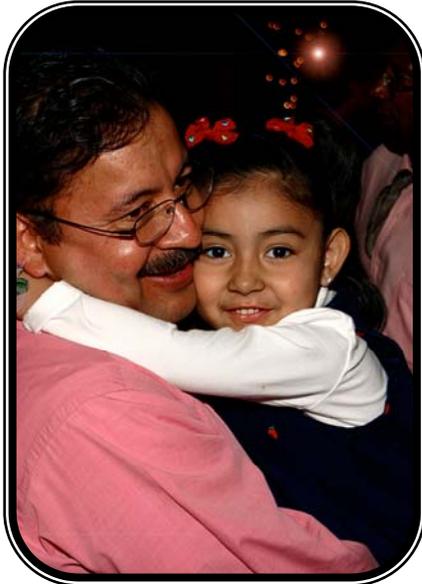


Comprehensive Annual Financial Report

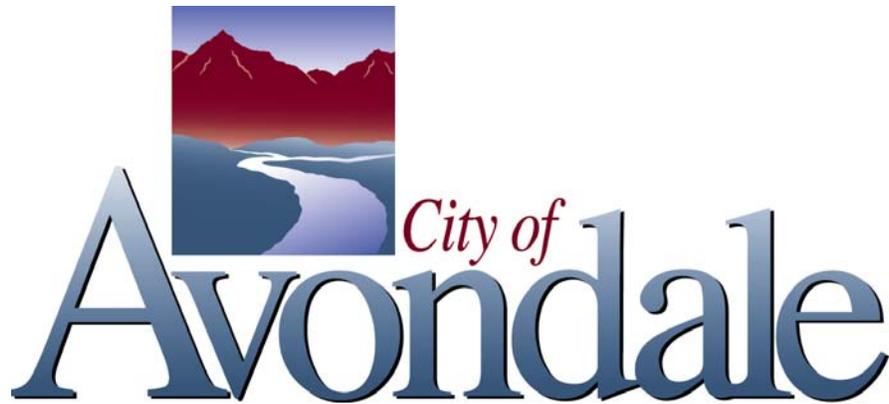
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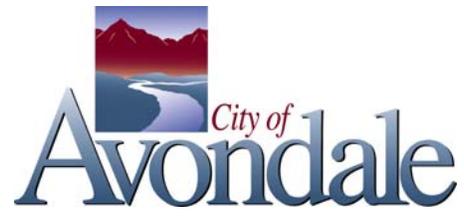
Fostering a Strong Community

CITY OF AVONDALE, ARIZONA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**



Prepared by the Finance and Budget Department



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011**

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 YEAR ENDED JUNE 30, 2011**

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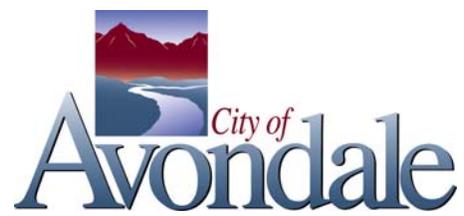
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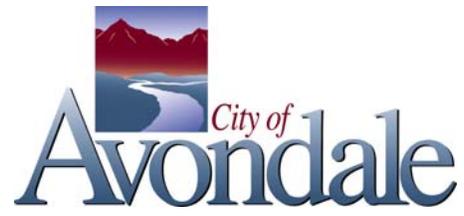
**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011**

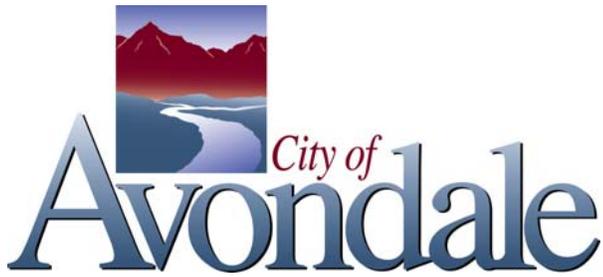
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INTRODUCTORY SECTION





Finance and Budget Department

11465 W. Civic Center Drive

Avondale, AZ 85323

Phone: (623) 333-0200

Fax: (623) 333-2011

Website: www.avondale.org

December 20, 2011

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

In accordance with the requirements of the City of Avondale's (City) Charter, we are pleased to submit the City's Comprehensive Annual Financial Report for the fiscal year ended 2011. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Henry & Horne, LLP; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City as of and for the fiscal year ended June 30, 2011, 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, 2011, 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 require that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the Independent Auditors’ Report.

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 77,388. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

This report includes financial statements on both a government-wide and fund basis for the primary government, as well as its component units. Component units are legally separate entities that are included in the reporting entity due to the significance of their financial or operational relationship with the City. Blended component units, although legally separate entities, are in substance part of the City’s operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 –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, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these 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

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having a direct impact on the City of Avondale. Revenues from building permits, development fees, state-shared revenues, and sales taxes have slowed significantly. City sales taxes have decreased by over 30% since 2007.

For the first time in over 4 years, the City's multi-year forecasts have been modified to reflect moderate revenue growth over the next several years. The fiscal year 2012 budget reflected 3% growth in revenues in the General Fund. Even with revenue growth projected for fiscal year 2012, the City reduced appropriations by over \$1.5 million in the General Fund in fiscal year 2012 and the City's budget is structurally balanced.

Long-term financial planning

The City has established a two-tier stabilization fund in accordance with GASB 54. The General Fund stabilization amount is 35% of the prior years budgeted expenditures and transfers. The budgeted stabilization fund for fiscal year 2012 is \$16,192,523.

The City also prepares a 5-year forward looking planning budget that incorporates on-going 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 November 3, 2009, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for an additional four years.

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, and Mor Furniture. In addition to the anchors, there are numerous restaurants and specialty shops in the 650,000 square-foot center.

Gateway Crossing (99th Avenue and McDowell Road)

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

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

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

Alameda Crossing (Northeast corner of Dysart and McDowell)

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

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

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

Hilton Hotels (Avondale Boulevard and I-10)

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

Residential Activity

Avondale's residential activity has slowed to unprecedented levels over the past couple years. During fiscal year 2011, 21 residential building permits were issued. Home values have dropped significantly across Arizona, resulting in the Maricopa County Assessor's Office adjusting assessed valuations. The City experienced a 23% decrease in secondary assessed valuation going from \$524,305,349 to \$402,403,658 for fiscal year 2011.

Major Accomplishments and Initiatives

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

Cash Management

Cash is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Government Investment Pool. Investment income is allocated to the funds monthly on the basis of the cash provided for investment. The average yield on investments held with the State Treasurer was 0.11% for fiscal year 2011.

In an effort to increase investment earnings, starting in fiscal year 2010-11, the City began a program to invest in U.S. Government Agency securities outside of the Arizona State Treasurer's Pool. The average yield on the U.S. Government Securities was 1.60% for fiscal year 2011, resulting in an increase in dividend revenue of over \$420,000 for the year.

Single Audit

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

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

Certificate of Achievement

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2010. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports

must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2010-11 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

Acknowledgements

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

Respectfully submitted,



Steven R. Montague, CPA, CGFM
Controller



Kevin H. Artz, CPA
Finance and Budget Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



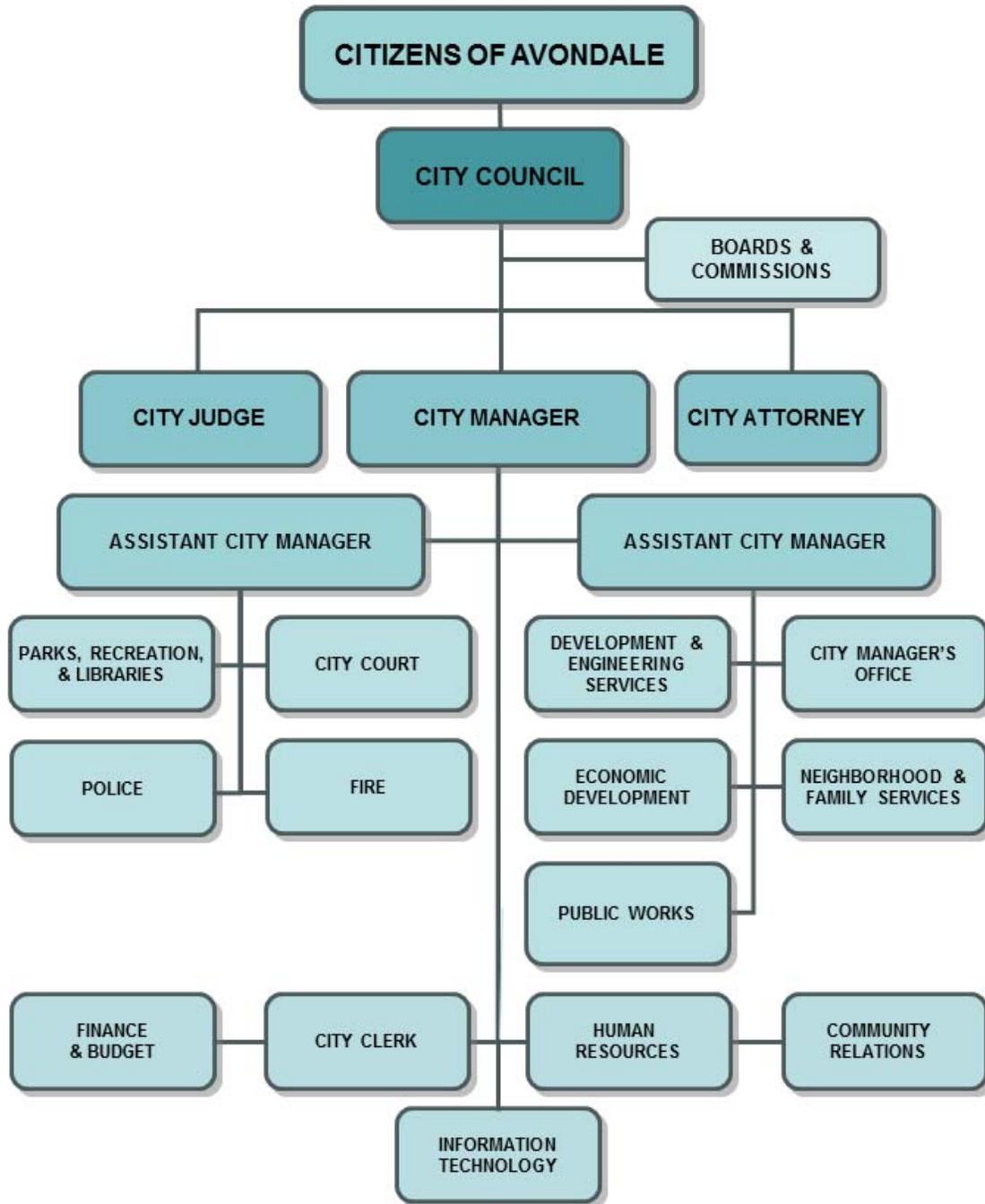
Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

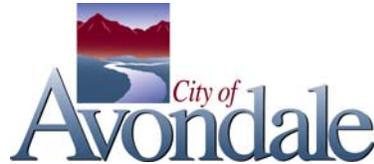
**CITY OF AVONDALE, ARIZONA
ORGANIZATION CHART
YEAR ENDED JUNE 30, 2011**



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2011**

Marie Lopez-Rogers, Mayor

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



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

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

Richard Lynch, City Judge

Wayne Janis, Public Works Director

Cherlene Penilla, Human Resources Director

Kevin Artz, Finance and Budget Director

Carmen Martinez, City Clerk

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

Paul Adams, Fire Chief

Sue McDermott, City Engineer

Robert Lloyd, Information Technology Director

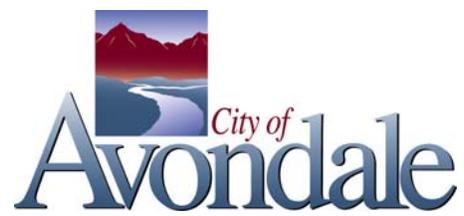
Dan Davis, Economic Development Director

Pier Simeri, Community Relations Director

Kevin Kotsur, Police Chief

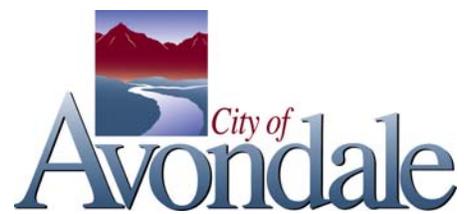
**Gina Montes, Neighborhood and Family
Services Director**

Finance and Budget Department Staff: Kevin Artz, Finance and Budget Director; Pilar Aguilar, Finance and Budget Assistant Director; Steven Montague, Controller; Javier Carcamo, Accounting Supervisor; Lorisa Sjaheim, Accountant; and Stephanie George, Accountant



**FINANCIAL
SECTION**

Independent Auditors' Report





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

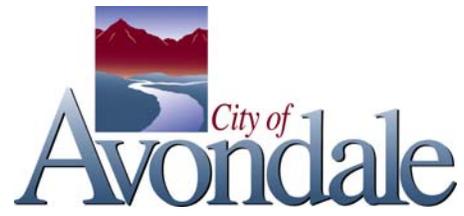
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Avondale, Arizona's financial statements as a whole. The introductory section, the accompanying financial information listed as supplementary information in the financial section,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

Henry & Horne LLP

Casa Grande, Arizona
December 20, 2011

FINANCIAL SECTION

Management's Discussion & Analysis (Required Supplementary Information)



MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2011

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 fiscal year ended June 30, 2011. 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 material deviations from the City's financial plan (the approved annual budget), and (5) identify individual fund issues and concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

The management's discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter presented on pages vii-xii of this report and is designed to be read in conjunction with the letter, as well as the basic financial statements on pages 23-51 and the accompanying notes to the financial statements on pages 53-83.

Financial Highlights

The following are some of the more significant financial highlights. Explanations for these changes are provided below or in the applicable sections that follow.

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$1.1 billion (net assets). Of this amount, \$89.6 million was unrestricted, up \$11.0 million (14.0%) from last year's \$78.6 million, and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets decreased \$7.6 million (0.7%) in fiscal year 2011; \$1.1 million decrease (0.2%) in governmental activities and \$6.5 million decrease (1.2%) in business-type activities.
- Governmental activities program revenues decreased by \$0.6 million (3.4%) and general revenues decreased by \$3.6 million (6.3%) from the prior year, while expenses increased by \$1.0 million (1.5%) during the same period.
- Business-type activities program revenues decreased by about \$1.0 million (4.3%) and general revenues increased by \$0.1 million (35.0%) from the previous year, while expenses increased by \$1.6 million (15.9%) during the same period.
- City transfers from governmental activities to business-type activities decreased by \$8.7 million (98.3%) from the prior year.
- The City's total government-wide liabilities decreased by \$11.8 million, or 8.3%, from the previous fiscal year. The key factors that contributed to this decrease were the retirement of \$9.1 million of long-term debt obligations and a \$2.2 million decrease accounts payable during the year.
- The City's total government-wide assets were \$19.4 million less than the prior year. Most of the decrease in assets was due to the use of existing cash reserves, both restricted and unrestricted, to finance the City's operations and various capital projects.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$72.8 million, a decrease of \$19.0 million (20.7%) from the previous year. Of this amount, \$1.0 million was not in spendable form (nonspendable) and \$51.6 million was either externally restricted or internally committed to specific purposes. Only \$20.2 million was either assigned to a specific purpose or unrestricted, both of which are available for spending at the City's discretion.
- Total combined governmental fund revenues of \$69.8 million and expenditures of \$88.7 million decreased \$4.1 million (5.5%) and increased \$8.6 million (10.8%) between years, respectively.
- General fund revenues exceeded budgeted revenues by \$1.0 million for fiscal year 2011, while expenditures were only 92.1% of the final budgeted expenditures. The result was a net budget savings of \$4.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's 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 in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to those used in private-sector businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements. The City's activities are presented in two columns on these statements; governmental activities and business-type activities. A total column for the City is also provided.

- **Governmental activities** include most of 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 generally supported by taxes and general revenues.
- **Business-type activities** include private sector-type activities provided by the City such as water, wastewater, and sanitation services. These activities are supported primarily through user charges and fees.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, both current and non-current, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City may be changing. Increases in net assets may indicate an improved financial position, but decreases in net assets may not necessarily indicate the City's financial position is deteriorating. Instead, decreases in net assets may reflect situations where the City has used previously accumulated funds to finance its operations or projects (e.g., cash funding of capital projects). Accordingly, readers should also 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 assets changed over 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 assets are reported at the time the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Consequently, certain revenues and expenses reported in this statement will result in cash flows in future fiscal periods such as uncollected property taxes, unreimbursed grant expenditures, and long-term debt that has not matured. This statement also focuses on both the gross and net costs of various city functions based only on direct functional revenues and expenses. This focus is designed to show the extent to which the various functions are dependent on general taxes and revenues for support.

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

Fund Financial Statements

A fund is a self-balancing set 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, special regulations, restrictions, or limitations for specific activities or objectives. All of the City's funds are classified 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 activities 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 the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is 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. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are on pages 32 and 36, respectively.

The City maintains seventeen (17) governmental funds. Information is presented separately in the governmental fund Balance Sheet and 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, and the Development Fees Fund, all of which are considered to be major funds. The remaining governmental funds are combined into a single, aggregated presentation (Non-Major Governmental Funds). Individual fund data for each of these non-major governmental funds are provided in the form of combining financial statements and schedules. The basic governmental funds 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 87-109.

The City adopts an annual budget for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Development Fees Fund, on pages 38-41. Budgetary comparison schedules are presented for the Development Fees Fund and other governmental funds on pages 86 and 98-109, respectively.

Proprietary funds use the economic resources measurement focus and full accrual accounting, the same method used by private sector business. The City maintains six (6) 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 services. These funds are considered to be major funds of the City. The proprietary funds 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 funds account balances and activities are presented in a single 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 funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements. The City uses separate internal service funds to account for its risk management, 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 111-114.

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 53-83 of this report.

Other information – Governments have the option of including budgetary comparison statements for the General Fund and major special revenue funds as part of the basic financial statements or 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, the City has elected to disclose employee pension

fund information in the notes to the financial statements rather than separately presenting the information as required supplementary information (see Note 8 - Retirement Plans, pages 72-76).

Government-wide Financial Analysis

The following tables, graphs, and analysis discuss the financial position and changes in the financial position of the City as of the year ended June 30, 2011, with comparative information from June 30, 2010.

Net Assets

Over time, net assets may serve as a useful indicator of the City's financial position. The following table reflects the City's condensed Statement of Net Assets as of June 30, 2011, and June 30, 2010.

	Net Assets						Percent Change
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 86,485,611	\$ 107,217,149	\$ 62,455,331	\$ 61,103,779	\$ 148,940,942	\$ 168,320,928	(11.5) %
Capital assets	588,788,743	579,350,429	499,579,273	509,000,730	1,088,368,016	1,088,351,159	0.0
Total assets	<u>675,274,354</u>	<u>686,567,578</u>	<u>562,034,604</u>	<u>570,104,509</u>	<u>1,237,308,958</u>	<u>1,256,672,087</u>	(1.5)
Other liabilities	18,920,531	20,499,850	5,692,730	5,018,312	24,613,261	25,518,162	(3.5)
Long-term liabilities	96,087,242	104,739,069	8,658,875	10,870,277	104,746,117	115,609,346	(9.4)
Total liabilities	<u>115,007,773</u>	<u>125,238,919</u>	<u>14,351,605</u>	<u>15,888,589</u>	<u>129,359,378</u>	<u>141,127,508</u>	(8.3)
Net assets:							
Invested in capital assets, net of related debt	484,872,851	466,763,910	488,787,961	497,810,394	973,660,812	964,574,304	0.9
Restricted	30,174,849	57,592,957	14,520,330	14,798,748	44,695,179	72,391,705	(38.3)
Unrestricted	45,218,881	36,971,792	44,374,708	41,606,778	89,593,589	78,578,570	14.0
Total net assets	<u>\$ 560,266,581</u>	<u>\$ 561,328,659</u>	<u>\$ 547,682,999</u>	<u>\$ 554,215,920</u>	<u>\$ 1,107,949,580</u>	<u>\$ 1,115,544,579</u>	(0.7)

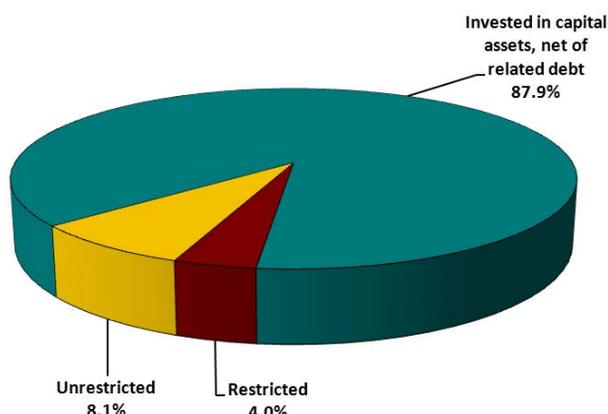
At the end of fiscal year 2011, the City is able to report positive balances in all three categories of net assets for the City, as a whole, and for its separate governmental and business-type activities.

