No. 214	54,215	23.48	12,730
Total overlapping debt			50,910
City of Avondale direct debt ³			76,452
Total Direct and Overlapping Debt			<u>\$ 127,362</u>

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

² Proportion applicable to the City is computed on the ratio of secondary assessed valuation for fiscal year 2013-14 for the overlapping jurisdiction to the amount of such valuation which lies within the City.

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

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

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

Schedule 16

Debt Service Payable During Year Ended June 30	Actual Excise tax Revenues²	Total Actual and Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2005	\$ 49,478,255	\$ 4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	51,190,101	7,955,796	6.43
2010	47,168,569	8,695,150	5.42
2011	45,119,070	8,021,765	5.62
2012	48,003,607	7,879,354	6.09
2013	52,792,688	7,461,517	7.08
2014	55,500,928	3,436,919	16.15
2015	—	3,540,088	14.91
2016	—	3,532,600	14.94
2017	—	4,966,825	10.63
2018	—	4,934,125	10.70
2019	—	4,929,550	10.71
2020	—	4,938,650	10.69
2021	—	4,000,876	13.20
2022	—	2,554,650	20.67
2023	—	2,549,100	20.71
2024	—	2,544,000	20.75
2025	—	2,534,500	20.83
2026	—	2,529,500	20.87
2027	—	2,523,750	20.92
2028	—	1,115,750	47.32
2029	—	1,115,000	47.35

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

² The City has pledged excise taxes to secure MDC revenue bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 142).

Note: See Note 9 - Long-term Obligations on pages 75-79 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule 17

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2014	\$ 4,299,561	\$ 405,463	10.60
2013	4,174,775	403,150	10.36
2012	3,817,593	404,875	9.43
2011	4,109,134	405,844	10.12
2010	3,942,434	405,688	9.72
2009	4,161,313	399,838	10.41
2008	4,764,909	257,308	18.52
2007	4,948,541	537,827	9.20
2006	2,952,118	553,370	5.33
2005	2,608,891	563,249	4.63

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

Note: See Note 9 - Long-term Obligations on pages 75-79 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule 18

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2014	\$ 4,299,561
2013	4,174,775
2012	3,817,593
2011	4,109,134
2010	3,942,434
2009	4,161,313
2008	4,764,909
2007	4,948,541
2006	2,952,118
2005	2,608,891

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

Source: City records.

CITY OF AVONDALE, ARIZONA
SOURCES OF THE WATER SYSTEM¹
LAST TWO CALENDAR YEARS

Schedule 19

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

¹ This schedule has been presented to meet the City's ongoing debt disclosure requirements beginning in fiscal year 2013 so only two years are presented. The City monitors and reports its water rights and related activities on a calendar year basis. This schedule is presented on the same basis.

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

³ According to SRP records, there were 5,304.25 and 5,316.50 acres of land legally eligible to receive SRP allocation of 3.0 acre-feet per acre in 2012 and 2013, respectively.

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

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

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

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

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

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

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

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

Source: City Public Works Department.

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

Schedule 20

<u>Water System</u>	<u>2013</u>	<u>2014</u>
Water Sales ²		
Residential	\$ 7,499,382	\$ 7,628,120
Commercial	4,163,085	4,233,400
Total	<u>\$ 11,662,467</u>	<u>\$ 11,861,520</u>
Number of Water Customers ³		
Residential	20,872	25,620
Commercial	1,401	1,498
Total	<u>22,273</u>	<u>27,118</u>
Other Fees and Revenue		
Meter Installation	\$ 17,210	\$ 26,640
Turn-on Fees	479,091	479,471
Interest Earnings	71,503	50,882
Total	<u>\$ 567,804</u>	<u>\$ 556,993</u>
 <u>Sewer System</u>		
Sewer Sales ²		
Residential	\$ 6,946,342	\$ 7,042,305
Commercial	793,124	842,036
Total	<u>\$ 7,739,466</u>	<u>\$ 7,884,341</u>
Number of Sewer Customers ³		
Residential	20,556	24,945
Commercial	1,267	788
Total	<u>21,823</u>	<u>25,733</u>
Other Fees and Revenue		
Tap Fees	\$ 9,900	\$ 15,600
Interest Earnings	51,359	51,436
Total	<u>\$ 61,259</u>	<u>\$ 67,036</u>