The net assets of the City increased \$7.6 million (0.7%) in fiscal year 2011. The largest portion of net assets, \$973.7 million or 87.9 %, reflects the City's investment in capital assets, net of accumulated depreciation and related debt incurred to acquire those assets. The City uses these capital assets to provide services to its citizens. Accordingly, the City does not intend to sell these assets so they are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net assets increased \$9.1 million (0.9%) almost entirely as a result of the retirement of \$9.1 million of long-term debt obligation used to finance capital assets. There were no substantive changes in total government-wide capital asset balances, net of accumulated depreciation, between years.

The second portion of the City's net assets, \$44.7 million or 4.0%, represents resources that are externally restricted to expenditures for specified purposes. The decrease of \$27.7 million (38.3%) is due primarily to a \$23.2 million decrease in net assets restricted for various capital projects that were completed or substantially completed during the year. Of the \$44.7 million in restricted net assets, \$19.7 million is restricted by enabling legislation.

The third portion consists of unrestricted net assets (\$89.6 million or 8.1%). The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed above. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category increased \$11.0 million or (14.0%) in fiscal year 2011.

**Government-wide Net Assets
At June 30, 2011**



Changes in Net Assets

The following table compares revenues and expenses for the current and previous fiscal years.

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

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2011	2010	2011	2010	2011	2010	
Revenues:							
Program revenues							
Charges for services	\$ 3,033,250	\$ 3,216,108	\$ 22,909,106	\$ 23,049,889	\$ 25,942,356	\$ 26,265,997	(1.2) %
Operating grants and contributions	13,109,880	12,712,420	-	-	13,109,880	12,712,420	3.1
Capital grants and contributions	979,920	1,795,711	719,803	1,648,926	1,699,723	3,444,637	(50.7)
General revenues							
Sales and use taxes	30,417,802	30,298,359	-	-	30,417,802	30,298,359	0.4
Property taxes	5,683,840	6,780,175	-	-	5,683,840	6,780,175	(16.2)
Franchise taxes	1,095,000	1,047,312	-	-	1,095,000	1,047,312	4.6
State shared revenues	14,410,652	15,644,558	-	-	14,410,652	15,644,558	(7.9)
Investment income	318,931	417,727	166,893	195,602	485,824	613,329	(20.8)
Gain on sale of assets	7,794	25,307	-	75,345	7,794	100,652	(92.3)
Miscellaneous	1,084,568	2,376,003	381,724	135,320	1,466,292	2,511,323	(41.6)
Total revenues	70,141,637	74,313,680	24,177,526	25,105,082	94,319,163	99,418,762	(5.1)
Expenses:							
General government	15,364,915	12,862,710	-	-	15,364,915	12,862,710	19.5
Public safety	25,139,168	24,168,796	-	-	25,139,168	24,168,796	4.0
Highways and streets	13,246,764	12,322,104	-	-	13,246,764	12,322,104	7.5
Health and welfare	2,511,615	2,470,031	-	-	2,511,615	2,470,031	1.7
Economic and community development	5,091,504	7,985,413	-	-	5,091,504	7,985,413	(36.2)
Culture and recreation	3,268,540	3,190,869	-	-	3,268,540	3,190,869	2.4
Transportation	1,581,404	1,902,347	-	-	1,581,404	1,902,347	(16.9)
Interest on long-term debt	4,849,805	5,129,250	-	-	4,849,805	5,129,250	(5.4)
Water utility	-	-	16,380,893	15,442,478	16,380,893	15,442,478	6.1
Wastewater utility	-	-	11,091,776	10,252,684	11,091,776	10,252,684	8.2
Sanitation utility	-	-	3,387,778	3,613,617	3,387,778	3,613,617	(6.2)
Total expenses	71,053,715	70,031,520	30,860,447	29,308,779	101,914,162	99,340,299	2.6
Increase (decrease) in net assets before transfers	(912,078)	4,282,160	(6,682,921)	(4,203,697)	(7,594,999)	78,463	> 100.0
Transfers	(150,000)	(8,876,219)	150,000	8,876,219	-	-	-
Increase (decrease) in net assets	\$ (1,062,078)	\$ (4,594,059)	\$ (6,532,921)	\$ 4,672,522	\$ (7,594,999)	\$ 78,463	> 100.0

For fiscal year 2011, total revenues of \$94.3 million decreased about \$5.1 million (5.1%) from the previous year. This decrease occurred for both governmental and business-type activities. Total governmental activities revenues decreased by \$4.2 million (5.6%) and total business-type revenues decreased by \$0.9 million (3.7%), while expenses increased \$1.0 million (1.5%) and increased \$1.6 million (5.3%) for governmental and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities decreased the City's net assets before transfers by \$0.9 million during the fiscal year ended June 30, 2011. This decrease between years was largely due to decreases in program revenues and general revenues by \$0.6 million (3.4%) and \$3.7 million (6.3%), respectively, from the previous year, and a \$1.0 million increase in expenses over the prior period. Adjusted for transfers, net assets decreased \$1.0 million or 0.2% during the year.

The overall decrease in program revenues between years was caused primarily by the following:

- Decrease in charges for services revenues of \$0.2 million primarily due to the City terminating its Photo Red Light and Photo Speeding Fine Programs last year. Termination of these program resulted in a decrease in fines of about \$0.2 million from the prior year.
- Increase in operating grants and contributions of \$0.4 million primarily due to increases in state grants for street construction and improvements of about \$2.6 million, offset by a decrease in federal grants of about \$2.1 million.
- Decrease in capital grants and contributions of \$0.8 million, which is almost entirely due to decreases in development fees from the prior year. The downturn in the economy has slowed Avondale's residential and commercial activity to unprecedented levels over the past couple of years. This slowdown was a key factor contributing to the decrease in development fees between years.

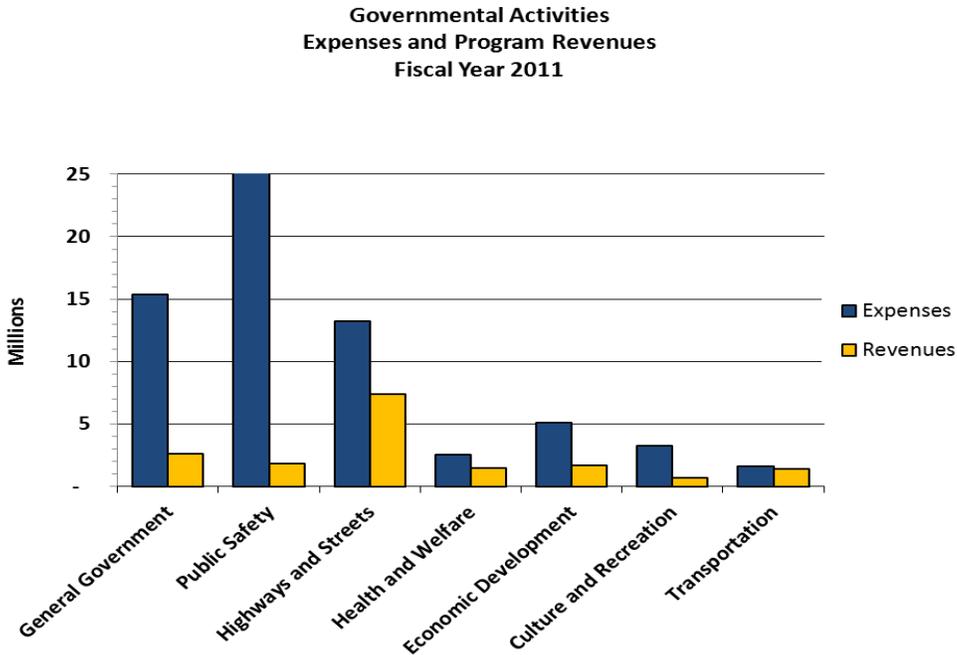
The overall decrease in general revenues between years was caused primarily by the following:

- Decrease in property taxes by about \$1.1 million from the prior year. This decrease was the result of a \$0.2 million (9.1%) increase in primary property tax revenues, offset by a \$1.2 million (7.9%) decrease in secondary property tax revenues. Primary property taxes increased primarily as a result of an increase in the maximum allowable primary tax rate by 24.8% over the prior year, offset by a 15.5% decrease in the net primary assessed property values from the previous year. Secondary property taxes decreased primarily as a result of a decline in the secondary tax rate of 13.8% coupled with an 18.9% decline in the net secondary assessed property values from the previous year. The ongoing downturn in the economy was the key factor contributing to these decreases in assessed property values.
- Decrease in state-shared revenues by about \$1.2 million from the prior year. This decrease was primarily the result of a \$1.5 million (17.6%) decline in state-shared income tax revenues, offset by a \$0.2 million (5.1%) increase in state-shared sales tax revenues. The decrease in state-shared income tax revenues was expected based on income taxes collected by the Arizona Department of Revenue for the 2009 tax year. The 2009 state income tax collections were significantly affected by the downturn in the economy. The nominal increase in state tax revenues was not unexpected based on a stable population, minimal development and an increase in activity during the year at retail centers reflecting reports of some economic recovery locally and nationally.
- Decrease in miscellaneous revenue was mostly the result of a one-time \$1.4 million health insurance premium refund the City received in fiscal year 2010.

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

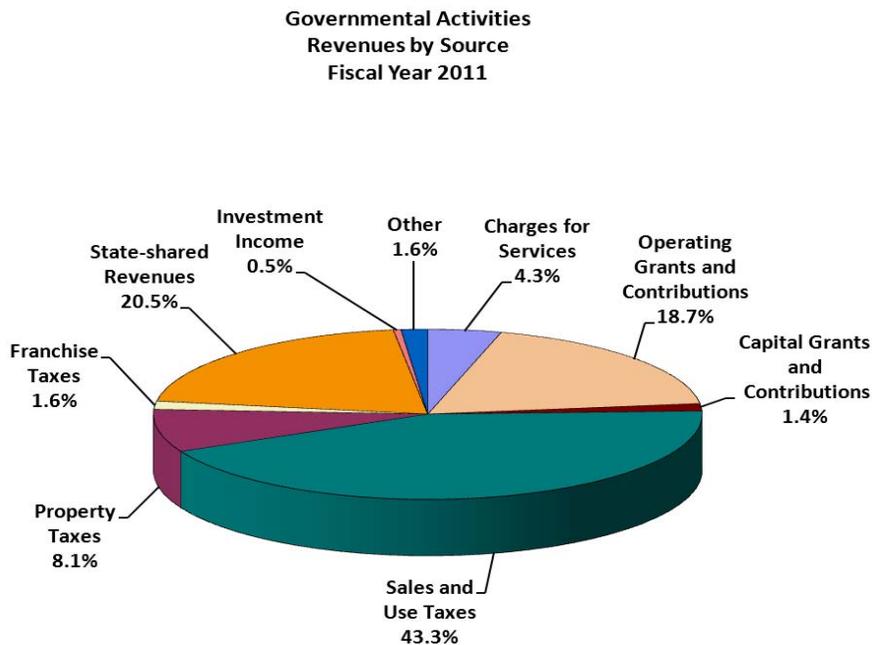
Transfers between years decreased by \$8.7 million or 98.3%. This decrease was due to prior year transfers of bond proceeds of \$7.7 million to finance the water and sewer system construction, which did not occur this year, and a \$1.0 million decrease in Dedicated Sales Tax Revenue Fund transfers from the prior year to fund sewer development.

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

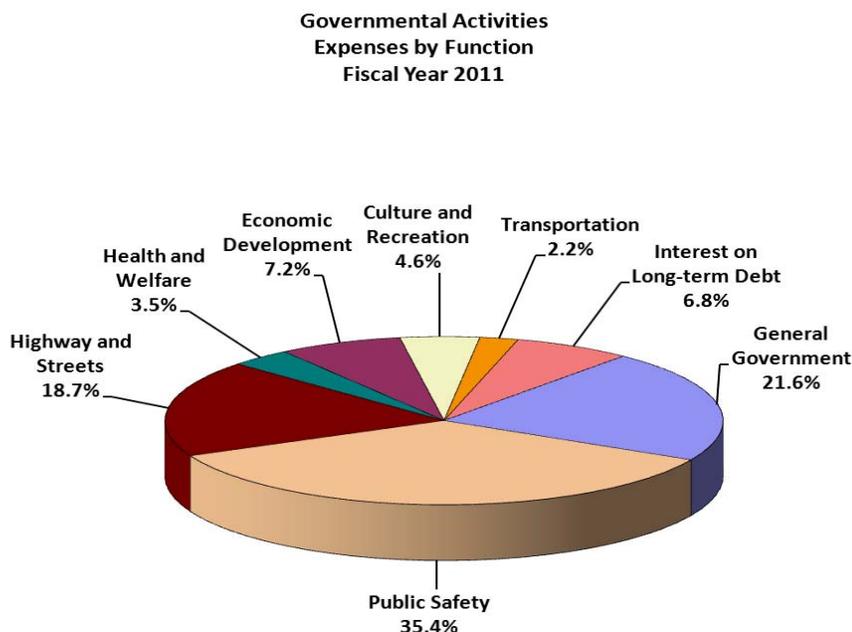


Governmental activities accounted for 74.4% of the City's total revenues and 69.7% of total expenses in fiscal year 2011. In addition, program revenues of \$17.1 million were 24.1% of governmental activities expenses during the year, compared to 17.7 million, or 25.3%, of expenses in fiscal year 2010.

As seen in the following graph, the largest revenue sources for the City's governmental activities are sales and use taxes at 43.3%, followed by state-shared revenues and operating grants and contributions, which accounted for 20.5% and 18.7% of the City's total governmental activities revenues, respectively. The main sources of revenue have remained unchanged from the prior year.



The City's largest governmental activities expenses by function include public safety at 35.4%, followed by general government expenses at 21.6% and highway and streets at 18.6%. The main functional expenses have remained unchanged from the prior year.



Business-type Activities

Business-type activities decreased the City's net assets before transfers by \$6.7 million during the fiscal year ended June 30, 2011. The decrease in net assets during the year exceeded the prior year decrease by \$2.5 million (59.0%). This decrease between years was primarily due to decreases in charges for services revenues of about \$0.1 million (0.6%) and capital grants and contributions of \$0.9 million (56.3%) and an increase in operating expenses of \$1.6 million (5.3%), offset by an increase general revenues of about \$0.2 million (35.0%) from the prior year. Net assets were also affected by a decrease in transfers in of \$8.7 million (98.3%) from the prior year. Adjusted for transfers, net assets decreased \$6.5 million or 1.2% during the year.

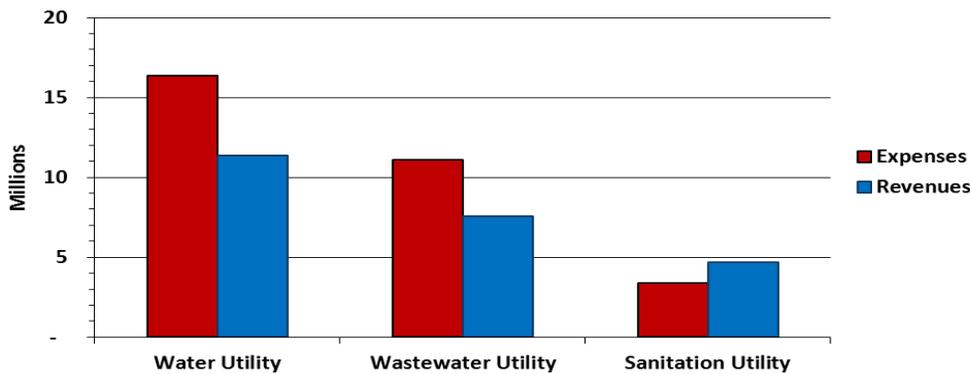
The decline in program revenues was largely caused by decreases in capital grants and contributions, which consist primarily of water, wastewater and sanitation development fees and federal capital grants. These fees and revenues decreased by \$0.7 million (48.5%) and \$0.2 million (100.0%) from the previous year, respectively. These decreases were offset by about a \$0.2 million (35.0%) increase in general revenues over the prior year. Similar to the City's governmental activities, the downturn in the economy has slowed Avondale's residential and commercial activity to unprecedented levels over the past couple of years. This slowdown was a key factor contributing to the decrease in water, wastewater and sanitation development fees from the prior year. The decrease in charges for services revenue resulted primarily from increases in write offs of uncollectible accounts and bad debt expense of \$0.4 million (141.0%) over the previous year. This decrease was offset by a nominal increase in water, wastewater and sanitation revenues of \$0.3 million (1.2%). The increase in revenues was expected as there were no substantial changes in water, sewer or sanitation rates or customer base between years.

The increase in operating expenses was mostly due to increases in operating costs of the City's water and wastewater facilities and depreciation expenses due to the recent expansion of both facilities. Some of the more significant factors included increases in electric usage of \$0.2 million (22.7%), water system meters and supplies of \$0.5 million (58.3%), water distribution system repair and maintenance costs of \$0.7 million (184.4%), and depreciation expense of \$0.9 million (7.5%).

Business-type activities accounted for 25.6% of the City's total revenues and 30.3% of total expenses in fiscal year 2011. In addition, program revenues of \$23.6 million were 76.6% of business-type expenses during the year, compared to \$24.7 million, or 84.3%, of expenses in fiscal year 2010. This decrease is addressed by the changes discussed above.

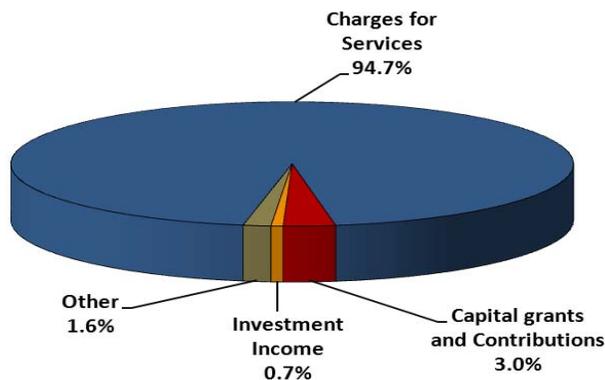
The following graph shows the expenses and revenues of the business-type activities in order to demonstrate the extent to which the business-type activities produce direct revenues to offset related program costs. It should be noted that this graph is not intended to represent a full cost allocation to these activities. Expenses not covered by direct program revenues are covered by the City's general revenues which consist primarily of investment income and miscellaneous revenue.

**Business-type Activities
Expenses and Program Revenues
Fiscal Year 2011**



The City's largest overall business-type activity is water utilities with \$16.4 million and \$11.5 million in expenses and revenues, respectively, during the year, followed by wastewater utilities with expenses of \$11.1 million and revenues of \$7.6 million.

**Business-type Activities
Revenues by Source
Fiscal Year 2011**



Charges for services, which consist primarily of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$22.9 million or 94.7%, followed by capital grants and contributions of \$0.7 million or 3.0%. Capital grants and contributions consisted almost entirely of development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

Governmental Funds

The focus of governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while non-major funds are combined into a single column. Combining statements for the non-major governmental funds can be found on pages 87-95.

At the end of the current fiscal year, the City reported combined ending fund balance of \$72.8 million, a decrease of \$19.0 million (20.7%) from the previous year. About \$3.0 million of the fund balance is unassigned and \$17.1 million is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of the following: (1) nonspendable of \$1.0 million, (2) restricted of \$28.6 million, and (3) committed of \$23.0 million. A detailed explanation of fund balance categories and classifications for the year ended June 30, 2011, can be found in Note 1 - Summary of Significant Accounting Policies on pages 63-65 and Note 7 - Fund Balances on page 71.

The overall decrease in the governmental fund balances during the year is primarily the result of the ongoing slowdown in the economy, which resulted in reduced revenues from the prior year. The more significant factors affecting the change in governmental fund balances between years are outlined below.

The General Fund, which accounts for all city financial resources not required to be accounted for in other funds, is the City's chief operating fund and accounts for many major functions of the City such as general government (administration), public safety, health and welfare, economic and community development, and culture and recreation. At June 30, 2011, fund balance of the General Fund was \$25.8 million compared to \$29.1 million in the previous year, a decrease of \$3.3 million (11.3%). The overall decrease in fund balance during the year was due to the following factors.