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

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

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

Source: City Records

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

Schedule 21

Fiscal Year	Population⁴	Personal Income (in thousands)¹	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2014	77,511	\$ 3,267,554	\$ 42,156	14,507	7.0 %	7.5 %
2013	79,132	3,162,590	39,966	14,444	7.9	8.0
2012	78,256	2,778,566	35,506	14,562	9.1	8.9
2011	77,388	2,818,267	36,417	15,093	8.4	9.6
2010	76,238	2,847,642	37,352	14,273	8.4	9.5
2009	77,276	2,836,570	36,707	13,980	6.1	7.0
2008	76,613	3,016,177	39,369	12,702	3.4	4.1
2007	66,678	2,620,445	39,300	12,671	3.2	3.9
2006	66,110	2,523,815	38,176	12,849	3.5	4.4
2005	60,255	2,145,440	35,606	13,537	3.9	4.7

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

² Obtained from Estrella Mountain Community College.

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

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

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

Schedule 22

Employer	2014			2005		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
City of Avondale	450	1	1.34 %	400	3	1.26 %
Littleton Elementary School District 65	380	2	1.13	–	–	–
Fry's Food Stores	380	3	1.13	211	8	0.67
Avondale Elementary School Dist. No. 44	280	4	0.84	379	4	1.20
Wal-Mart Stores, Inc	280	5	0.84	722	1	2.28
Tolleson Union High School District 214	270	6	0.81	405	2	1.28
Maricopa County Community College Dist	250	7	0.75	–	–	–
Pendergast Elementary School Dist 92	230	8	0.69	–	–	–
State of Arizona	220	9	0.66	–	–	–
Costco Wholesale	210	10	0.63	–	–	–
Litchfield Elementary School District	–	–	–	260	5	0.82
Agua Fria Union High School Dist #216	–	–	–	244	6	0.77
Universal Technical Institute	–	–	–	220	7	0.70
Avondale Automotive, Inc.	–	–	–	210	9	0.66
Earnhardt Auto Center	–	–	–	208	10	0.66
Total	2,950		8.82 %	3,259		10.30 %

Source: Maricopa Association of Governments Employer Database, and the U.S. Department of Labor, Bureau of Labor Statistics - MAG 2013 Employer Database



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

Function	2005	2006	2007	2008	2009
General government					
City administration	8.0	8.0	9.0	9.0	9.0
Finance and budget	21.5	23.5	29.5	29.5	29.5
City court	10.0	10.5	11.5	13.5	14.0
Planning and building services	19.0	22.0	22.0	29.0	25.0
Other	29.6	34.6	44.0	48.0	40.0
Public safety					
Police					
Officers	92.0	94.0	100.5	107.5	112.5
Civilians	42.5	45.0	49.5	54.5	50.5
Fire					
Firefighters and officers	45.5	46.0	45.0	50.0	50.0
Civilians	13.0	17.5	12.0	13.0	10.0
Highways and streets					
Engineering and development services	14.0	17.0	22.0	21.0	19.0
Maintenance	15.3	13.3	14.0	14.0	14.0
Health and welfare	12.0	12.0	21.5	21.5	27.5
Economic and community development	3.0	2.0	3.0	3.0	3.0
Sanitation	19.1	21.1	19.0	20.0	20.0
Culture and recreation	27.0	26.0	48.0	49.0	45.0
Water resources	25.5	32.0	38.5	40.5	42.5
Sewer	12.5	15.0	16.5	16.5	20.5
Total	<u>409.5</u>	<u>439.5</u>	<u>505.5</u>	<u>539.5</u>	<u>532.0</u>

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

Schedule 23

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
9.0	10.0	10.0	9.0	9.0
27.5	28.5	28.5	28.5	28.5
14.0	13.0	13.0	13.0	13.0
23.0	0.0	0.0	0.0	0.0
37.2	36.2	36.2	28.0	40.0
121.8	120.8	120.8	133.0	124.0
50.0	46.0	46.0	37.0	47.0
50.0	49.0	49.0	56.0	71.0
8.0	8.0	8.0	3.0	3.0
18.0	34.0	34.0	20.0	28.0
10.0	10.0	10.0	23.0	12.0
22.5	21.0	21.0	17.0	19.8
1.0	3.0	3.0	9.0	4.0
18.0	19.0	19.0	21.2	18.0
38.0	29.0	29.0	33.0	28.3
37.0	37.1	37.1	33.9	35.1
19.0	18.9	18.9	20.9	20.9
<u>504.0</u>	<u>483.5</u>	<u>483.5</u>	<u>485.5</u>	<u>501.5</u>

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

Function	2005	2006	2007	2008
Police				
Calls for service	53,476	52,419	68,364	72,872
Citations	8,741	9,423	10,550	7,239
Physical arrests	4,345	5,062	3,373	4,121
Fire				
Number of emergency responses	7,806	6,735	6,843	5,583
Inspections	3,238	4,900	4,460	4,479
Number of fires extinguished	10	-	148	49
Sanitation				
Refuse collected (tons per day)	68	72	126	143
Recyclables collected (tons per day)	14	14	49	49
Water				
New connections	20,545	21,459	21,821	22,600
Water mains breaks	17	8	16	17
Average daily consumption (thousands of gallons)	9,301	10,285	11,850	11,850
Wastewater				
Average daily sewage treatment (thousands of gallons)	3,825	4,080	4,602	4,974

¹ Indicators are not available for the general government function.

Source: Various city departments.

Schedule 24

2009	2010	2011	2012	2013	2014
74,929	73,884	78,961	77,800	80,901	73,718
4,950	6,167	6,487	7,348	6,461	4,930
4,113	3,080	4,234	3,461	3,727	3,792
6,002	5,965	6,057	6,601	8,307	8,471
3,881	3,077	3,296	3,041	3,286	3,265
503	493	451	241	233	245
146	134	141	132	133	134
49	46	52	48	44	46
22,925	22,992	23,251	23,616	23,839	23,058
26	12	10	14	13	6
11,664	11,850	11,300	13,992	13,694	13,835
4,883	4,886	5,159	5,310	5,740	6,092

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

Function	2005	2006	2007	2008
Public Safety				
Police:				
Stations	2	2	2	2
Patrol units	53	64	76	84
Fire stations				
Stations	2	3	3	3
Regional training academy	0	1		
Fire trucks	7	7	7	7
Fire vehicles (excl. fire trucks)	15	16	19	17
Sanitation				
Collection trucks	15	18	18	18
Highways and streets				
Streets (miles)	253	264	279	284
Streetlights	5,950	6,499	7,103	7,952
Traffic signals	28	29	33	36
Culture and recreation				
Parks acreage	130	265	265	265
Parks	11	11	11	11
Racquetball courts	0	0	0	0
Basketball courts	10	14	14	14
Volleyball courts	4	4	2	0
Baseball fields	3	3	3	4
Softball fields	3	3	3	7
Soccer fields	10	11	11	12
Swimming pools	0	0	0	0
Tennis courts	2	2	2	2
Community centers	2	2	2	2
Dog park	0	1	1	1
Playgrounds	5	7	7	8
Amphitheatre	3	3	3	2
Ramadas	6	8	8	12
Football Field				
Water				
Number of service connections	20,545	21,459	21,821	22,600
Water mains (miles)	335	406	309	314
Fire hydrants	2,235	2,564	2,581	2,624
Sewer				
Number of service connections	20,100	19,970	21,218	21,416
Sanitary sewers (miles)	329	321	232	235
Storm sewers (miles)	31	26	29	32
Wastewater				
Treatment plants	1	1	1	1

¹ Indicators are not available for the general government function.

Source: Various city departments.