General Fund revenues decreased in all revenue categories except for taxes and charges for services. Overall, revenues decreased by \$2.1 million (4.7%) from the previous year. The City's tax revenues and charges for services revenues increased \$0.5 million (2.2%) and \$0.4 million (46.8%), respectively. Licenses and permits fees decreased about \$0.1 million (12.0%); intergovernmental revenues decreased by \$1.4 million (8.5%); fines, forfeitures and penalties decreased \$0.1 million (8.8%); and miscellaneous revenue decreased \$1.2 million (78.7%).

- Increase in tax revenues was due mostly to an increase in sales taxes of about \$0.6 million (3.4%) over the previous year. The slight increase was expected based on a stable population, minimal development and an increase in activity during the year at retail centers reflecting reports of some economic recovery locally and nationally.
- Increase in charges for services revenues was due mostly to increases in planning application fees, engineering review fees, and related activities.
- Decrease in license and permit fees was primarily due to a reduction of building permit fees of about \$0.1 million from the prior year. This change was expected due to the ongoing slowdown in the economy and its impact on residential and commercial building.
- Decrease in intergovernmental revenues (primarily city share of state-shared sales tax, income tax, and auto lieu tax) was primarily the result of a decrease in the state-shared income taxes which are distributed two year after it is collected. This decrease was expected based on income taxes collected by the Arizona Department of Revenue for the 2009 tax year. The 2009 state income tax collections were significantly affected by the downturn in the economy.
- Decrease in fines, forfeitures and penalties revenues was due primarily to the City terminating its Photo Red Light and Photo Speeding Fine Programs last year. Termination of these program resulted in a decrease in fines of about \$0.2 million from the prior year.
- Decrease in miscellaneous revenue was mostly the result of a one-time \$1.4 million health insurance premium refund the City received in fiscal year 2010.

General fund expenditures increased \$5.1 million (14.4%) over the previous year. The overall increase in expenditures was largely due to a \$1.7 million increase in sales tax incentive rebates paid to developers between years (general government) and a \$3.1 million increase in capital outlay expenditures between years to acquire land to further develop the City Center retail project.

The 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 solely for highway and street purposes. Cities and towns receive 27.5% of highway user revenues based on population estimates acquired through the most recent census, or census survey, and excise fuel sales within each county. Excise fuel taxes are influenced by fluctuations in fuel prices and consumer behavior. Revenues, which consist almost entirely of excise fuel tax revenues, increased about \$0.2 million (4.2%) from the previous year. The slight increase was expected with fuel prices in Arizona remaining relatively low. Expenditures decreased about \$0.2 million, transfers out remained substantially unchanged, and transfers in decreased about \$0.1 million between fiscal years. Decreases in overall expenditures and transfer in were expected as budgeted expenditures had been reduced from the prior year since there was little to no growth expected in revenues. Transfers in, which decreased from the prior year, consisted of grant funding to help finance street and highway projects. The net effect of these activities increased fund balance by \$0.4 million (12.2%) from the prior year.

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 solely 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 entirely of the half-cent sales tax revenues, except for interest income, decreased about \$0.1 million (1.9%) from the previous year. This decrease was expected due to the ongoing slowdown in the economy. Transfers to other funds decreased \$0.9 million (13.8%) from the prior year. The decrease was largely due to reduced transfers to other funds to finance the development and construction of water system facilities. The net effect of these activities increased fund balance by \$0.6 million (54.6%) over the previous year.

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 solely 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 entirely of the half-cent sales tax revenues, except for interest income, decreased about \$0.1 million (1.9%) from the previous year. This decrease was expected due to the ongoing slowdown in the economy. Expenditures remained substantially unchanged between fiscal years. This change was expected as the City had projected little to no sale tax revenue growth during the year and budgeted accordingly. There was no transfer activity in the fund during the year. The net effect of these activities increased fund balance by \$0.3 million (42.1%) over the previous year.

The Development Fees Fund accounts for fees collected from developers for growth-related development and construction based on the impact the development will have on the City's 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. 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. The fund also accounts for other revenues received that are restricted to developing the City's infrastructure such as federal, state, and local intergovernmental revenues, and developer contributions.

Development Fees Fund revenues and expenditures increased \$1.7 million (86.4%) and \$6.2 million (39.6) over the previous year. The increase in revenues was due primarily to an increase in intergovernmental revenues of \$2.6 million (486.0%), offset by a decrease in licenses and permits revenues of \$0.8 million (63.4%). The increase in intergovernmental revenues was primarily to fund street projects throughout the City such as the Avondale Boulevard widening project. The entire decrease in licenses and permits revenue was attributable to a decrease in development fees due to the ongoing economic slowdown. The increase in expenditures was due primarily to an increase in capital expenditures of \$5.0 million (34.5%) and an increase in highway and street expenditures of \$1.1 million (96.8%) over the previous year. The increase in capital expenditures was largely due to the completion of building construction and improvements, land improvements, and street construction related to the Avondale American Sports Center Complex. In the prior year, the City transferred \$29.8 million of bond proceeds into the fund to finance various capital projects. No transfers of bond proceeds occurred during the current fiscal year. Accordingly, transfers into the fund decreased significantly from the prior year. These activities decreased fund balance by \$16.3 million (51.4%) from the prior year.

Proprietary Funds – The proprietary fund financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Total unrestricted net assets of the enterprise funds were \$44.2 million and \$41.4 million for fiscal years 2011 and 2010, respectively. The growth in total net assets between years was \$2.8 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed in the business-type activities section above.

Budgetary Highlights

The City's annual adopted budget is the legally adopted expenditure control document of the City. 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 (see Note 1 - Summary of Significant Accounting Policies, pages 59-60, for more information on the budget and budgetary accounting). During the year, no amendments increased the City's total budget of \$185.9 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expenditure accounts did occur, but none of them was significant.

On November 3, 2009, city voters approved an alternative expenditure limitation, the effect of which allowed the City's total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for 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 38-41. Budgetary comparison schedules for all other governmental funds can be found on pages 86 and 98-109.

The City has reduced budgeted inflows and outflows due to the ongoing slowdown in the economy. Actual General Fund revenues of \$41.6 million was more than budgeted inflows of \$40.6 million by \$1.0 million, while expenditures and other financing uses of \$44.9 million was only 92.2% of final budgeted outflows of \$48.8 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.

The following outlines a summary budget analysis of General Fund expenditures by function for the current fiscal year.

General Government – Budgeted contingency appropriation was decreased due to transfer of contingency appropriation in the amount of \$0.6 million to the City Center retail project which was offset by transfer of fiscal year 2010 carryover appropriation of about \$0.2 million to general government from other categories listed below. Expenditures in general government were less than budget due to \$0.7 million of contingency appropriation not spent and incentive rebates were approximately \$0.6 million less than projected.

Public Safety – Budget amounts from various operating line items were transferred to the capital category for the purchase of police equipment.

Health and Welfare – Actual expenditures in health and welfare were less than the final budget due to reductions in code enforcement overtime and delay in expending crisis & outreach, dangerous structure abatement, and reduced contributions for an approximate total of \$0.2 million.

Economic and Community Development – The budget was reduced by about \$0.2 million of economic opportunity fund and marketing activity carryover appropriation spent in the previous year. Actual expenditures in economic and community development were less than the final budget due to savings in contract plan review, consulting, and engineering services totaling \$0.6 million. In addition, marketing and economic opportunities fund savings of approximately \$0.3 million were carried forward to the fiscal year 2012 budget.

Culture and Recreation – Actual expenditures in culture and recreation were less than the final budget due to the following:

- Savings in grounds maintenance and part time staffing costs totaling about \$0.2 million.
- Savings from reduced expenditures for special event, leisure activity, and after school programs of about \$0.7 million due to decline in participation, donations and sponsorships.
- Savings in library utilities and maintenance costs and savings in library books and supplies totaling about \$0.2 million.

Capital Outlay – The budget was increased for the purchase of land parcels for the City Center retail project in the amount of \$3.1 million and approximately \$55,000 for police and library equipment.

Capital Assets

The City’s government-wide capital assets at June 30, 2011, totaled about \$1.1 billion. The following schedule presents capital asset balances for the fiscal years ended June 30, 2011, and June 30, 2010.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change
	2011	2010	2011	2010	2011	2010	
Land	\$ 251,983,374	\$ 248,876,514	\$ 16,170,702	\$ 16,170,702	\$ 268,154,076	\$ 265,047,216	1.2 %
Buildings and improvements	56,036,171	41,660,012	-	-	56,036,171	41,660,012	34.5
Improvements other than building	1,201,812	1,039,111	724,541	764,980	1,926,353	1,804,091	6.8
Vehicles, furniture and equipment	4,356,971	5,773,918	2,104,558	1,883,767	6,461,529	7,657,685	(15.6)
General infrastructure	256,904,163	257,931,532	-	-	256,904,163	257,931,532	(0.4)
Water system	-	-	231,779,965	230,548,832	231,779,965	230,548,832	0.5
Sewer system	-	-	173,510,008	177,627,566	173,510,008	177,627,566	(2.3)
Wastewater treatment system	-	-	70,832,184	72,466,383	70,832,184	72,466,383	(2.3)
Intangible assets	1,894,291	1,959,800	1,523,755	1,523,755	3,418,046	3,483,555	(1.9)
Construction in progress	16,411,961	22,109,542	2,933,559	8,014,745	19,345,520	30,124,287	(35.8)
Total	\$ 588,788,743	\$ 579,350,429	\$ 499,579,272	\$ 509,000,730	\$ 1,088,368,015	\$ 1,088,351,159	0.0

While City’s governmental and business-type activities capital assets balances changed between fiscal years, there was no substantive change in total government-wide capital assets from the prior year. The \$9.4 million increase in governmental activities capital assets between years consisted of a \$3.1 million land purchase to further develop the City Center retail project; \$9.4 million of building construction and improvements, land improvements, and street construction related to the Avondale American Sports Center Complex; \$1.7 million of infrastructure construction and improvements; \$1.5 million of construction and improvements to the City’s Northwest Public Safety Facility; \$1.1 million of vehicles, machinery and equipment purchases; and \$6.5 million of construction in progress. These capital additions were offset by \$13.9 million increase in accumulated depreciation during the year. The \$9.6 million decrease in business-type activities capital assets between years consisted primarily of water system-related acquisition and construction of \$3.0 million, offset by \$12.6 million increase in accumulated depreciation during the year.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from the acquisition date to the end of the current fiscal year. Additional information on the City’s capital assets can be found in Note 6 - Capital Assets on pages 70-71.

The City has adopted a ten-year capital improvement plan for fiscal years 2012 through 2021, budgeted at \$324.5 million. The plan, which includes \$63.0 million for fiscal year 2012, takes into consideration all known capital needs and ties potential revenue sources to those needs. Anticipated funding for fiscal year 2011 is through a combination of existing fund balances (39.0%), development (impact) fees (2.6%), bond proceeds (39.7%), outside funding sources

such as grants and other intergovernmental cost-sharing agreements (5.2%), and operating and non-operating revenues and other financing sources (13.5%). The capital improvement plan is updated annually as part of the City's formal budgetary process.

Long-term Debt

At June 30, 2011, the City had total long-term obligations outstanding of \$118.6 million, down \$9.0 million (7.0%) from the previous year. Of this total, \$107.4 million (90.6%) was in governmental activities and \$11.2 (9.4%) was in business-type activities. Of the total outstanding bonds of \$113.8 million, net of unamortized premiums and discounts, \$37.3 million (32.8%) were general obligation bonds backed by the full faith and credit of the City, and \$76.5 million (67.2%) were revenue bonds secured by pledges of specific revenue sources of the City. The City did not issue any long-term debt obligations during the year ended June 30, 2011. As a result, the change in long-term debt obligations between years was entirely due to payment of principal and interest and amortization of premiums, discounts, and deferred bond issue costs and charges during the year.

The Arizona Constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the City's net secondary assessed property valuation. The City's legal debt margin at June 30, 2011, and June 30, 2010, is \$22.8 million and \$29.9 million in the 6% capacity, respectively, and \$44.7 million and \$66.3 million in the 20% capacity, respectively. Additional debt limitation and capacity information may be found in the statistical section of this report on page 142-143.

The following schedule presents the City's outstanding long-term debt as of June 30, 2011, and June 30, 2010. Additional information on the City's outstanding debt can be found in Note 9 - Long-term Obligations on pages 76-80.

Outstanding Debt at June 30

	Governmental Activities		Business-type Activities		Total		Percent Change
	2011	2010	2011	2010	2011	2010	
Compensated absences	\$ 3,004,889	\$ 3,082,135	\$ 368,381	\$ 394,857	\$ 3,373,270	\$ 3,476,992	(3.0) %
Capital leases payable	947,816	1,329,482	-	-	947,816	1,329,482	(28.7)
Claims payable	496,500	313,376	-	-	496,500	313,376	58.4
Municipal Development							
Corporation bonds	62,386,222	67,350,251	1,733,772	2,084,743	64,119,994	69,434,994	(7.7)
General obligation bonds	37,160,000	40,085,000	-	-	37,160,000	40,085,000	(7.3)
Highway user revenue bonds	2,465,000	2,780,000	-	-	2,465,000	2,780,000	(11.3)
Water and sewer revenue bonds	-	-	8,625,000	8,625,000	8,625,000	8,625,000	0.0
Unamortized premiums and discounts, net	956,854	1,041,786	432,534	480,593	1,389,388	1,522,379	(8.7)
Total	<u>\$ 107,417,281</u>	<u>\$ 115,982,030</u>	<u>\$ 11,159,687</u>	<u>\$ 11,585,193</u>	<u>\$ 118,576,968</u>	<u>\$ 127,567,223</u>	(7.0)

Economic Factors

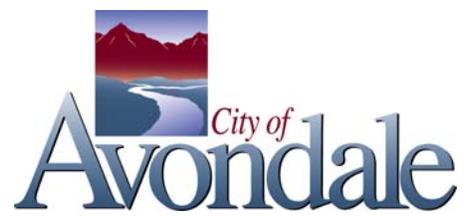
The City of Avondale, like other Arizona cities, remains dependent on sales taxes and other economically sensitive taxes and revenues. The ongoing economic slowdown, both nationally and locally, continue to affect overall consumer spending and Arizona's housing and commercial markets. Economically sensitive revenues such as sales taxes, state-shared revenues, development fees, and building permits and fees have slowed significantly. For example, city sales taxes have decreased by over 30% since fiscal year 2007.

For the first time in over 4 years, the City's multi-year forecasts have been modified to reflect moderate revenue growth over the next several years. The fiscal year 2012 budget reflects 3% growth in revenues in the General Fund. Even with revenue growth projected for fiscal year 2012, the City reduced its fiscal year 2012 General Fund appropriations by over \$1.5 million and the City's budget is structurally balanced. City management continues to closely monitor the City's budget and operations, as well as the national and local economies, to help ensure that the City takes appropriate corrective action in order to maintain service levels; meet Council goals, which include ensuring long-term financial stability of the City; and to ensure compliance laws and regulations.

Request for Information

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

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



FINANCIAL SECTION

Basic Financial Statements

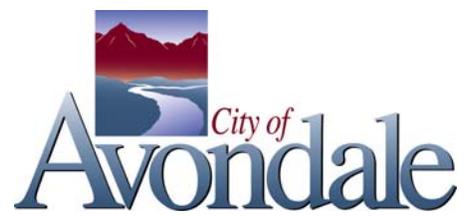
Government-wide Financial Statements include the Statement of Net Assets and Statement of Activities, which use the economic resource measurement focus and accrual basis of accounting for financial reporting.

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 Funds Financial Statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, 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 Net Assets and the Statement of Changes in Net Assets for assets being held for the benefit of parties outside of the City. The reporting focus is upon net assets and changes in net assets 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 ASSETS
JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 39,959,710	\$ 38,874,833	\$ 78,834,543
Receivables (net):			
Accounts	558,303	5,005,073	5,563,376
Taxes	3,306,753	136,440	3,443,193
Interest	146,764	56,546	203,310
Due from other governments	2,733,656	3,222	2,736,878
Internal balances	(140,406)	140,406	-
Inventories	448,734	570,720	1,019,454
Prepaid items	779,424	4,329	783,753
Restricted:			
Cash and cash equivalents with fiscal agents	13,162,575	5,338,003	18,500,578
Investments	6,025,880	-	6,025,880
Total current assets	<u>66,981,393</u>	<u>50,129,572</u>	<u>117,110,965</u>
Noncurrent assets:			
Investments	17,884,316	12,139,751	30,024,067
Deferred bond issue cost and charges	1,619,902	186,008	1,805,910
Capital assets:			
Non-depreciable	268,395,335	20,628,018	289,023,353
Depreciable (net)	320,393,408	478,951,255	799,344,663
Total noncurrent assets	<u>608,292,961</u>	<u>511,905,032</u>	<u>1,120,197,993</u>
Total assets	<u>675,274,354</u>	<u>562,034,604</u>	<u>1,237,308,958</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,213,272	1,153,264	4,366,536
Accrued payroll	798,601	61,932	860,533
Accrued liabilities	3,006,911	324,567	3,331,478
Construction contracts payable	171,121	56,489	227,610
Sales taxes payable	118	46,536	46,654
Due to other governments	167,978	-	167,978
Deposits held for others	107,570	1,121,057	1,228,627
Unearned revenue	124,921	428,066	552,987
Claims payable	286,975	-	286,975
Compensated absences	2,403,910	294,705	2,698,615
Capital leases payable	397,276	-	397,276
General obligation bonds	2,788,048	-	2,788,048
Revenue bonds	5,453,830	2,206,114	7,659,944
Total current liabilities	<u>18,920,531</u>	<u>5,692,730</u>	<u>24,613,261</u>
Noncurrent liabilities:			
Claims payable	209,525	-	209,525
Compensated absences	600,979	73,677	674,656
Capital leases payable	550,540	-	550,540
General obligation bonds	34,448,966	-	34,448,966
Revenue bonds	60,277,232	8,585,198	68,862,430
Total noncurrent liabilities	<u>96,087,242</u>	<u>8,658,875</u>	<u>104,746,117</u>
Total liabilities	<u>115,007,773</u>	<u>14,351,605</u>	<u>129,359,378</u>
NET ASSETS			
Invested in capital assets, net of related debt	484,872,851	488,787,961	973,660,812
Restricted for:			
Transit services	85,361	-	85,361
Highways and streets	3,465,024	-	3,465,024
Grant and contributor purposes	2,157,972	3,222	2,161,194
Public safety	1,811,784	-	1,811,784
Debt service	13,258,785	5,338,003	18,596,788
Capital projects	9,395,923	9,179,105	18,575,028
Unrestricted	45,218,881	44,374,708	89,593,589
Total net assets	<u>\$ 560,266,581</u>	<u>\$ 547,682,999</u>	<u>\$ 1,107,949,580</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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 15,364,915	\$ 1,465,160	\$ 636,481	\$ 531,141
Public safety	25,139,168	415,243	1,320,871	80,893
Highways and streets	13,246,764	-	7,095,583	308,099
Health and welfare	2,511,615	-	1,459,781	-
Economic and community development	5,091,504	895,233	792,267	-
Culture and recreation	3,268,540	257,614	384,039	59,787
Transportation	1,581,404	-	1,420,858	-
Interest on long-term debt	4,849,805	-	-	-
Total governmental activities	71,053,715	3,033,250	13,109,880	979,920
Business-type activities:				
Water utility	16,380,893	11,009,193	-	368,764
Wastewater utility	11,091,776	7,197,549	-	344,655
Sanitation utility	3,387,778	4,702,364	-	6,384
Total business-type activities	30,860,447	22,909,106	-	719,803
Total primary government	\$ 101,914,162	\$ 25,942,356	\$ 13,109,880	\$ 1,699,723

General revenues:

Taxes:

Sales and use taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

State-shared revenues, unrestricted

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

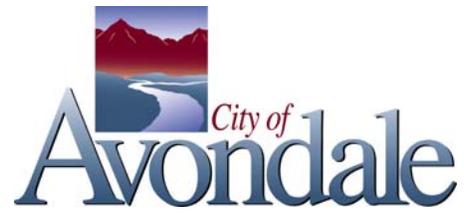
Net assets, beginning of year

Net assets, end of year

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

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

Governmental Activities	Business-type Activities	Totals
\$ (12,732,133)	\$ -	\$ (12,732,133)
(23,322,161)	-	(23,322,161)
(5,843,082)	-	(5,843,082)
(1,051,834)	-	(1,051,834)
(3,404,004)	-	(3,404,004)
(2,567,100)	-	(2,567,100)
(160,546)	-	(160,546)
(4,849,805)	-	(4,849,805)
<u>(53,930,665)</u>	<u>-</u>	<u>(53,930,665)</u>
-	(5,002,936)	(5,002,936)
-	(3,549,572)	(3,549,572)
-	1,320,970	1,320,970
<u>-</u>	<u>(7,231,538)</u>	<u>(7,231,538)</u>
<u>(53,930,665)</u>	<u>(7,231,538)</u>	<u>(61,162,203)</u>
30,417,802	-	30,417,802
2,210,771	-	2,210,771
3,473,069	-	3,473,069
1,095,000	-	1,095,000
14,410,652	-	14,410,652
318,931	166,893	485,824
7,794	-	7,794
1,084,568	381,724	1,466,292
(150,000)	150,000	-
<u>52,868,587</u>	<u>698,617</u>	<u>53,567,204</u>
<u>(1,062,078)</u>	<u>(6,532,921)</u>	<u>(7,594,999)</u>
<u>561,328,659</u>	<u>554,215,920</u>	<u>1,115,544,579</u>
-	-	-
<u>\$ 560,266,581</u>	<u>\$ 547,682,999</u>	<u>\$ 1,107,949,580</u>



FINANCIAL SECTION

Governmental Funds 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 general 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 solely 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 solely 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 solely 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 the City's 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.

Non-Major Funds

All other governmental funds are non-major funds. These funds can be found on pages 87-109.

CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund
ASSETS			
Cash and cash equivalents	\$ 6,224,773	\$ 2,966,168	\$ 54,407
Investments	17,884,316	-	-
Receivables:			
Taxes	2,206,585	-	465,630
Accounts	203,112	-	3,183
Interest	84,820	-	-
Due from other funds	318,783	-	-
Due from other governments	1,026,485	436,849	-
Inventories	3,783	217,415	-
Prepaid items	164,012	-	-
Restricted:			
Cash and cash equivalents with fiscal agents	-	-	-
Investments	-	-	-
Total assets	<u>\$ 28,116,669</u>	<u>\$ 3,620,432</u>	<u>\$ 523,220</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 752,926	\$ 87,572	\$ 16
Accrued payroll and employee benefits	658,494	21,988	-
Accrued liabilities	523,069	44,047	-
Construction contracts payable	21,409	-	-
Deposits held for others	74,012	-	-
Sales taxes payable	-	101	-
Due to other governments	-	-	-
Due to other funds	-	224	-
Deferred revenue	297,942	-	-
Total liabilities	<u>2,327,852</u>	<u>153,932</u>	<u>16</u>
Fund balances:			
Nonspendable	167,795	217,415	-
Restricted	326,879	3,249,085	523,204
Committed	20,107,819	-	-
Assigned	2,150,250	-	-
Unassigned	3,036,074	-	-
Total fund balances	<u>25,788,817</u>	<u>3,466,500</u>	<u>523,204</u>
Total liabilities and fund balances	<u>\$ 28,116,669</u>	<u>\$ 3,620,432</u>	<u>\$ 523,220</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 890,923	\$ 9,502,354	\$ 16,953,262	\$ 36,591,887
-	-	-	17,884,316
465,523	-	169,015	3,306,753
3,183	-	348,825	558,303
-	61,944	-	146,764
-	-	-	318,783
-	-	1,271,591	2,734,925
-	-	8,489	229,687
-	-	612,457	776,469
-	2,033,750	11,128,825	13,162,575
-	6,025,880	-	6,025,880
<u>\$ 1,359,629</u>	<u>\$ 17,623,928</u>	<u>\$ 30,492,464</u>	<u>\$ 81,736,342</u>

\$ 26,285	\$ 1,950,590	\$ 236,844	\$ 3,054,233
97,709	-	11,733	789,924
1,853	-	2,436,089	3,005,058
-	149,712	-	171,121
-	-	33,383	107,395
-	442	-	543
-	-	167,978	167,978
-	-	77,169	77,393
-	124,922	1,157,281	1,580,145
<u>125,847</u>	<u>2,225,666</u>	<u>4,120,477</u>	<u>8,953,790</u>

-	-	620,946	1,006,156
1,233,782	8,077,666	15,193,892	28,604,508
-	2,871,197	46,951	23,025,967
-	4,449,399	10,510,198	17,109,847
-	-	-	3,036,074
<u>1,233,782</u>	<u>15,398,262</u>	<u>26,371,987</u>	<u>72,782,552</u>
<u>\$ 1,359,629</u>	<u>\$ 17,623,928</u>	<u>\$ 30,492,464</u>	<u>\$ 81,736,342</u>

CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Fund balances - total governmental funds balance sheet \$ 72,782,552

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

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

Governmental capital assets	\$ 740,926,960	
Less accumulated depreciation	<u>(152,138,217)</u>	588,788,743

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

Governmental bonds payable	(102,011,222)	
Capital leases payable	(947,816)	
Compensated absences	<u>(3,004,889)</u>	(105,963,927)

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

Bond premiums and discounts, net	(956,854)	
Deferred bond issue cost and charges	<u>1,619,902</u>	663,048

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

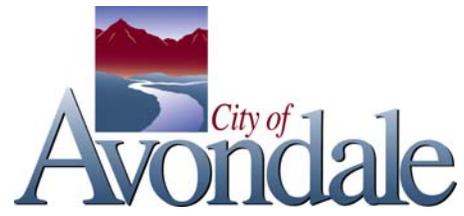
2,540,934

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

Intergovernmental revenue	1,277,879	
Property tax revenue	<u>177,352</u>	<u>1,455,231</u>

Net assets of governmental activities - statement of net assets \$ 560,266,581

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, 2011

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund
Revenues			
Taxes	\$ 23,381,535	\$ -	\$ 5,183,825
Licenses and permits	585,780	-	-
Intergovernmental	14,718,594	4,109,134	-
Charges for services	1,216,256	-	-
Fines, forfeitures, and penalties	1,152,077	-	-
Interest	217,170	2,762	548
Contributions	16,946	-	-
Miscellaneous	334,721	170	-
Total revenues	<u>41,623,079</u>	<u>4,112,066</u>	<u>5,184,373</u>
Expenditures			
Current:			
General government	11,282,324	-	4,200
Public safety	17,953,718	-	-
Highways and streets	-	1,286,082	-
Health and welfare	1,328,417	-	-
Economic and community development	2,908,858	1,885,464	-
Culture and recreation	3,149,216	-	-
Transportation	-	-	-
Debt service:			
Principal	324,071	-	-
Interest and other charges	42,339	-	-
Capital outlay	3,196,753	46,355	-
Total expenditures	<u>40,185,696</u>	<u>3,217,901</u>	<u>4,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,437,383</u>	<u>894,165</u>	<u>5,180,173</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	114,342	-
Transfers out	(4,738,720)	(631,360)	(5,809,950)
Total other financing sources (uses)	<u>(4,738,720)</u>	<u>(517,018)</u>	<u>(5,809,950)</u>
Net change in fund balances	(3,301,337)	377,147	(629,777)
Fund balances, beginning of year	<u>29,090,154</u>	<u>3,089,353</u>	<u>1,152,981</u>
Fund balances, end of year	<u>\$ 25,788,817</u>	<u>\$ 3,466,500</u>	<u>\$ 523,204</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,183,709	\$ -	\$ 3,457,795	\$ 37,206,864
-	487,453	-	1,073,233
-	3,183,150	4,744,199	26,755,077
-	-	105,774	1,322,030
-	-	-	1,152,077
593	79,797	14,815	315,685
-	-	796,940	813,886
-	2,883	779,847	1,117,621
<u>5,184,302</u>	<u>3,753,283</u>	<u>9,899,370</u>	<u>69,756,473</u>
186,717	-	604,024	12,077,265
4,448,402	41,624	1,273,448	23,717,192
-	2,186,101	-	3,472,183
-	-	1,331,835	2,660,252
-	-	92,625	4,886,947
-	240,850	19,280	3,409,346
-	-	1,580,838	1,580,838
-	57,595	8,204,029	8,585,695
-	6,893	4,974,141	5,023,373
145,143	19,479,093	373,115	23,240,459
<u>4,780,262</u>	<u>22,012,156</u>	<u>18,453,335</u>	<u>88,653,550</u>
<u>404,040</u>	<u>(18,258,873)</u>	<u>(8,553,965)</u>	<u>(18,897,077)</u>
-	-	7,794	7,794
97,838	3,100,000	9,547,680	12,859,860
(136,130)	(1,153,850)	(520,030)	(12,990,040)
<u>(38,292)</u>	<u>1,946,150</u>	<u>9,035,444</u>	<u>(122,386)</u>
365,748	(16,312,723)	481,479	(19,019,463)
<u>868,034</u>	<u>31,710,985</u>	<u>25,890,508</u>	<u>91,802,015</u>
<u>\$ 1,233,782</u>	<u>\$ 15,398,262</u>	<u>\$ 26,371,987</u>	<u>\$ 72,782,552</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, 2011

Net change in fund balances - total governmental funds statement of revenues,
 expenditures, and changes in fund balances \$ (19,019,463)

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

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

Expenditures for capital assets	\$ 23,240,459	
Less: Current year depreciation	<u>(13,852,335)</u>	9,388,124

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

Principal payments on long-term debt	8,204,029	
Principal payments on capital leases	<u>381,666</u>	8,585,695

Internal service funds are used by management to charge the costs of risk
 management, printing services, and fleet management services to individual
 funds. A portion of the net income (loss) of these internal service funds is
 reported with governmental activities. (336,291)

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

Amortization of bond premiums, discounts, and deferred debt issuance cost and charges	(122,181)	
Compensated absences benefits	67,916	
Property tax revenues	16,409	
Intergovernmental revenues	<u>357,713</u>	<u>319,857</u>

Change in net assets of governmental activities - statement of activities \$ (1,062,078)

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

**FINANCIAL
SECTION**

Major 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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 22,307,030	\$ 22,307,030	\$ 23,381,535	\$ 1,074,505
Licenses and permits	681,390	681,390	585,780	(95,610)
Intergovernmental	14,273,780	14,273,780	14,718,594	444,814
Charges for services	1,956,290	1,956,290	1,216,256	(740,034)
Fines, forfeitures, and penalties	927,340	927,340	1,152,077	224,737
Interest	157,510	157,510	217,170	59,660
Contributions	53,050	53,050	16,946	(36,104)
Miscellaneous	258,890	258,890	334,721	75,831
Total revenues	40,615,280	40,615,280	41,623,079	1,007,799
Expenditures				
Current:				
General government	13,144,960	12,708,664	11,282,324	1,426,340
Public safety	17,996,550	17,950,445	17,953,718	(3,273)
Health and welfare	1,543,490	1,527,610	1,328,417	199,193
Economic and community development	3,934,530	3,760,595	2,908,858	851,737
Culture and recreation	4,132,320	4,149,936	3,149,216	1,000,720
Debt service:				
Principal	366,910	366,910	324,071	42,839
Interest and other charges	-	-	42,339	(42,339)
Capital outlay	36,870	3,191,470	3,196,753	(5,283)
Total expenditures	41,155,630	43,655,630	40,185,696	3,469,934
Excess (deficiency) of revenues over (under) expenditures	(540,350)	(3,040,350)	1,437,383	4,477,733
Other financing sources (uses)				
Transfers out	(5,108,720)	(5,108,720)	(4,738,720)	370,000
Total other financing sources (uses)	(5,108,720)	(5,108,720)	(4,738,720)	370,000
Net change in fund balance	(5,649,070)	(8,149,070)	(3,301,337)	4,847,733
Fund balance, beginning of year	25,109,506	25,109,506	29,090,154	3,980,648
Fund balance, end of year	\$ 19,460,436	\$ 16,960,436	\$ 25,788,817	\$ 8,828,381

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,817,850	\$ 3,817,850	\$ 4,109,134	\$ 291,284
Interest	38,970	38,970	2,762	(36,208)
Miscellaneous	160	160	170	10
Total revenues	<u>3,856,980</u>	<u>3,856,980</u>	<u>4,112,066</u>	<u>255,086</u>
Expenditures				
Current:				
Highways and streets	1,718,410	1,688,476	1,286,082	402,394
Economic and community development	2,048,590	2,018,524	1,885,464	133,060
Capital outlay	-	60,000	46,355	13,645
Total expenditures	<u>3,767,000</u>	<u>3,767,000</u>	<u>3,217,901</u>	<u>549,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>89,980</u>	<u>89,980</u>	<u>894,165</u>	<u>804,185</u>
Other financing sources (uses)				
Transfers in	-	286,851	114,342	(172,509)
Transfers out	(631,360)	(631,360)	(631,360)	-
Total other financing sources (uses)	<u>(631,360)</u>	<u>(344,509)</u>	<u>(517,018)</u>	<u>(172,509)</u>
Net change in fund balance	(541,380)	(254,529)	377,147	631,676
Fund balance, beginning of year	<u>2,255,037</u>	<u>2,255,037</u>	<u>3,089,353</u>	<u>834,316</u>
Fund balance, end of year	<u>\$ 1,713,657</u>	<u>\$ 2,000,508</u>	<u>\$ 3,466,500</u>	<u>\$ 1,465,992</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, 2011

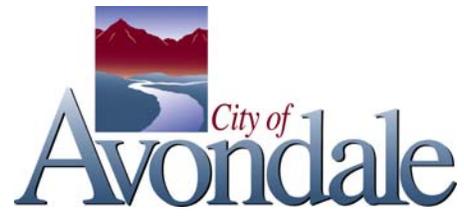
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,414,920	\$ 5,414,920	\$ 5,183,825	\$ (231,095)
Interest	1,500	1,500	548	(952)
Total revenues	<u>5,416,420</u>	<u>5,416,420</u>	<u>5,184,373</u>	<u>(232,047)</u>
Expenditures				
Current:				
General government	7,500	7,500	4,200	3,300
Total expenditures	<u>7,500</u>	<u>7,500</u>	<u>4,200</u>	<u>3,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,408,920</u>	<u>5,408,920</u>	<u>5,180,173</u>	<u>(228,747)</u>
Other financing sources (uses)				
Transfers out	(6,289,950)	(6,289,950)	(5,809,950)	480,000
Total other financing sources (uses)	<u>(6,289,950)</u>	<u>(6,289,950)</u>	<u>(5,809,950)</u>	<u>480,000</u>
Net change in fund balance	(881,030)	(881,030)	(629,777)	251,253
Fund balance, beginning of year	<u>932,643</u>	<u>932,643</u>	<u>1,152,981</u>	<u>220,338</u>
Fund balance, end of year	<u>\$ 51,613</u>	<u>\$ 51,613</u>	<u>\$ 523,204</u>	<u>\$ 471,591</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,414,920	\$ 5,414,920	\$ 5,183,709	\$ (231,211)
Interest	1,500	1,500	593	(907)
Total revenues	<u>5,416,420</u>	<u>5,416,420</u>	<u>5,184,302</u>	<u>(232,118)</u>
Expenditures				
Current:				
General government	222,860	222,860	186,717	36,143
Public safety	4,504,870	4,359,670	4,448,402	(88,732)
Capital outlay	-	145,200	145,143	57
Total expenditures	<u>4,727,730</u>	<u>4,727,730</u>	<u>4,780,262</u>	<u>(52,532)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>688,690</u>	<u>688,690</u>	<u>404,040</u>	<u>(284,650)</u>
Other financing sources (uses)				
Transfers in	-	97,838	97,838	-
Transfers out	<u>(136,130)</u>	<u>(136,130)</u>	<u>(136,130)</u>	<u>-</u>
Total other financing sources (uses)	<u>(136,130)</u>	<u>(38,292)</u>	<u>(38,292)</u>	<u>-</u>
Net change in fund balance	552,560	650,398	365,748	(284,650)
Fund balance, beginning of year	<u>550,646</u>	<u>550,646</u>	<u>868,034</u>	<u>317,388</u>
Fund balance, end of year	<u>\$ 1,103,206</u>	<u>\$ 1,201,044</u>	<u>\$ 1,233,782</u>	<u>\$ 32,738</u>

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



Proprietary Funds Financial Statements

Major Funds

Water Utility 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 Utility 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 Utility 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 111-114.

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 26,479,928	\$ 5,557,299	\$ 6,837,606	\$ 38,874,833	\$ 3,367,823
Receivables:					
Accounts (net)	2,483,686	1,523,943	997,444	5,005,073	-
State and county taxes	136,440	-	-	136,440	-
Interest	28,273	28,273	-	56,546	-
Due from other governments	-	3,222	-	3,222	-
Inventories	507,771	40,598	22,351	570,720	219,047
Prepaid items	1,431	2,500	398	4,329	2,955
Total current assets	<u>29,637,529</u>	<u>7,155,835</u>	<u>7,857,799</u>	<u>44,651,163</u>	<u>3,589,825</u>
Noncurrent assets:					
Restricted cash and cash equivalents with fiscal agents	3,103,974	2,234,029	-	5,338,003	-
Investments	6,178,313	5,961,438	-	12,139,751	-
Deferred bond issuance costs and charges	8,483	177,525	-	186,008	-
Capital assets:					
Non-depreciable	18,155,937	2,472,081	-	20,628,018	-
Depreciable (net)	233,574,932	244,690,437	685,886	478,951,255	211,854
Total noncurrent assets	<u>261,021,639</u>	<u>255,535,510</u>	<u>685,886</u>	<u>517,243,035</u>	<u>211,854</u>
Total assets	<u>290,659,168</u>	<u>262,691,345</u>	<u>8,543,685</u>	<u>561,894,198</u>	<u>3,801,679</u>
LIABILITIES					
Current liabilities:					
Accounts payable	856,782	233,760	62,722	1,153,264	160,315
Accrued payroll and employee benefits	28,635	16,556	16,741	61,932	8,235
Accrued liabilities	97,123	227,444	-	324,567	2,028
Construction contracts payable	56,489	-	-	56,489	-
Sales taxes payable	46,536	-	-	46,536	17
Deposits held in custody for others	1,111,057	-	10,000	1,121,057	-
Claims payable	-	-	-	-	286,975
Due to other funds	995	332	74	1,401	239,989
Unearned revenue	428,066	-	-	428,066	-
Compensated absences	114,440	99,040	81,225	294,705	27,443
Revenue bonds	321,217	1,884,897	-	2,206,114	-
Total current liabilities	<u>3,061,340</u>	<u>2,462,029</u>	<u>170,762</u>	<u>5,694,131</u>	<u>725,002</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	209,525
Compensated absences	28,610	24,760	20,307	73,677	6,861
Revenue bonds	274,769	8,310,429	-	8,585,198	-
Total noncurrent liabilities	<u>303,379</u>	<u>8,335,189</u>	<u>20,307</u>	<u>8,658,875</u>	<u>216,386</u>
Total liabilities	<u>3,364,719</u>	<u>10,797,218</u>	<u>191,069</u>	<u>14,353,006</u>	<u>941,388</u>
NET ASSETS					
Invested in capital assets, net of related debt	251,134,883	236,967,192	685,886	488,787,961	211,854
Restricted for:					
Grant and contributor purposes	-	3,222	-	3,222	-
Cash and cash equivalents with fiscal agents	3,103,974	2,234,029	-	5,338,003	-
Capital projects	7,771,466	1,407,639	-	9,179,105	-
Unrestricted	25,284,126	11,282,045	7,666,730	44,232,901	2,648,437
Total net assets	<u>\$ 287,294,449</u>	<u>\$ 251,894,127</u>	<u>\$ 8,352,616</u>	<u>547,541,192</u>	<u>\$ 2,860,291</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				141,807	
Net assets of business-type activities (page 25)				<u>\$ 547,682,999</u>	