Schedule 25

2009	2010	2011	2012	2013	2014
4	4	4	5	5	5
90	93	116	101	101	102
3	3	3	3	3	4
7	7	7	7	8	9
16	16	16	16	14	18
17	18	18	18	20	17
284	285	285	286	286	294
8,016	7,739	7,739	7,771	7,829	7,829
42	42	46	46	46	47
265	265	265	265	265	265
11	11	11	11	11	11
0	0	0	0	0	0
14	14	18	18	18	18
0	0	0	0	0	0
4	4	4	4	4	4
7	7	7	7	7	7
12	12	14	14	14	14
0	0	0	0	0	0
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2
12	12	12	12	12	12
	1	1	1	1	1
22,925	22,992	23,251	23,616	23,839	23,058
316	318	330	330	330	450
2,686	2,703	2,711	2,714	2,719	2,728
21,453	21,471	21,479	21,852	21,979	22,042
235	235	235	235	235	237
32	37	37	39	39	60
1	1	1	1	1	1



**SINGLE AUDIT
SECTION**



HENRY & HORNE, LLP
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Avondale, Arizona's basic financial statements, and have issued our report thereon dated December 18, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

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

Henry + Horne LLP

Casa Grande, Arizona
December 18, 2014



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Avondale, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Avondale, Arizona's major federal programs for the year ended June 30, 2014. The City of Avondale, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Avondale, Arizona's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Avondale, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Avondale, Arizona's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City of Avondale, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Avondale, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Avondale, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Avondale, Arizona's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Henry & Horne LLP

Casa Grande, AZ
December 18, 2014

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<u>Federal Agency/Program Title/Cluster/Pass-Through Grantor</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		\$ 875,794
Total CDBG - Entitlement Grants Cluster			<u>875,794</u>
Home Investment Partnerships Program, passed through the Arizona			
Department of Housing	14.239	308-13	222,974 *
Home Investment Partnerships Program , passed through the			
Maricopa County Community Development Division	14.239	M-12-DC-04-0227, M-13-DC-04-0227	<u>98,034 *</u>
Total Home Investment Partnerships Program			<u>321,008</u>
Total U.S. Department of Housing and Urban Development			<u>1,196,802</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		8,238
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2012-DJ-BX-1182, 2013-DJ-BX-1164	<u>13,930</u>
Total JAG Program Cluster			<u>13,930</u>
Total U.S. Department of Justice			<u>22,168</u>
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	AVN-0(211)A	<u>5,230</u>
Total Highway Planning and Construction Cluster			<u>5,230</u>
Federal Transit_Formula Grants, Passed through the City of Phoenix	20.507	AZ-90-X114	464,949 *
Highway Safety Cluster			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2013-AL-010, 2014-PT-040, 2014-TR-002	<u>30,016</u>
Total Highway Safety Cluster			<u>30,016</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated, passed through the Arizona Governor's Office of Highway Safety	20.608	2014-164-088	<u>15,955</u>
Total U.S. Department of Transportation			<u>516,150</u>
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records			
	45.310	None	<u>3,107</u>
Total Institute of Museum and Library Services			<u>3,107</u>
U.S. Department of Energy			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>1,613</u>
Total U.S. Department of Energy			<u>1,613</u>

(Continued)

See accompanying notes to schedule.

* Denotes major program

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Health and Human Services			
Aging Cluster			
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers, passed through the Area Agency on Aging, Region One, Inc.	93.044	2014-05-AVO	89,988
Special Programs for the Aging_Title III, Part C_Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2014-05-AVO	124,240
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2014-05-AVO	<u>18,039</u>
Total Aging Cluster			<u>232,267</u>
Low-Income Home Energy Assistance, passed through the Maricopa County Department of Human Services	93.568	C-22-13-071-3-00	19,813
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-13-071-3-00	23,548
Social Services Block Grant, passed through the Area Agency on Aging, Region One Inc.	93.667	2014-05-AVO	<u>15,750</u>
Total Social Services Block Grant			<u>39,298</u>
Total U.S. Department of Health and Human Services			<u>291,378</u>
U.S. Department of Homeland Security			
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	888800-03	<u>80,357</u>
Total U.S. Department of Homeland Security			<u>80,357</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,111,575</u></u>

See accompanying notes to schedule.

* Denotes major program

**CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the 2014 *Catalog of Federal Domestic Assistance*.

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED June 30, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

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

___ yes X no

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

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

___ yes X no

___ yes X none reported

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

Federal Transit – Formula Grant
 Home Investment Partnership Program

Unmodified

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

___ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.239	Federal Transit – Formula Grant
20.507	Home Investment Partnership Program

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

\$300,000

Auditee qualified as low-risk auditee?

X yes ___ no

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED June 30, 2014

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

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.