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating revenues:					
Charges for services	\$ 11,009,193	\$ 7,197,549	\$ 4,702,364	\$ 22,909,106	\$ 3,529,691
Miscellaneous	122,102	87,919	171,703	381,724	33,463
Total operating revenues	<u>11,131,295</u>	<u>7,285,468</u>	<u>4,874,067</u>	<u>23,290,830</u>	<u>3,563,154</u>
Operating expenses:					
Salaries, wages and benefits	2,254,027	1,402,869	1,169,697	4,826,593	647,877
Contractual services, materials and supplies	7,958,778	2,975,951	2,050,623	12,985,352	1,698,336
Insurance claims and expenses	-	-	-	-	1,494,279
Depreciation and amortization	6,113,985	6,334,263	190,479	12,638,727	69,687
Total operating expenses	<u>16,326,790</u>	<u>10,713,083</u>	<u>3,410,799</u>	<u>30,450,672</u>	<u>3,910,179</u>
Operating income (loss)	<u>(5,195,495)</u>	<u>(3,427,615)</u>	<u>1,463,268</u>	<u>(7,159,842)</u>	<u>(347,025)</u>
Non-operating revenues (expenses):					
Interest income	91,916	69,657	5,320	166,893	3,240
Interest expense	(20,110)	(362,353)	-	(382,463)	-
Total non-operating revenues (expenses)	<u>71,806</u>	<u>(292,696)</u>	<u>5,320</u>	<u>(215,570)</u>	<u>3,240</u>
Income (loss) before capital grants, development fees and transfers	<u>(5,123,689)</u>	<u>(3,720,311)</u>	<u>1,468,588</u>	<u>(7,375,412)</u>	<u>(343,785)</u>
Development fees	368,764	344,655	6,384	719,803	-
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(19,820)
Change in net assets	<u>(4,754,925)</u>	<u>(3,225,656)</u>	<u>1,474,972</u>	<u>(6,505,609)</u>	<u>(363,605)</u>
Net Assets, beginning of year	<u>292,049,374</u>	<u>255,119,783</u>	<u>6,877,644</u>	<u>554,046,801</u>	<u>3,223,896</u>
Net Assets, end of year	<u>\$ 287,294,449</u>	<u>\$ 251,894,127</u>	<u>\$ 8,352,616</u>		<u>\$ 2,860,291</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>(27,312)</u>	
Change in net assets of business-type activities (pages 26-27)				<u>\$ (6,532,921)</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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Cash flows from operating activities:					
Receipts from customers	\$ 11,657,840	\$ 7,358,725	\$ 4,776,292	\$ 23,792,857	\$ 3,530,814
Payments to suppliers	(8,036,351)	(3,350,093)	(2,070,762)	(13,457,206)	(3,009,206)
Payments to employees	(2,367,145)	(1,420,413)	(1,191,625)	(4,979,183)	(676,274)
Miscellaneous	122,102	87,919	171,703	381,724	33,463
Net cash provided (used) by operating activities	<u>1,376,446</u>	<u>2,676,138</u>	<u>1,685,608</u>	<u>5,738,192</u>	<u>(121,203)</u>
Cash flows from noncapital financing activities:					
Interfund borrowing	(27)	(16)	(7)	(50)	(106,388)
Transfers in	-	150,000	-	150,000	-
Transfers out	-	-	-	-	(19,820)
Net cash provided (used) for noncapital financing activities	<u>(27)</u>	<u>149,984</u>	<u>(7)</u>	<u>149,950</u>	<u>(126,208)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(3,173,033)	(140,212)	-	(3,313,245)	(119,880)
Principal payments on capital debt	(2,219)	(374,323)	-	(376,542)	-
Interest paid on capital debt	(8,727)	(208,739)	-	(217,466)	-
Capital grants	242,794	8,369	-	251,163	-
Development fees	368,764	344,655	6,384	719,803	-
Net cash provided (used) for capital and related financing activities	<u>(2,572,421)</u>	<u>(370,250)</u>	<u>6,384</u>	<u>(2,936,287)</u>	<u>(119,880)</u>
Cash flows from investing activities:					
Purchase of investments	(6,924,383)	(6,923,444)	-	(13,847,827)	-
Proceeds from sales and maturities of investments	6,967,671	6,967,674	-	13,935,345	-
Investment income	109,948	87,689	5,320	202,957	3,240
Net cash provided by investing activities	<u>153,236</u>	<u>131,919</u>	<u>5,320</u>	<u>290,475</u>	<u>3,240</u>
Net increase (decrease) in cash and cash equivalents	(1,042,766)	2,587,791	1,697,305	3,242,330	(364,051)
Cash and cash equivalents, beginning of year	30,626,668	5,203,537	5,140,301	40,970,506	3,731,874
Cash and cash equivalents, end of year	<u>\$ 29,583,902</u>	<u>\$ 7,791,328</u>	<u>\$ 6,837,606</u>	<u>\$ 44,212,836</u>	<u>\$ 3,367,823</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (5,195,495)	\$ (3,427,615)	\$ 1,463,268	\$ (7,159,842)	\$ (347,025)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	6,113,985	6,334,263	190,479	12,638,727	69,687
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(11,175)	169,545	73,928	232,298	1,123
(Increase) decrease in inventories	1,142,920	(8,685)	(6,745)	1,127,490	17,028
(Increase) decrease in prepaid items	109,402	(2,500)	(398)	106,504	(2,955)
Increase (decrease) in accounts payable	(1,138,916)	(393,318)	(12,996)	(1,545,230)	(15,651)
Increase (decrease) in accrued payroll and employee benefits	(75,302)	(28,451)	(22,362)	(126,115)	(19,065)
Increase (decrease) in accrued liabilities	60,550	30,399	-	90,949	2,028
Increase (decrease) in sales taxes payable	(251,529)	(38)	-	(251,567)	(165)
Increase (decrease) in deposits held in custody for others	669,228	-	-	669,228	-
Increase (decrease) in unearned revenue	(9,406)	(8,369)	-	(17,775)	-
Increase (decrease) in compensated absences	(37,816)	10,907	434	(26,475)	(9,332)
Increase (decrease) in claims payable	-	-	-	-	183,124
Net cash provided (used) by operating activities	<u>\$ 1,376,446</u>	<u>\$ 2,676,138</u>	<u>\$ 1,685,608</u>	<u>\$ 5,738,192</u>	<u>\$ (121,203)</u>

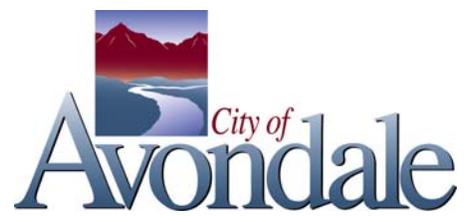
Continued

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, 2011

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<i>Continuation</i>					
Reconciliation of cash and cash equivalents at end of year to statement of net assets:					
Cash and cash equivalents	\$ 26,479,928	\$ 5,557,299	\$ 6,837,606	\$ 38,874,833	\$ 3,367,823
Restricted cash and cash equivalents with fiscal agents	3,103,974	2,234,029	-	5,338,003	-
Total cash and cash equivalents	<u>\$ 29,583,902</u>	<u>\$ 7,791,328</u>	<u>\$ 6,837,606</u>	<u>\$ 44,212,836</u>	<u>\$ 3,367,823</u>
Noncash capital, financing and investing activities:					
Amortization of deferred bond issuance cost and charges	\$ 4,105	\$ 66,434	\$ -	\$ 70,539	\$ -
Amortization of investment premium (net)	21,979	21,979	-	43,958	-
Increase in fair value of investments	7,731	6,793	-	14,524	-

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



FINANCIAL SECTION

Fiduciary Fund Financial Statement

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
VOLUNTEER FIRE FIGHTERS RELIEF AND PENSION FUND
JUNE 30, 2011

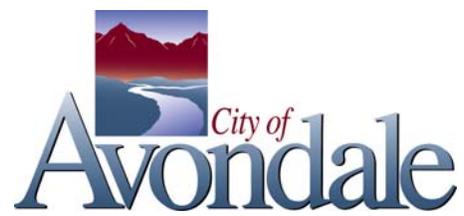
	<u>Volunteer Fire Fighters Relief and Pension Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 253,895</u>
Total assets	<u>253,895</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>253,895</u>
Total net assets	<u><u>\$ 253,895</u></u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
VOLUNTEER FIRE FIGHTERS RELIEF AND PENSION FUND
YEAR ENDED JUNE 30, 2011

	<u>Volunteer Fire Fighters Relief and Pension Fund</u>
ADDITIONS	
Contributions:	
Interest	\$ 281
Total additions	<u>281</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net assets	(4,519)
Total net assets, beginning of year	<u>258,414</u>
Total net assets, end of year	<u><u>\$ 253,895</u></u>

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



FINANCIAL SECTION

Notes to the Financial Statement

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, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Avondale (the City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

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

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

B. Basic Financial Statements

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

General Fund accounts for all city financial resources except those required to be accounted for in other funds.

Special Revenue Funds account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The restricted or committed proceeds comprise all, or a substantial portion, of the inflows reported in the funds. Restrictions may be imposed by state constitution, enabling legislation, or external parties and commitments may be imposed by the City Council.

Capital Projects Funds account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds.

Debt Service Funds account for financial resources that are restricted, committed, or assigned to expenditure for principal, interest, and related costs not being financed by the proprietary funds. Debt service funds include principal and interest payable from highway user excise fuel tax revenues, unrestricted excise tax revenues, development fees, and property taxes levied by the City on property located within its boundaries. Debt service funds exclude those types of debt-related outflows financed by proprietary funds.

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the City's general operating fund. It accounts for all city financial resources, except those required to be accounted for in other funds.

The *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 solely 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 solely 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 solely 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 fees collected from developers for growth-related development and construction based on the impact the development will have on the City's 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.

The City reports the following major proprietary funds:

The *Water Utility 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.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Wastewater Utility 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 and with a primary emphasis on the production of reclaimed water for recharge and reuse.

The *Sanitation Utility 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.

These utilities provide services to the City's residential and commercial users as well as the City.

Additionally, the City reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay current period liabilities. For this purpose, the City considers revenues to be available if they are collected within 60 days after year-end. Revenues susceptible to accrual include property taxes, sales taxes, intergovernmental revenues, charges for services, investment income, and charges for services. Auto lieu taxes and urban revenue sharing taxes are considered available when in the hands of the intermediary collecting governments and are recognized as revenues at that time. Other revenues such as fines, forfeitures and penalties; license and permit fees, contributions and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received.

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

On the proprietary fund financial statements, operating revenues are those that flow directly from the enterprise or internal service operations of that activity (charges to customers or users who purchase or use goods or services of that activity). Operating expenses are those that are incurred to provide those goods and services. Non-operating revenues and expenses are items, such as investment income and interest expenses, that do not flow directly from the operations of that activity.

D. Budgets and Budgetary Accounting

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

On November 3, 2009, City voters approved an alternative expenditure limitation, the effect of which allowed the total budgeted expenditures of the adopted budget to become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the following governmental funds: General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, the City Council must approve any revisions that alter the total expenditures of any fund or any transfers between funds.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. During the year ended June 30, 2011, the original budget has been amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.
8. All appropriations lapse at year-end.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly-liquid investments to be cash equivalents. Individual fund investments with a maturity of three months or less when purchased are considered cash equivalents.

F. Investments

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

The State Board of Deposit provides oversight for the State of Arizona local government investment pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares.

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Restricted and Unrestricted 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 (trustees). These assets are restricted to retirement of principal balances, for payment of interest and trustee fees associated with the bond issues, and to finance various capital projects. Additionally, under the terms of grants and other agreements, as well as enabling legislation such as state development fees statutes, the City funds programs and projects by a combination of restricted resources and unrestricted resources. When both restricted and unrestricted resources are available for use, the City's policy is to spend restricted resources first, then unrestricted resources, as they are required.

H. Inventories

Inventories are reported using the consumption method. 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 government-wide and 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 government-wide and fund financial statements. Prepaid items are recorded as expenses/expenditures when consumed in the government-wide financial statements and fund financial statements. In the 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 the end of the 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. Interfund Activity

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 capital assets at (1) cost or estimated historical cost if purchased or constructed, (2) estimated fair market value at the date of donation if donated or contributed, and (3) 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. No long-term assets, depreciation or amortization are presented in the governmental fund financial statements.

The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems.

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 related capital assets.

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

Capital assets are depreciated or amortized over the estimated useful lives of such assets using the straight-line method. The estimated useful lives follow:

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

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 employee 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.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 33.3 percent of their accrued vacation balance and sick leave balances, respectively. Upon retirement, all employees receive compensation equal to 100 percent of their accrued vacation balance, and vested employees with 10 years of continuous city service receive sick leave compensation equal to 100 percent of their balance up to 250 hours, or 33.3 percent of the total balance, whichever is larger. Employees with 20 years of continuous service receive 100 percent of their accrued sick leave balance up to 500 hours, or 33.3 percent of the total balance, whichever is larger.

The accumulated current and long-term compensated absence liabilities of the governmental funds are reported in 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 leave, resignations and retirements. Compensated absence liabilities of the proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements.

N. Long-term Obligations

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

P. Fund Balances

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:

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Nonspendable fund balance consists of funds that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid items, or (b) 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 (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) 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 Mayor and Council (City Council). Once committed, these funds cannot be used for any other purpose unless the City Council removes or changes the 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.

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-tiered 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%).

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 formally approves 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.
- Address urgent events that jeopardize public safety.
- Provide and maintain essential public services during natural disasters or urgent events.

Rainy Day Reserve

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

- Sudden or unexpected decline in ongoing revenues or state-shared revenues that is greater than 10 percent (10%) of General Fund operating revenues of the prior fiscal year.
- Reduction in assessed 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 respective 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, as applicable. The progress of replenishment shall be reported in the City's *Annual Budget & Financial Plan*.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within the unrestricted category, committed and assigned resources are considered spent (if available) before unassigned resources.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted 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

For the year ended June 30, 2011, expenditures exceeded final budgeted amounts in the Public Safety Sales Tax Fund by \$52,532. The excess expenditures were funded by available fund balance.

Deficit Fund Equity

At June 30, 2011, the Fleet Management Fund reported a deficit of \$95,343. City management has taken corrective action to reduce operating expenses in the fund. As a result, the deficit decreased \$120,288 from the prior year, and city management expects the deficit to be eliminated during the next fiscal year.

NOTE 3 - CASH AND INVESTMENTS

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,770 at June 30, 2011.

Deposits

Cash in bank – The carrying amount of City’s operating account deposits at June 30, 2011, excluding fiduciary cash, was \$3,963,865 and the bank balance was \$352,301. Deposits of \$5,222,397 were held in a sweep account, which purchases investments nightly. The difference between the book and bank balance was due to deposits held in the sweep account, outstanding checks, deposits, and other reconciling items. The City also held \$9,750 of operating cash deposits in a U.S. Government agency debt securities investment account at June 30, 2011. The City’s operating deposits at June 30, 2011, were covered by the Federal Depository Insurance Corporation (FDIC) to the extent of \$352,301.

Restricted cash and cash equivalents – At June 30, 2011, the City had restricted cash and cash equivalents with fiscal agents of \$24,526,458. Of this balance, \$5,005,269 consisted of restricted bond proceeds, \$6,025,880 was invested in short-term U.S. Government agency debt securities, \$1,175,917 was restricted in reserve funds, and the remaining cash balance of \$12,319,392 reflected cash temporarily held by fiscal agents for the City’s July 1, 2011, debt service payments. Of the restricted cash and cash equivalents with fiscal agents, \$18,500,578 was not collateralized with securities held by the pledging institution or by its trust department or agent, and \$6,025,880 of U.S. Government agency debt securities were held by the fiscal agents or by their trust department or agent, but not in the City’s name.

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 - CASH AND INVESTMENTS (Continued)

Fiduciary cash and cash equivalents – At June 30, 2011, the Volunteer Fire Fighters Relief and Pension Fund had cash and cash equivalents of \$253,895. This balance consisted of deposits of \$2,259 and the bank balance was \$2,131, which was entirely covered by the FDIC. The remaining balance of \$251,636 consisted of investment in the State of Arizona Local Government Investment Pool 7 (State of Arizona LGIP 7), which invests solely in securities backed by the U.S. Government.

Investments

At June 30, 2011, the City had the following investments:

Investment Type	Fair Value	Maturities in Years		Moody's Investors Service	Standard & Poor's
		Less than 1	1-5		
U.S. Government Agency Debt Securities					
Federal Home Loan Mortgage Corp	\$ 6,016,060	\$ -	\$ 6,016,060	Aaa	AAA
Federal Home Loan Bank	9,040,710	4,017,260	5,023,450	Aaa	AAA
Federal National Mortgage Association	16,767,783	2,008,620	14,759,163	Aaa	AAA
Federal Farm Credit Banks Funding Corporation	4,008,520	-	4,008,520	Aaa	AAA
	<u>35,833,073</u>	<u>6,025,880</u>	<u>29,807,193</u>		
Certificates of Deposit	216,875	-	216,875	Unrated	Unrated
Total	<u>36,049,948</u>	<u>\$ 6,025,880</u>	<u>\$ 30,024,068</u>		
		Maturities in Days			
State of Arizona LGIP 7					
Primary government	74,855,160		47	Unrated	Unrated
Fiduciary activities	251,636		47	Unrated	Unrated
Total	<u>75,106,796</u>				
Repurchase Agreements	5,222,397		Less than 1	Unrated	Unrated
Total investments	<u>\$ 116,379,141</u>				

Custodial Credit Risk

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

Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. At June 30, 2011, \$354,432 of the City's bank balance of \$18,864,760 was exposed to custodial risk because it was uninsured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2011, \$216,875 of the City's investments was covered by the Securities Investor Protection Corporation (SIPC). The balance also consisted of \$35,833,073 invested in U.S. Government agency debt securities, which were held by the City's agent or by its trust department or agent, but not in the City's name, and \$75,106,796 invested in the State of Arizona LGIP 7.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 - CASH AND INVESTMENTS (Concluded)

The U.S. Government agency debt securities carry the full faith and credit of the U.S. Government. Participation in investment pools of other governments is not subject to custodial credit risk. Finally, the deposits held in the operating sweep account were invested in fully-collateralized, over-night repurchase agreements, pledged at 102 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, 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.

As of June 30, 2011, the City's investments included 64.6% invested in the State of Arizona LGIP 7, 30.7% in U.S. Government agency securities, and 4.5% in repurchase agreements, with the remaining 0.2% being invested in certificates of deposit.

Interest Rate Risk

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

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

Credit Risk

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

The City does not have a formal investment policy that limits its investments with any specific depository institution or issuer. As of June 30, 2011, the City's investments in U.S. Government agency debt securities were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The City's investment in the State of Arizona LGIP 7 is limited solely to U.S. Government agency debt securities and, therefore, it does not carry a credit rating.

Subsequent to June 30, 2011, Standard & Poor's downgraded the rating of the U.S. Government agency securities to AA+.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

The primary tax levy is limited to an increase of 2 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 1%. The State will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1979. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10% a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

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

NOTE 5 - RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water Utility, Wastewater Utility and Sanitation Utility Funds at June 30, 2011, are \$462,717, \$303,338, and \$193,299, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility Funds are \$305,821, \$269,236 and \$142,695, respectively.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2011, follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental Activities				
Non-depreciable assets:				
Land	\$ 248,876,514	\$ 3,106,860	\$ -	\$ 251,983,374
Construction in progress	22,109,542	19,532,352	(25,229,933)	16,411,961
Total non-depreciable capital assets	<u>270,986,056</u>	<u>22,639,212</u>	<u>(25,229,933)</u>	<u>268,395,335</u>
Depreciable assets:				
Buildings and improvements	54,450,934	15,991,929	-	70,442,863
Improvements other than buildings	1,089,388	218,075	-	1,307,463
Vehicles, furniture, and equipment	26,319,766	1,134,654	(62,193)	27,392,227
Infrastructure	362,817,413	8,606,400	-	371,423,813
Intangible assets	1,965,259	-	-	1,965,259
Total depreciable capital assets	<u>446,642,760</u>	<u>25,951,058</u>	<u>(62,193)</u>	<u>472,531,625</u>
Less accumulated depreciation for:				
Buildings and improvements	12,790,922	1,615,770		14,406,692
Improvements other than buildings	50,277	55,374		105,651
Vehicles, furniture and equipment	20,545,848	2,551,601	(62,193)	23,035,256
Infrastructure	104,885,881	9,633,769		114,519,650
Intangible assets	5,459	65,509		70,968
Total accumulated depreciation	<u>138,278,387</u>	<u>13,922,023</u>	<u>(62,193)</u>	<u>152,138,217</u>
Total capital assets being depreciated, net	<u>308,364,373</u>	<u>12,029,035</u>	<u>-</u>	<u>320,393,408</u>
Total governmental activities capital assets, net	<u>\$ 579,350,429</u>	<u>\$ 34,668,247</u>	<u>\$ (25,229,933)</u>	<u>\$ 588,788,743</u>

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2011, follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 16,170,702	\$ -	\$ -	\$ 16,170,702
Intangible assets	1,523,755	-	-	1,523,755
Construction in progress	8,014,745	3,206,395	(8,287,581)	2,933,559
Total non-depreciable assets	<u>25,709,202</u>	<u>3,206,395</u>	<u>(8,287,581)</u>	<u>20,628,016</u>
Depreciable assets:				
Water system	284,765,890	6,998,005	-	291,763,895
Sewer system	222,430,239	339,371	-	222,769,610
Wastewater treatment system	81,802,575	50,735	-	81,853,310
Improvements other than buildings	808,883	-	-	808,883
Vehicles, furniture and equipment	7,341,265	910,343	-	8,251,608
Total depreciable capital assets	<u>597,148,852</u>	<u>8,298,454</u>	<u>-</u>	<u>605,447,306</u>
Less accumulated depreciation for:				
Water system	54,217,058	5,766,872	-	59,983,930
Sewer system	44,802,673	4,456,929	-	49,259,602
Wastewater treatment system	9,336,192	1,684,934	-	11,021,126
Improvements other than buildings	43,903	40,439	-	84,342
Vehicles, furniture and equipment	5,457,498	689,552	-	6,147,050
Total accumulated depreciation	<u>113,857,324</u>	<u>12,638,726</u>	<u>-</u>	<u>126,496,050</u>
Total business-type activities capital assets being depreciated, net	<u>483,291,528</u>	<u>(4,340,272)</u>	<u>-</u>	<u>478,951,256</u>
Total business-type activity capital assets, net	<u>\$ 509,000,730</u>	<u>\$ (1,133,877)</u>	<u>\$ (8,287,581)</u>	<u>\$ 499,579,272</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 - CAPITAL ASSETS (Concluded)

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

Depreciation Expense by Activities

Governmental activities:	
General government	\$ 1,819,888
Public safety	1,315,979
Highways and streets	9,769,543
Health and welfare	21,522
Economic and community development	6,136
Culture and recreation	919,268
Internal services	69,687
Total	<u>\$ 13,922,023</u>
Business-type activities:	
Water utility	\$ 6,113,985
Wastewater utility	6,334,262
Sanitation utility	190,479
Total	<u>\$ 12,638,726</u>

NOTE 7 - FUND BALANCES

Fund balance classifications and categories are presented below as of June 30, 2011.

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund	Public Safety Sales Tax Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Inventory	\$ 3,783	\$ 217,415	\$ -	\$ -	\$ -	\$ 8,489	\$ 229,687
Prepaid items	164,012	-	-	-	-	612,457	776,469
Restricted for:							
Transit services	-	-	-	-	-	61,744	61,744
Highway and streets	-	3,249,085	-	-	-	-	3,249,085
Court improvements and operations	-	-	-	-	-	516,711	516,711
Grant and contributor purposes	-	-	-	-	-	1,139,954	1,139,954
Public safety	326,879	-	-	1,233,782	-	-	1,560,661
Debt service	-	-	-	-	-	12,648,785	12,648,785
Capital projects	-	-	-	-	8,077,666	732,795	8,810,461
Water, sewer and street projects	-	-	523,204	-	-	-	523,204
Crime victim advocacy	-	-	-	-	-	93,903	93,903
Committed to:							
Budgetary stabilization	20,107,819	-	-	-	-	-	20,107,819
Capital projects	-	-	-	-	2,871,197	-	2,871,197
Crime victim advocacy	-	-	-	-	-	46,951	46,951
Assigned to:							
Vehicle replacement	-	-	-	-	-	6,442,998	6,442,998
Equipment replacement	-	-	-	-	-	1,033,740	1,033,740
Capital projects	-	-	-	-	4,449,399	87,575	4,536,974
Transit services	-	-	-	-	-	2,945,885	2,945,885
Other purposes	2,150,250	-	-	-	-	-	2,150,250
Unassigned	3,036,074	-	-	-	-	-	3,036,074
Total fund balances	<u>\$ 25,788,817</u>	<u>\$ 3,466,500</u>	<u>\$ 523,204</u>	<u>\$ 1,233,782</u>	<u>\$ 15,398,262</u>	<u>\$ 26,371,987</u>	<u>\$ 72,782,552</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - RETIREMENT PLANS

All of the City's full-time employees participate in one of four pension plans. The Arizona State Retirement System is for the benefit of the employees of the State and other participating government jurisdictions. All full-time employees except police and fire employees participate in ASRS. All fire employees participate in the Public Safety Personnel Retirement System. All full-time police and detention officers participate in the Public Safety Personnel Retirement System or the Correctional Officer's Retirement Plan as applicable. The City's Mayor and Council participate in the Elected Officials' Retirement Plan. Volunteer fire fighters participate in the Volunteer Fire Fighters Relief and Pension Fund.

Arizona State Retirement System (ASRS)

Plan Description – The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling 602-240-2000 or 1-800-621-3778.

Funding Policy – The Arizona State Legislature establishes and may amend benefits, provisions, and contribution rates of active plan members. For the year ended June 30, 2011, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent retirement and 0.25 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2011, 2010, and 2009 were \$1,724,705, \$1,758,365, \$1,872,893 respectively, which equaled the required contributions for those years.

Public Safety Personnel Retirement System (PSPRS)

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

Funding Policy - The Arizona State Legislature establishes and may amend benefits, provisions, and contribution rates of active plan members. For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 13.60 percent for police and 13.77 percent for fire. The City contributed the required amount.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - RETIREMENT PLANS (Continued)

Annual Pension Cost – The City's pension cost for the year ended June 30, 2011 and related information follow.

	PSPRS – Police	PSPRS – Fire
Contribution rates:		
City	13.60%	13.77%
Plan members	7.65%	7.65%
Annual pension cost	\$822,652	\$521,688
Contributions made	\$822,652	\$521,688
Actuarial valuation date	6/30/09	6/30/09
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.5% - 8.5%	5.5% - 8.5%
Inflation at cost-of-living adjustments	None	None
Payroll growth	5.5%	5.5%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded 20 years for overfunded	27 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market

Trend information – PSPRS annual pension cost information follows:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2011	\$ 822,652	100 %	\$ -
	2010	746,976	100	-
	2009	887,189	100	-
PSPRS – Fire	2011	\$ 521,688	100 %	\$ -
	2010	550,209	100	-
	2009	812,767	100	-

Funding progress – An analysis of funding progress for each of the plans follows:

PSPRS – Police

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ration	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/2009	\$ 11,317,174	\$ 15,297,882	\$ 3,980,708	74.0 %	\$ 6,594,606	60.4 %
6/30/2008	10,060,791	13,744,757	3,683,966	73.2	6,673,898	55.2
6/30/2007	8,659,169	12,624,356	3,965,187	68.6	5,557,381	71.3

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - RETIREMENT PLANS (Continued)

PSPR – Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ration (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ 9,169,671	\$ 10,859,920	\$ 1,690,249	84.8 %	\$ 4,026,999	42.0 %
6/30/2008	7,660,574	9,908,336	2,247,762	77.3	4,218,295	53.5
6/30/2007	6,457,208	9,202,005	2,744,797	70.2	4,098,945	67.0

Correctional Officers Retirement Plan (CORP)

Plan Description - The CORP is an agent, multiple-employer defined benefit pension plan that covers certain full-time state, county and municipal detention officers. The EORP is governed by a five-member board known as the Fund Manager according to the provisions of A.R.S. Title 38, Chapter 5, Article 6. Benefits are established by state statute and generally provide retirement, death, disability, survivor, and health insurance premium benefits. The CORP issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Correctional Officers Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416, or by calling 602-255-5575.

Funding Policy - The Arizona State Legislature establishes and may amend benefits, provisions, and contribution rates of active plan members. For the year ended June 30, 2011, active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 6.00 percent. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2011, and related information follow.

Contribution rates:	
City	6.00%
Plan members	8.41%
Annual pension cost	\$26,042
Contributions made	\$26,042
Actuarial valuation date	6/30/09
Actuarial cost method	Projected Unit Credit
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% - 8.5%
Inflation at cost-of-living adjustments	None
Payroll growth	5.5%
Post-retirement benefit increases	Based on Investment Income
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - RETIREMENT PLANS (Continued)

Trend information - CORP annual pension cost information as of the most recent actuarial valuation follows:

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
CORP	2011	\$ 26,042	100 %	\$ -
	2010	26,697	100	-
	2009	20,623	100	-

Funding progress – An analysis of funding progress for CORP follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ 510,860	\$ 481,065	\$ (29,795)	106.2 %	\$ 436,457	0.0 %

Elected Officials' Retirement Plan (EORP)

The EORP is a multiple-employer, cost sharing defined benefit pension plan. The EORP is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and elected officials of participating cities. The EORP is governed by the Fund Manager of the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The Arizona State Legislature establishes and may amend benefits, provisions, and contribution rates of active plan members.

EORP provides retirement benefits, as well as death and disability benefits. The EORP issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016-4416 or by calling 602-255-5575.

For the year ended June 30, 2011, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The payroll for employees covered by EORP for the year ended June 30, 2011, was \$60,338. City contributions to the plan were 29.79% of the members' annual covered payroll, as determined by actuarial valuation. The City's contributions to EORP for the years ended June 30, 2011, 2010, and 2009 were \$17,975, \$14,781, and \$16,570 respectively, which equaled the required contributions for those years.

Volunteer Fire Fighters Relief and Pension Fund

The Fund is a single-employer defined contribution plan (plan) to provide pension benefits to volunteer fire fighters not covered under PSPRS. 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 authority to establish and amend plan benefit provisions rests with the City Council.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 - RETIREMENT PLANS (Concluded)

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 plan members. Fire fighters who have served 20 years of service and meet all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, are entitled to a monthly pension not to exceed \$400. This plan was fully vested as of June 30, 2011. At June 30, 2011, there was one 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 fire fighters covered by the plan for the year ended June 30, 2011, was \$0. Therefore, neither the City nor fire fighters made contributions to the plan for the same year ended.

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, 2011, follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,082,137	\$ 341,853	\$ 419,101	\$ 3,004,889	\$ 2,403,910
Capital leases payable	1,329,482	-	381,666	947,816	397,276
Claims payable	313,376	475,725	292,601	496,500	286,975
Municipal Development					
Corporation bonds	67,350,251	-	4,964,029	62,386,222	5,056,946
General obligation bonds	40,085,000	-	2,925,000	37,160,000	2,775,000
Highway user revenue bonds	2,780,000	-	315,000	2,465,000	325,000
Unamortized premiums and discounts, net	1,041,786	-	84,932	956,854	84,932
Total	115,982,032	\$ 817,578	\$ 9,382,329	\$ 107,417,281	\$ 11,330,039

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year-end, internal service funds compensated absences of \$34,304 are included in the above liabilities.

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

Asset:		
Buildings and Improvements	\$	2,174,449
Vehicles		927,040
Less: accumulated depreciation		<u>(1,074,409)</u>
Total	\$	<u>2,027,080</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 397,276	\$ 33,623
2013	413,525	17,374
2014	<u>137,015</u>	<u>1,663</u>
Total	<u>\$ 947,816</u>	<u>\$ 52,660</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
1999 series bonds	3.60 - 4.70%	2011	\$ 517,951
2002 series bonds	3.00 - 4.25%	2015	6,575,000
2003 series bonds	2.00 - 3.75%	2015	5,610,000
2004 series bonds	2.50 - 4.30%	2020	8,600,000
2005 series bonds	3.00 - 4.00%	2020	10,883,271
2006 series bonds	4.00 - 5.00%	2027	16,135,000
2008 series bonds	4.00 - 5.00%	2029	<u>14,065,000</u>
			<u>\$ 62,386,222</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,056,945	\$ 2,448,299
2013	5,088,788	2,262,429
2014	5,171,470	2,069,865
2015	4,874,152	1,877,271
2016-2020	22,987,342	6,549,220
2021-2025	12,317,525	2,743,125
2026-2030	<u>6,890,000</u>	<u>394,000</u>
Total	<u>\$ 62,386,222</u>	<u>\$ 18,344,209</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

Refunded MDC Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City’s financial statements. The cash and investments held in the irrevocable trust at June 30, 2011, totaled \$8,297,277.

The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
2002 series bonds	4.75 - 5.00%	2020	\$ 8,200,000
			<u>\$ 8,200,000</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
2003 series A bonds	2.00 - 4.00%	2014	\$ 1,275,000
2005 series bonds	3.00 - 5.00%	2016	2,915,000
2006 series bonds	3.75 - 4.00%	2018	1,355,000
2009 series bonds	2.75 - 7.80%	2034	28,800,000
2010 series bonds	2.75 - 3.25%	2018	2,815,000
			<u>\$ 37,160,000</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>
2012	\$ 2,775,000	\$ 2,119,071
2013	2,840,000	2,017,196
2014	2,985,000	1,895,548
2015	2,045,000	1,815,223
2016-2020	7,300,000	7,926,345
2021-2025	4,350,000	6,452,518
2026-2030	6,155,000	4,423,380
2031-2035	8,710,000	1,452,750
Total	<u>\$ 37,160,000</u>	<u>\$ 28,102,031</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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>	<u>Outstanding Principal June 30, 2011</u>
2005 series bonds	3.00 - 3.875%	2017	<u>\$ 2,465,000</u>
			<u>\$ 2,465,000</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>
2012	\$ 325,000	\$ 79,875
2013	335,000	68,150
2014	350,000	55,463
2015	360,000	41,963
2016-2020	1,095,000	40,688
Total	<u>\$ 2,465,000</u>	<u>\$ 286,139</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, 2011, follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 394,857	\$ 36,952	\$ 63,427	\$ 368,382	\$ 294,705
Municipal Development Corporation bonds	2,084,743	-	350,971	1,733,772	318,055
Water and sewer revenue bonds	8,625,000	-	-	8,625,000	1,840,000
Unamortized premiums and discounts, net	480,593	-	48,053	432,540	48,059
	<u>\$ 11,585,193</u>	<u>\$ 36,952</u>	<u>\$ 462,451</u>	<u>\$ 11,159,694</u>	<u>\$ 2,500,819</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>	<u>Outstanding Principal June 30, 2011</u>
2010 series obligations	3.00 - 5.00%	2020	<u>\$ 8,625,000</u>
			<u>\$ 8,625,000</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS (Concluded)

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>
2012	\$ 1,840,000	\$ 272,400
2013	2,015,000	191,800
2014	1,580,000	128,600
2015	450,000	115,100
2016	460,000	101,300
2017-2021	<u>2,280,000</u>	<u>187,850</u>
Total	<u>\$ 8,625,000</u>	<u>\$ 997,050</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2011</u>
1999 series (37% of total issue)	3.60 - 4.70%	2011	\$ 307,046
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	<u>1,426,726</u>
			<u>\$ 1,733,772</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 318,055	\$ 56,055
2013	56,212	54,088
2014	58,530	52,039
2015	60,848	49,605
2016	63,166	47,079
2017-2025	<u>1,176,961</u>	<u>89,289</u>
Total	<u>\$ 1,733,772</u>	<u>\$ 348,155</u>

NOTE 10 - INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Highway User Revenue Fund	\$ 224
General Fund	Non-major Governmental Funds	77,169
General Fund	Water Utility Fund	995
General Fund	Wastewater Utility Fund	332
General Fund	Sanitation Utility Fund	74
General Fund	Internal Service Fund	<u>239,989</u>
		<u>\$ 318,783</u>

CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 - INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS (Concluded)

The \$318,783 interfund receivable in the General Fund is primarily attributable to temporary borrowing by other funds to offset temporary cash deficit positions in those funds. The Other Debt Service Fund and Fleet Management Fund account for \$317,076, or 99.5%, of the interfund receivables and payables.

Interfund transfers for the year ended June 30, 2011, primarily consisted of the following activity:

General Fund transfers included \$2.2 million to the Development Fees Fund for street, library, parks and other capital projects, \$1.3 million to the Vehicle Replacement and Equipment Replacement Funds to accumulate reserves for the future replacement of vehicles and equipment, \$0.4 million to various funds in order to meet city grant and intergovernmental agreement matching requirements, and \$0.8 million to debt service funds to service debt.

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

Dedicated Sales Tax Revenue Fund transfers included \$5.1 million to debt service funds to service debt, \$0.2 million to the Water Utility and Wastewater Utility Funds for water and sewer development, and \$0.5 million to the Development Fees Fund for street capital projects.

Public Safety Sales Tax Revenue Fund transfers included \$0.1 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 \$1.2 million to debt service funds to service debt that financed city capital development projects.

Non-Major Governmental Funds transfers included \$0.5 million to the Development Fees Fund for street and park 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, 2011, were as follows:

Fund	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ -	\$ 4,738,720
Highway User Revenue Fund	(114,342)	631,360
Dedicated Sales Tax Revenue Fund	-	5,809,950
Public Safety Sales Tax Revenue Fund	(97,838)	136,130
Development Fees Fund	(3,100,000)	1,153,850
Non-major Governmental Funds	(9,547,680)	520,030
Total governmental funds	(12,859,860)	12,990,040
Enterprise funds:		
Sanitation Utility Fund	-	-
Water Utility Fund	-	-
Wastewater Utility Fund	(150,000)	-
Total enterprise funds	(150,000)	-
Internal service funds:	-	19,820
Grand total	\$ (13,009,860)	\$ 13,009,860

**CITY OF AVONDALE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011**

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 losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for property insurance, public employee fidelity bonds, crime insurance and miscellaneous insurance (such as surety bonds, special event insurance as needed, and fine arts coverage). City workers’ compensation insurance is carried through the Arizona Municipal Workers’ Compensation Pool (AMWCP).

The City retains all risks not covered by commercial carriers and AMWCP 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, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Beginning balance at July 1	\$ 313,376	\$ 388,723
Current year claims and changes in estimates (including IBNR's)	475,725	310,419
Claim payments	<u>(292,601)</u>	<u>(385,766)</u>
Ending balance at June 30	<u>\$ 496,500</u>	<u>\$ 313,376</u>

NOTE 13 - CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2011. It is the opinion of city management and City Council that the amount of losses resulting from this litigation at June 30, 2011, if any, would not be material to the financial position of the City.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 13 - CONTINGENT LIABILITIES (Concluded)

Federal and State Grants - The City has received a number of grants from both the federal and state governments. Some programs have been audited as of June 30, 2011. The City expects no material disallowance of expenditures except for any questioned costs, if any, that may result from the Schedule of Findings and Questioned Costs, Finding 2011-1, on page 171.

NOTE 14 - COMMITMENTS

The City has active design and construction projects as of June 30, 2011. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The projects and remaining balances for work not completed as of June 30, 2011, were as follows.

	<u>Balance</u>
Street construction and improvements	\$ 4,823,144
Sewer construction and improvements	33,232
Water system construction and improvements	1,524,811
Park and recreation construction and improvements	6,460
Total	<u>\$ 6,387,647</u>

NOTE 15 - OPERATING LEASES

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

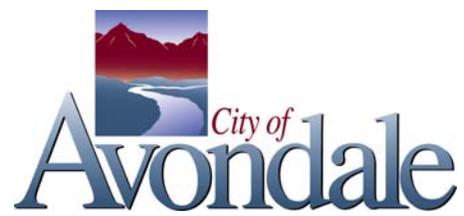
Operating leases do not give rise to property rights or lease obligations (long-term debt) and, therefore, no operating lease obligations have been included on the Statement of Net Assets. Lease costs for the fiscal year ended June 30, 2011, totaled \$375,304.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 461,056
2013	155,192
Total	<u>\$ 616,248</u>

NOTE 16 – BEGINNING BALANCES RESTATED

During the year, the City reclassified its Community Action Program account balances and related financial activity from the Senior Programs Fund to the Grants-in Aid Fund. Both funds are reported in the non-major governmental funds column in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. As a result, the reclassification had no effect on the beginning fund balance of the non-major governmental funds. However, the net effect of this reclassification decreased the Senior Program Fund July 1, 2010, fund balance by \$16,650 and increased the Grants-in-Aid Fund July 1, 2010, fund balance by the same amount in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.



**SUPPLEMENTARY
INFORMATION**

**Major Governmental Fund
Budgetary Comparison Schedule**

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 2,097,300	\$ 2,097,300	\$ 487,453	\$ (1,609,847)
Intergovernmental	2,660,000	2,660,000	3,183,150	523,150
Interest	94,390	94,390	79,797	(14,593)
Miscellaneous	-	-	2,883	2,883
Total revenues	<u>4,851,690</u>	<u>4,851,690</u>	<u>3,753,283</u>	<u>(1,098,407)</u>
Expenditures				
Current:				
Public safety	-	1,516,481	41,624	1,474,857
Highway and streets	-	2,603,414	2,186,101	417,313
Culture and recreation	-	4,962,118	240,850	4,721,268
Debt service				
Principal	77,000	77,000	57,595	19,405
Interest and other charges	-	-	6,893	(6,893)
Capital outlay	42,480,000	33,997,987	19,479,093	14,518,894
Total expenditures	<u>42,557,000</u>	<u>43,157,000</u>	<u>22,012,156</u>	<u>21,144,844</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,705,310)</u>	<u>(38,305,310)</u>	<u>(18,258,873)</u>	<u>20,046,437</u>
Other financing sources (uses)				
Transfers in	3,100,000	3,100,000	3,100,000	-
Transfers out	(1,153,850)	(1,153,850)	(1,153,850)	-
Total other financing sources (uses)	<u>1,946,150</u>	<u>1,946,150</u>	<u>1,946,150</u>	<u>-</u>
Net change in fund balance	(35,759,160)	(36,359,160)	(16,312,723)	20,046,437
Fund balance, beginning of year	<u>39,827,801</u>	<u>39,827,801</u>	<u>31,710,985</u>	<u>(8,116,816)</u>
Fund balance, end of year	<u>\$ 4,068,641</u>	<u>\$ 3,468,641</u>	<u>\$ 15,398,262</u>	<u>\$ 11,929,621</u>

SUPPLEMENTARY INFORMATION

Non-Major Governmental Funds Combining Financial Statements

Special Revenue Funds

Local Transportation Assistance Fund accounts primarily for the Federal Transit Formula Grant which provides resources to support public transportation services in urbanized areas as defined by the U.S. Census Bureau. This fund also accounts for special distributions of state lottery monies which 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.

Grants-in-Aid Fund accounts for all other grant funding and private donations/contributions for specific purposes not accounted for in other special revenue funds or otherwise committed or restricted to capital projects. Such funds are generally accompanied by requirements and standards for how they are to be spent.

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 Center is funded equally by three municipalities: Avondale, Buckeye and Goodyear.

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

General Obligation Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the City's series 2003, 2005, 2006, 2009 and 2010, 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 for these series.

Highway User Revenue Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the City's series 2003, street and highway revenue bonds. The City has pledged excise fuel taxes to make the required debt service payments for this series.

Dedicated Sales Tax Bonds Fund accounts for the accumulation of resources and payment of principal and interest on the City's series 2002, 2004, 2005, 2006, and 2008 Avondale Municipal Development Corporation Bonds. The city has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes to make the required debt services payments for these series.

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, 2011**

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
ASSETS			
Cash and cash equivalents	\$ 2,977,678	\$ 323,228	\$ 516,724
Receivables:			
Taxes	-	-	-
Accounts	-	72,571	-
Due from other governments	247,009	-	-
Inventories	8,489	-	-
Prepaid items	-	439	1,152
Restricted cash and cash equivalents with fiscal agents	-	-	-
Total assets	<u>\$ 3,233,176</u>	<u>\$ 396,238</u>	<u>\$ 517,876</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,881	\$ 10,243	\$ 13
Accrued payroll and employee benefits	1,615	-	-
Accrued liabilities	-	-	-
Deposits held for others	-	-	-
Due to other governments	167,978	-	-
Due to other funds	-	-	-
Deferred revenues	43,584	42,198	-
Total liabilities	<u>217,058</u>	<u>52,441</u>	<u>13</u>
Fund balances:			
Nonspendable	8,489	439	1,152
Restricted	61,744	343,358	516,711
Committed	-	-	-
Assigned	2,945,885	-	-
Total fund balances	<u>3,016,118</u>	<u>343,797</u>	<u>517,863</u>
Total liabilities and fund balances	<u>\$ 3,233,176</u>	<u>\$ 396,238</u>	<u>\$ 517,876</u>

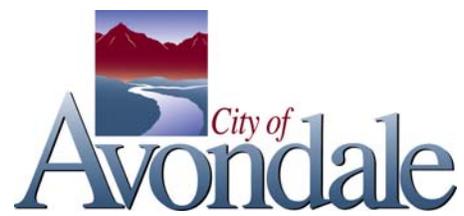
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**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Family Advocacy Center	Vehicle Replacement	Equipment Replacement
ASSETS				
Cash and cash equivalents	\$ 698,141	\$ 82,968	\$ 6,442,998	\$ 1,109,787
Receivables:				
Taxes	-	-	-	-
Accounts	20,142	86	-	-
Due from other governments	939,880	84,702	-	-
Inventories	-	-	-	-
Prepaid items	-	866	-	-
Restricted cash and cash equivalents with fiscal agents	-	-	-	-
Total assets	<u>\$ 1,658,163</u>	<u>\$ 168,622</u>	<u>\$ 6,442,998</u>	<u>\$ 1,109,787</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 135,061	\$ 1,599	\$ -	\$ 76,047
Accrued payroll and employee benefits	6,027	4,091	-	-
Accrued liabilities	30,127	-	-	-
Deposits held for others	33,383	-	-	-
Due to other governments	-	-	-	-
Due to other funds	39	-	-	-
Deferred revenues	656,930	21,212	-	-
Total liabilities	<u>861,567</u>	<u>26,902</u>	<u>-</u>	<u>76,047</u>
Fund balances:				
Nonspendable	-	866	-	-
Restricted	796,596	93,903	-	-
Committed	-	46,951	-	-
Assigned	-	-	6,442,998	1,033,740
Total fund balances	<u>796,596</u>	<u>141,720</u>	<u>6,442,998</u>	<u>1,033,740</u>
Total liabilities and fund balances	<u>\$ 1,658,163</u>	<u>\$ 168,622</u>	<u>\$ 6,442,998</u>	<u>\$ 1,109,787</u>

(continuation)

Debt Service Funds						
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds	Other Debt Service	Total Non-Major Governmental Funds	
\$ 815,386	\$ 1,551,522	\$ 136,317	\$ 2,298,513	\$ -	\$ 16,953,262	
-	169,015	-	-	-	169,015	
4,984	-	-	-	251,042	348,825	
-	-	-	-	-	1,271,591	
-	-	-	-	-	8,489	
-	610,000	-	-	-	612,457	
-	3,207,586	370,422	5,572,428	1,978,389	11,128,825	
<u>\$ 820,370</u>	<u>\$ 5,538,123</u>	<u>\$ 506,739</u>	<u>\$ 7,870,941</u>	<u>\$ 2,229,431</u>	<u>\$ 30,492,464</u>	
\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 236,844	
-	-	-	-	-	11,733	
-	1,042,586	45,422	1,171,102	146,852	2,436,089	
-	-	-	-	-	33,383	
-	-	-	-	-	167,978	
-	-	-	-	77,130	77,169	
-	142,315	-	-	251,042	1,157,281	
<u>-</u>	<u>1,194,901</u>	<u>45,422</u>	<u>1,171,102</u>	<u>475,024</u>	<u>4,120,477</u>	
-	610,000	-	-	-	620,946	
732,795	3,733,222	461,317	6,699,839	1,754,407	15,193,892	
-	-	-	-	-	46,951	
87,575	-	-	-	-	10,510,198	
<u>820,370</u>	<u>4,343,222</u>	<u>461,317</u>	<u>6,699,839</u>	<u>1,754,407</u>	<u>26,371,987</u>	
<u>\$ 820,370</u>	<u>\$ 5,538,123</u>	<u>\$ 506,739</u>	<u>\$ 7,870,941</u>	<u>\$ 2,229,431</u>	<u>\$ 30,492,464</u>	



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,559,481	347,246	-
Charges for services	-	-	105,774
Interest	2,692	149	289
Contributions	-	12,831	-
Miscellaneous	-	-	-
Total revenue	<u>1,562,173</u>	<u>360,226</u>	<u>106,063</u>
Expenditures			
Current:			
General government	-	-	43,883
Public safety	-	-	-
Health and welfare	-	300,739	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	1,580,838	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	5,683	-
Total expenditures	<u>1,580,838</u>	<u>306,422</u>	<u>43,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,665)</u>	<u>53,804</u>	<u>62,180</u>
Other financing sources (uses)			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(1,230)	-	-
Total other financing sources (uses)	<u>(1,230)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(19,895)	53,804	62,180
Fund balances, beginning of year as restated	<u>3,036,013</u>	<u>289,993</u>	<u>455,683</u>
Fund balances, end of year	<u>\$ 3,016,118</u>	<u>\$ 343,797</u>	<u>\$ 517,863</u>

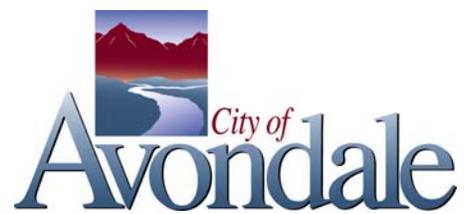
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CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Family Advocacy Center	Vehicle Replacement	Equipment Replacement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	2,374,572	462,900	-	-
Charges for services	-	-	-	-
Interest	72	-	5,865	341
Contributions	470,463	44,545	-	-
Miscellaneous	107,732	1,777	-	-
Total revenue	<u>2,952,839</u>	<u>509,222</u>	<u>5,865</u>	<u>341</u>
Expenditures				
Current:				
General government	311,190	-	-	248,951
Public safety	606,052	667,396	-	-
Health and welfare	1,031,096	-	-	-
Economic and community development	92,625	-	-	-
Culture and recreation	19,280	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	312,039	-	55,393	-
Total expenditures	<u>2,372,282</u>	<u>667,396</u>	<u>55,393</u>	<u>248,951</u>
Excess (deficiency) of revenues over (under) expenditures	<u>580,557</u>	<u>(158,174)</u>	<u>(49,528)</u>	<u>(248,610)</u>
Other financing sources (uses)				
Sale of capital assets	-	-	6,729	1,065
Transfers in	90,000	244,920	991,090	664,870
Transfers out	(512,180)	(6,620)	-	-
Total other financing sources (uses)	<u>(422,180)</u>	<u>238,300</u>	<u>997,819</u>	<u>665,935</u>
Net change in fund balances	158,377	80,126	948,291	417,325
Fund balances, beginning of year as restated	<u>638,219</u>	<u>61,594</u>	<u>5,494,707</u>	<u>616,415</u>
Fund balances, end of year	<u>\$ 796,596</u>	<u>\$ 141,720</u>	<u>\$ 6,442,998</u>	<u>\$ 1,033,740</u>

(continuation)

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Revenue Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ -	\$ 3,457,795	\$ -	\$ -	\$ -	\$ 3,457,795
-	-	-	-	-	4,744,199
-	-	-	-	-	105,774
689	2,213	155	2,332	18	14,815
30,559	-	-	-	238,542	796,940
-	670,338	-	-	-	779,847
<u>31,248</u>	<u>4,130,346</u>	<u>155</u>	<u>2,332</u>	<u>238,560</u>	<u>9,899,370</u>
-	-	-	-	-	604,024
-	-	-	-	-	1,273,448
-	-	-	-	-	1,331,835
-	-	-	-	-	92,625
-	-	-	-	-	19,280
-	-	-	-	-	1,580,838
-	2,925,000	315,000	3,101,965	1,862,064	8,204,029
-	2,233,756	90,844	2,351,508	298,033	4,974,141
-	-	-	-	-	373,115
<u>-</u>	<u>5,158,756</u>	<u>405,844</u>	<u>5,453,473</u>	<u>2,160,097</u>	<u>18,453,335</u>
<u>31,248</u>	<u>(1,028,410)</u>	<u>(405,689)</u>	<u>(5,451,141)</u>	<u>(1,921,537)</u>	<u>(8,553,965)</u>
-	-	-	-	-	7,794
-	-	400,000	5,462,250	1,694,550	9,547,680
-	-	-	-	-	(520,030)
<u>-</u>	<u>-</u>	<u>400,000</u>	<u>5,462,250</u>	<u>1,694,550</u>	<u>9,035,444</u>
31,248	(1,028,410)	(5,689)	11,109	(226,987)	481,479
<u>789,122</u>	<u>5,371,632</u>	<u>467,006</u>	<u>6,688,730</u>	<u>1,981,394</u>	<u>25,890,508</u>
<u>\$ 820,370</u>	<u>\$ 4,343,222</u>	<u>\$ 461,317</u>	<u>\$ 6,699,839</u>	<u>\$ 1,754,407</u>	<u>\$ 26,371,987</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 121,480	\$ 982,118	\$ 1,559,481	\$ 577,363
Interest	3,500	3,500	2,692	(808)
Total revenues	<u>124,980</u>	<u>985,618</u>	<u>1,562,173</u>	<u>576,555</u>
Expenditures				
Current:				
Transportation	720,200	1,580,838	1,580,838	-
Total expenditures	<u>720,200</u>	<u>1,580,838</u>	<u>1,580,838</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(595,220)</u>	<u>(595,220)</u>	<u>(18,665)</u>	<u>576,555</u>
Other financing sources (uses)				
Transfers out	(1,230)	(1,230)	(1,230)	-
Transfers in	480,000	480,000	-	(480,000)
Total other financing sources (uses)	<u>478,770</u>	<u>478,770</u>	<u>(1,230)</u>	<u>(480,000)</u>
Net change in fund balance	(116,450)	(116,450)	(19,895)	96,555
Fund balance, beginning of year	<u>2,341,065</u>	<u>2,341,065</u>	<u>3,036,013</u>	<u>694,948</u>
Fund balance, end of year	<u>\$ 2,224,615</u>	<u>\$ 2,224,615</u>	<u>\$ 3,016,118</u>	<u>\$ 791,503</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 164,640	\$ 320,014	\$ 347,246	\$ 27,232
Interest	1,200	1,200	149	(1,051)
Contributions	14,680	14,550	12,831	(1,719)
Total revenues	<u>180,520</u>	<u>335,764</u>	<u>360,226</u>	<u>24,462</u>
Expenditures				
Current:				
Health and welfare	254,520	315,199	300,739	14,460
Capital outlay	-	6,000	5,683	317
Total expenditures	<u>254,520</u>	<u>321,199</u>	<u>306,422</u>	<u>14,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(74,000)</u>	<u>14,565</u>	<u>53,804</u>	<u>39,239</u>
Net change in fund balance	(74,000)	14,565	53,804	39,239
Fund balance, beginning of year as restated	<u>108,221</u>	<u>108,221</u>	<u>289,993</u>	<u>181,772</u>
Fund balance, end of year	<u>\$ 34,221</u>	<u>\$ 122,786</u>	<u>\$ 343,797</u>	<u>\$ 221,011</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 85,800	\$ 85,800	\$ 105,774	\$ 19,974
Interest	220	220	289	69
Total revenues	<u>86,020</u>	<u>86,020</u>	<u>106,063</u>	<u>20,043</u>
Expenditures				
Current:				
General government	239,700	239,700	43,883	195,817
Total expenditures	<u>239,700</u>	<u>239,700</u>	<u>43,883</u>	<u>195,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,680)</u>	<u>(153,680)</u>	<u>62,180</u>	<u>215,860</u>
Net change in fund balance	(153,680)	(153,680)	62,180	215,860
Fund balance, beginning of year	<u>331,651</u>	<u>331,651</u>	<u>455,683</u>	<u>124,032</u>
Fund balance, end of year	<u>\$ 177,971</u>	<u>\$ 177,971</u>	<u>\$ 517,863</u>	<u>\$ 339,892</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,019,330	\$ 4,312,469	\$ 2,374,572	\$ (1,937,897)
Interest	40	40	72	32
Contributions	30,450	216,698	470,463	253,765
Miscellaneous	5,000,000	1,217,880	107,732	(1,110,148)
Total revenues	<u>7,049,820</u>	<u>5,747,087</u>	<u>2,952,839</u>	<u>(2,794,248)</u>
Expenditures				
Current:				
General government	5,054,400	1,329,378	311,190	1,018,188
Public safety	507,010	830,506	606,052	224,454
Health and welfare	1,648,980	3,415,162	1,031,096	2,384,066
Economic and community development	107,000	143,000	92,625	50,375
Culture and recreation	-	68,713	19,280	49,433
Capital outlay	79,200	395,663	312,039	83,624
Total expenditures	<u>7,396,590</u>	<u>6,182,422</u>	<u>2,372,282</u>	<u>3,810,140</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(346,770)</u>	<u>(435,335)</u>	<u>580,557</u>	<u>1,015,892</u>
Other financing sources (uses)				
Transfers in	60,000	60,000	90,000	30,000
Transfers out	(300,000)	(586,851)	(512,180)	74,671
Total other financing sources (uses)	<u>(240,000)</u>	<u>(526,851)</u>	<u>(422,180)</u>	<u>104,671</u>
Net change in fund balance	(586,770)	(962,186)	158,377	1,120,563
Fund balance, beginning of year as restated	<u>1,689,235</u>	<u>1,689,235</u>	<u>638,219</u>	<u>(1,051,016)</u>
Fund balance, end of year	<u>\$ 1,102,465</u>	<u>\$ 727,049</u>	<u>\$ 796,596</u>	<u>\$ 69,547</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 489,840	\$ 489,840	\$ 462,900	\$ (26,940)
Contributions	50,000	50,000	44,545	(5,455)
Miscellaneous	-	-	1,777	1,777
Total revenues	<u>539,840</u>	<u>539,840</u>	<u>509,222</u>	<u>(30,618)</u>
Expenditures				
Current:				
Public safety	778,140	778,140	667,396	110,744
Total expenditures	<u>778,140</u>	<u>778,140</u>	<u>667,396</u>	<u>110,744</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(238,300)</u>	<u>(238,300)</u>	<u>(158,174)</u>	<u>80,126</u>
Other financing sources (uses)				
Transfers in	244,920	244,920	244,920	-
Transfers out	<u>(6,620)</u>	<u>(6,620)</u>	<u>(6,620)</u>	<u>-</u>
Total other financing sources (uses)	<u>238,300</u>	<u>238,300</u>	<u>238,300</u>	<u>-</u>
Net change in fund balance	-	-	80,126	80,126
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>61,594</u>	<u>61,594</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,720</u>	<u>\$ 141,720</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 33,600	\$ 33,600	\$ 5,865	\$ (27,735)
Total revenues	<u>33,600</u>	<u>33,600</u>	<u>5,865</u>	<u>(27,735)</u>
Expenditures				
Capital outlay	1,596,250	1,596,250	55,393	1,540,857
Total expenditures	<u>1,596,250</u>	<u>1,596,250</u>	<u>55,393</u>	<u>1,540,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,562,650)</u>	<u>(1,562,650)</u>	<u>(49,528)</u>	<u>1,513,122</u>
Other financing sources (uses)				
Sale of capital assets	-	-	6,729	6,729
Transfers in	991,090	991,090	991,090	-
Total other financing sources (uses)	<u>991,090</u>	<u>991,090</u>	<u>997,819</u>	<u>6,729</u>
Net change in fund balance	(571,560)	(571,560)	948,291	1,519,851
Fund balance, beginning of year	<u>5,183,423</u>	<u>5,183,423</u>	<u>5,494,707</u>	<u>311,284</u>
Fund balance, end of year	<u>\$ 4,611,863</u>	<u>\$ 4,611,863</u>	<u>\$ 6,442,998</u>	<u>\$ 1,831,135</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 260	\$ 260	\$ 341	\$ 81
Total revenues	260	260	341	81
Expenditures				
Current:				
General government	240,720	240,720	248,951	(8,231)
Capital outlay	813,000	813,000	-	813,000
Total expenditures	1,053,720	1,053,720	248,951	804,769
Excess (deficiency) of revenues over (under) expenditures	(1,053,460)	(1,053,460)	(248,610)	804,850
Other financing sources (uses)				
Sale of capital assets	-	-	1,065	1,065
Transfers in	664,870	664,870	664,870	-
Total other financing sources (uses)	664,870	664,870	665,935	1,065
Net change in fund balance	(388,590)	(388,590)	417,325	805,915
Fund balance, beginning of year	535,194	535,194	616,415	81,221
Fund balance, end of year	\$ 146,604	\$ 146,604	\$ 1,033,740	\$ 887,136

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OTHER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)
Interest	-	-	689	689
Contributions	-	-	30,559	30,559
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>31,248</u>	<u>(1,968,752)</u>
Expenditures				
Capital outlay	<u>25,400,000</u>	<u>22,300,000</u>	-	<u>22,300,000</u>
Total expenditures	<u>25,400,000</u>	<u>22,300,000</u>	-	<u>22,300,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,400,000)</u>	<u>(20,300,000)</u>	<u>31,248</u>	<u>20,331,248</u>
Other financing sources (uses)				
Bonds issued	23,000,000	23,000,000	-	(23,000,000)
Transfers in	400,000	400,000	-	(400,000)
Total other financing sources (uses)	<u>23,400,000</u>	<u>23,400,000</u>	-	<u>(23,400,000)</u>
Net change in fund balance	-	3,100,000	31,248	(3,068,752)
Fund balance, beginning of year	-	-	789,122	789,122
Fund balance, end of year	<u>\$ -</u>	<u>\$ 3,100,000</u>	<u>\$ 820,370</u>	<u>\$ (2,279,630)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,418,990	\$ 3,418,990	\$ 3,457,795	\$ 38,805
Interest	30,000	30,000	2,213	(27,787)
Miscellaneous	-	-	670,338	670,338
Total revenues	<u>3,448,990</u>	<u>3,448,990</u>	<u>4,130,346</u>	<u>681,356</u>
Expenditures				
Debt service:				
Principal	3,195,000	3,195,000	2,925,000	270,000
Interest and other charges	<u>2,258,540</u>	<u>2,258,540</u>	<u>2,233,756</u>	<u>24,784</u>
Total expenditures	<u>5,453,540</u>	<u>5,453,540</u>	<u>5,158,756</u>	<u>294,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,004,550)</u>	<u>(2,004,550)</u>	<u>(1,028,410)</u>	<u>976,140</u>
Net change in fund balance	(2,004,550)	(2,004,550)	(1,028,410)	976,140
Fund balance, beginning of year	<u>4,960,606</u>	<u>4,960,606</u>	<u>5,371,632</u>	<u>411,026</u>
Fund balance, end of year	<u>\$ 2,956,056</u>	<u>\$ 2,956,056</u>	<u>\$ 4,343,222</u>	<u>\$ 1,387,166</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, 2011

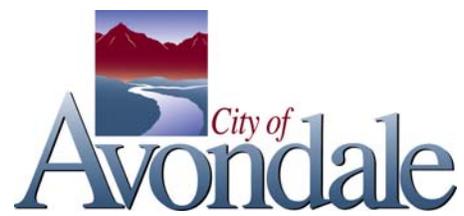
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 155	\$ 155
Total revenues	-	-	155	155
Expenditures				
Debt service:				
Principal	315,000	315,000	315,000	-
Interest and other charges	100,850	100,850	90,844	10,006
Total expenditures	415,850	415,850	405,844	10,006
Excess (deficiency) of revenues over (under) expenditures	(415,850)	(415,850)	(405,689)	10,161
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	400,000	400,000	400,000	-
Net change in fund balance	(15,850)	(15,850)	(5,689)	10,161
Fund balance, beginning of year	467,205	467,205	467,006	(199)
Fund balance, end of year	\$ 451,355	\$ 451,355	\$ 461,317	\$ 9,962

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 25,000	\$ 25,000	\$ 2,332	\$ (22,668)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>2,332</u>	<u>(22,668)</u>
Expenditures				
Debt service:				
Principal	3,101,970	3,101,970	3,101,965	5
Interest and other charges	<u>2,352,210</u>	<u>2,352,210</u>	<u>2,351,508</u>	<u>702</u>
Total expenditures	<u>5,454,180</u>	<u>5,454,180</u>	<u>5,453,473</u>	<u>707</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,429,180)</u>	<u>(5,429,180)</u>	<u>(5,451,141)</u>	<u>(21,961)</u>
Other financing sources (uses)				
Transfers in	<u>5,462,250</u>	<u>5,462,250</u>	<u>5,462,250</u>	<u>-</u>
Total other financing sources (uses)	<u>5,462,250</u>	<u>5,462,250</u>	<u>5,462,250</u>	<u>-</u>
Net change in fund balance	33,070	33,070	11,109	(21,961)
Fund balance, beginning of year	<u>7,379,870</u>	<u>7,379,870</u>	<u>6,688,730</u>	<u>(691,140)</u>
Fund balance, end of year	<u>\$ 7,412,940</u>	<u>\$ 7,412,940</u>	<u>\$ 6,699,839</u>	<u>\$ (713,101)</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 200	\$ 200	\$ 18	\$ (182)
Contributions	450,000	450,000	238,542	(211,458)
Total revenues	450,200	450,200	238,560	(211,640)
Expenditures				
Debt service:				
Principal	1,862,070	1,862,070	1,862,064	6
Interest and other charges	314,790	314,790	298,033	16,757
Total expenditures	2,176,860	2,176,860	2,160,097	16,763
Excess (deficiency) of revenues over (under) expenditures	(1,726,660)	(1,726,660)	(1,921,537)	(194,877)
Other financing sources (uses)				
Transfers in	1,694,550	1,694,550	1,694,550	-
Total other financing sources (uses)	1,694,550	1,694,550	1,694,550	-
Net change in fund balance	(32,110)	(32,110)	(226,987)	(194,877)
Fund balance, beginning of year	2,415,857	2,415,857	1,981,394	(434,463)
Fund balance, end of year	\$ 2,383,747	\$ 2,383,747	\$ 1,754,407	\$ (629,340)



SUPPLEMENTARY INFORMATION

Combining Financial Statements

Internal Service Funds

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 ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,901,924	\$ 465,899	\$ -	\$ 3,367,823
Inventories	-	-	219,047	219,047
Prepaid items	-	-	2,955	2,955
Total current assets	<u>2,901,924</u>	<u>465,899</u>	<u>222,002</u>	<u>3,589,825</u>
Noncurrent assets:				
Capital assets, depreciable (net)	62,984	148,095	775	211,854
Total noncurrent assets	<u>62,984</u>	<u>148,095</u>	<u>775</u>	<u>211,854</u>
Total assets	<u>2,964,908</u>	<u>613,994</u>	<u>222,777</u>	<u>3,801,679</u>
LIABILITIES				
Current liabilities:				
Accounts payable	54,818	62,657	42,840	160,315
Accrued payroll and employee benefits	369	-	7,866	8,235
Accrued liabilities	2,028	-	-	2,028
Sales taxes payable	-	-	17	17
Claims payable	286,975	-	-	286,975
Due to other funds	43	-	239,946	239,989
Compensated absences	5,482	-	21,961	27,443
Total current liabilities	<u>349,715</u>	<u>62,657</u>	<u>312,630</u>	<u>725,002</u>
Noncurrent liabilities:				
Claims payable	209,525	-	-	209,525
Compensated absences	1,371	-	5,490	6,861
Total noncurrent liabilities	<u>210,896</u>	<u>-</u>	<u>5,490</u>	<u>216,386</u>
Total liabilities	<u>560,611</u>	<u>62,657</u>	<u>318,120</u>	<u>941,388</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	62,984	148,095	775	211,854
Unrestricted	2,341,313	403,242	(96,118)	2,648,437
Total net assets (deficit)	<u>\$ 2,404,297</u>	<u>\$ 551,337</u>	<u>\$ (95,343)</u>	<u>\$ 2,860,291</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Operating revenues:				
Charges for services	\$ 1,263,419	\$ 160,798	\$ 2,105,474	\$ 3,529,691
Miscellaneous	32,811	-	652	33,463
Total operating revenues	<u>1,296,230</u>	<u>160,798</u>	<u>2,106,126</u>	<u>3,563,154</u>
Operating expenses:				
Salaries, wages and benefits	210,214	-	437,663	647,877
Contractual services, materials and supplies	52,373	114,688	1,531,275	1,698,336
Insurance claims and expenses	1,494,279	-	-	1,494,279
Depreciation	47,232	19,575	2,880	69,687
Total operating expenses	<u>1,804,098</u>	<u>134,263</u>	<u>1,971,818</u>	<u>3,910,179</u>
Operating income (loss)	<u>(507,868)</u>	<u>26,535</u>	<u>134,308</u>	<u>(347,025)</u>
Non-operating revenues (expenses):				
Interest income	2,919	321	-	3,240
Total non-operating revenues (expenses)	<u>2,919</u>	<u>321</u>	<u>-</u>	<u>3,240</u>
Income (loss) before transfers	(504,949)	26,856	134,308	(343,785)
Transfers out	<u>(5,800)</u>	<u>-</u>	<u>(14,020)</u>	<u>(19,820)</u>
Change in net assets	(510,749)	26,856	120,288	(363,605)
Net assets (deficit), beginning of year	<u>2,915,046</u>	<u>524,481</u>	<u>(215,631)</u>	<u>3,223,896</u>
Net assets (deficit), end of year	<u>\$ 2,404,297</u>	<u>\$ 551,337</u>	<u>\$ (95,343)</u>	<u>\$ 2,860,291</u>

**CITY OF AVONDALE, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,263,681	\$ 160,798	\$ 2,106,335	\$ 3,530,814
Payments to suppliers	(1,418,099)	(52,225)	(1,538,882)	(3,009,206)
Payments to employees	(228,573)	-	(447,701)	(676,274)
Miscellaneous	32,811	-	652	33,463
Net cash provided (used) by operating activities	<u>(350,180)</u>	<u>108,573</u>	<u>120,404</u>	<u>(121,203)</u>
Cash flows from noncapital financing activities:				
Interfund borrowing	(4)	-	(106,384)	(106,388)
Transfers out	(5,800)	-	(14,020)	(19,820)
Net cash provided (used) for noncapital financing activities	<u>(5,804)</u>	<u>-</u>	<u>(120,404)</u>	<u>(126,208)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(119,880)	-	(119,880)
Net cash provided (used) for capital and related financing activities	<u>-</u>	<u>(119,880)</u>	<u>-</u>	<u>(119,880)</u>
Cash flows from investing activities:				
Investment income	2,919	321	-	3,240
Net cash provided by investing activities	<u>2,919</u>	<u>321</u>	<u>-</u>	<u>3,240</u>
Net increase (decrease) in cash and cash equivalents	(353,065)	(10,986)	-	(364,051)
Cash and cash equivalents, beginning of year	3,254,989	476,885	-	3,731,874
Cash and cash equivalents, end of year	<u>\$ 2,901,924</u>	<u>\$ 465,899</u>	<u>\$ -</u>	<u>\$ 3,367,823</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (507,868)	\$ 26,535	\$ 134,308	\$ (347,025)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	47,232	19,575	2,880	69,687
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	262	-	861	1,123
(Increase) decrease in inventories	-	-	17,028	17,028
(Increase) decrease in prepaid items	-	-	(2,955)	(2,955)
Increase (decrease) in accounts payable	(56,578)	62,463	(21,536)	(15,651)
Increase (decrease) in accrued payroll and employee benefits	(6,593)	-	(12,472)	(19,065)
Increase (decrease) in accrued liabilities	2,028	-	-	2,028
Increase (decrease) in sales taxes payable	(21)	-	(144)	(165)
Increase (decrease) in compensated absences	(11,766)	-	2,434	(9,332)
Increase (decrease) in claims payable	183,124	-	-	183,124
Net cash provided (used) by operating activities	<u>\$ (350,180)</u>	<u>\$ 108,573</u>	<u>\$ 120,404</u>	<u>\$ (121,203)</u>
Reconciliation of cash and cash equivalents at end of year to statement of net assets:				
Cash and cash equivalents	\$ 2,901,924	\$ 465,899	\$ -	\$ 3,367,823
Total cash and cash equivalents	<u>\$ 2,901,924</u>	<u>\$ 465,899</u>	<u>\$ -</u>	<u>\$ 3,367,823</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
JUNE 30, 2011

Function and Activity ¹	Capital Asset Category			
	Land	Buildings and Improvements	Improvements Other Than Buildings	Vehicles, Furniture and Equipment
General government	\$ 11,591,252	\$ 16,537,823	\$ 16,005	12,279,622
Public safety	307,003	16,047,454	229,476	12,023,566
Highways and streets	233,139,997	1,006,630	457,517	1,919,636
Health and welfare	215,948	978,211	-	74,655
Economic Development	51,711	134,540	-	103,579
Culture and recreation	6,677,463	35,738,205	604,465	991,169
Total	<u>\$ 251,983,374</u>	<u>\$ 70,442,863</u>	<u>\$ 1,307,463</u>	<u>\$ 27,392,227</u>

¹ At June 30, 2011, the City did not maintain any capital assets under the transportation function.

Capital Asset Category

<u>Infrastructure</u>	<u>Intangible Assets</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 40,424,702
-	1,965,259	-	30,572,758
371,423,813	-	4,681,344	612,628,937
-	-	-	1,268,814
-	-	-	289,830
-	-	11,730,617	55,741,919
<u>\$ 371,423,813</u>	<u>\$ 1,965,259</u>	<u>\$ 16,411,961</u>	<u>\$ 740,926,960</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, 2011

Function and Activity ¹	Capital Assets July 1, 2010	Additions	Deletions	Capital Assets June 30, 2011
General government	\$ 37,161,672	\$ 3,287,731	\$ 24,701	\$ 40,424,702
Public safety	28,507,503	5,917,629	3,852,374	30,572,758
Highways and streets	606,006,424	15,228,913	8,606,400	612,628,937
Health and welfare	1,263,131	5,683	-	1,268,814
Economic and community development	289,830	-	-	289,830
Culture and recreation	44,400,256	24,150,314	12,808,651	55,741,919
Totals	\$ 717,628,816	\$ 48,590,270	\$ 25,292,126	\$ 740,926,960

¹ At June 30, 2011, the City did not maintain or acquire any capital assets under the transportation function.

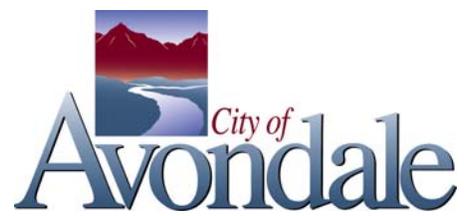
CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY SOURCE
JUNE 30, 2011

Governmental funds capital assets:

Land	\$ 251,983,374
Buildings and improvements	70,442,863
Improvements other than buildings	1,307,463
Vehicles, furniture and equipment	27,392,227
Infrastructure	371,423,813
Intangible assets	1,965,259
Construction in progress	16,411,961
Total	<u>\$ 740,926,960</u>

Investments in governmental activities capital assets by source:

General Fund	\$ 18,542,351
Special Revenue Funds	8,825,828
Capital Projects Funds	712,836,000
Internal Service Funds	722,781
Total	<u>\$ 740,926,960</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 Assets by Component - Last Nine Fiscal Years	1	122
Changes in Net Assets - Last Nine Fiscal Years	2	124
Fund Balances of Governmental Funds - Last Nine Fiscal Years	3	128
Changes in Fund Balances of Governmental Funds - Last Nine Fiscal Years	4	130
Revenue Capacity		
These schedules contain information to help users understand and assess the City's local revenue sources such as property taxes and transaction privilege taxes.		
Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property - Last Ten Fiscal Years	5	132
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	6	134
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Property Tax Levies and Collections - Last Ten Fiscal Years	8	137
Transaction Privilege Taxes by Industry Classification - Last Four Years	9	138
Debt Capacity		
These schedules present information to help users understand and assess the City's debt burden and its ability to service current debt and to issue additional debt in the future.		
Ratios of Outstanding Debt by Type - Last Nine Fiscal Years	10	139
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	11	140
Direct and Overlapping Governmental Activities Debt	12	141
Legal Debt Margin Information - Last Nine Fiscal Years	13	142
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Street and Highway Revenue Receipts - Last Ten Fiscal Years	17	148
Actual Excise Tax Revenues - Last Ten Fiscal Years	18	150
Demographic and Economic Information		
These schedules present economic and demographic indicators to help users understand the environment within which the City's financial activities take place.		
Demographic and Economic Statistics - Last Ten Fiscal Years	19	152
Principal Employers - Current Year and Nine Years Ago	20	153
Operating Information		
These schedules present information to help users understand the City's operations and resources as well as to provide a context for understanding and assessing the City's economic condition.		
Full-Time Equivalent City Government Employees by Function - Last Nine Fiscal Years	21	154
Operating Indicators by Function - Last Nine Fiscal Years	22	156
Capital Assets Statistics by Function - Last Nine Fiscal Years	23	158

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

	Fiscal Year ¹		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ (7,765,135)	\$ (728,546)	\$ (2,213,511)
Restricted	17,748,348	26,113,620	33,627,735
Unrestricted	7,079,459	13,854,820	20,756,092
Total governmental activities net assets	<u>\$ 17,062,672</u>	<u>\$ 39,239,894</u>	<u>\$ 52,170,316</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 49,659,313	\$ 65,140,765	\$ 76,032,966
Restricted	29,627,827	31,097,385	44,558,842
Unrestricted	15,485,880	16,450,395	24,462,385
Total business-type activities net assets	<u>\$ 94,773,020</u>	<u>\$ 112,688,545</u>	<u>\$ 145,054,193</u>
Primary government			
Invested in capital assets, net of related debt	\$ 41,894,178	\$ 64,412,219	\$ 73,819,455
Restricted	47,376,175	57,211,005	78,186,577
Unrestricted	22,565,339	30,305,215	45,218,477
Total primary government net assets	<u>\$ 111,835,692</u>	<u>\$ 151,928,439</u>	<u>\$ 197,224,509</u>

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

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

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

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

Schedule 1

Fiscal Year ¹					
2006 ²	2007 ³	2008	2009	2010	2011
\$ 196,509,921	\$ 453,900,454	\$ 480,355,653	\$ 486,881,869	\$ 466,763,910	\$ 484,872,851
28,808,290	45,778,226	48,127,562	39,386,916	57,592,957	30,174,849
31,939,142	40,533,604	42,848,985	39,653,933	36,971,792	45,218,881
<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>	<u>\$ 571,332,200</u>	<u>\$ 565,922,718</u>	<u>\$ 561,328,659</u>	<u>\$ 560,266,581</u>
\$ 382,500,757	\$ 437,478,163	\$ 454,628,362	\$ 494,353,666	\$ 497,810,394	\$ 488,787,961
40,439,483	43,493,012	36,367,868	16,598,095	14,798,748	14,520,330
28,749,995	33,992,839	38,511,906	37,775,176	41,606,778	44,374,708
<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>	<u>\$ 548,726,937</u>	<u>\$ 554,215,920</u>	<u>\$ 547,682,999</u>
\$ 579,010,678	\$ 891,378,617	\$ 934,984,015	\$ 981,235,535	\$ 964,574,304	\$ 973,660,812
69,247,773	89,271,238	84,495,430	55,985,011	72,391,705	44,695,179
60,689,137	74,526,443	81,360,891	77,429,109	78,578,570	89,593,589
<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>	<u>\$ 1,114,649,655</u>	<u>\$ 1,115,544,579</u>	<u>\$ 1,107,949,580</u>

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

	Fiscal Year ¹		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$ 10,128,809	\$ 12,773,774	\$ 17,652,671
Public safety	11,107,465	12,309,510	14,797,695
Highways and streets	2,233,017	2,574,072	2,842,497
Sanitation ²	2,746,075	3,047,585	-
Health and welfare	573,859	693,682	806,332
Economic and community development	2,078,521	2,718,598	3,356,334
Culture and recreation	945,473	1,013,654	1,157,280
Transportation	206,595	311,772	237,535
Interest on long-term debt	2,386,274	2,650,407	2,530,003
Total governmental activities expenses	<u>32,406,088</u>	<u>38,093,054</u>	<u>43,380,347</u>
Business-type activities:			
Water utility	5,364,526	6,137,470	6,939,975
East Avondale water utility ²	501,732	701,085	-
Wastewater utility	5,054,347	4,589,305	4,733,439
Sanitation utility ²	-	-	3,145,714
Total business-type activities expenses	<u>10,920,605</u>	<u>11,427,860</u>	<u>14,819,128</u>
Total primary government expenses	<u>\$ 43,326,693</u>	<u>\$ 49,520,914</u>	<u>\$ 58,199,475</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 4,486,404	\$ 513,754	\$ 918,596
Public safety	3,050	12,483	50,474
Highways and streets	-	-	-
Sanitation ²	2,754,200	3,000,264	-
Economic and community development	-	4,940,363	5,589,855
Culture and recreation	28,440	100,390	135,916
Operating grants and contributions	1,860,947	2,078,204	4,462,062
Capital grants and contributions	12,183,730	11,151,696	7,924,999
Total governmental activities program revenues	<u>21,316,771</u>	<u>21,797,154</u>	<u>19,081,902</u>
Business-type activities:			
Charges for Services:			
Water utility ²	6,283,314	5,847,391	8,485,789
East Avondale water utility ²	1,308,192	1,770,151	-
Wastewater utility	5,296,408	6,315,059	6,907,659
Sanitation utility ²	-	-	2,890,001
Capital grants and contributions	7,066,770	15,536,911	14,686,667
Total business-type activities program revenues	<u>19,954,684</u>	<u>29,469,512</u>	<u>32,970,116</u>
Total primary government program revenues	<u>\$ 41,271,455</u>	<u>\$ 51,266,666</u>	<u>\$ 52,052,018</u>

Schedule 2

Fiscal Year ¹					
2006	2007	2008	2009	2010	2011
\$ 22,764,573	\$ 18,346,534	\$ 17,792,047	\$ 14,968,809	\$ 12,862,710	\$ 15,364,915
14,935,013	22,873,912	25,841,680	26,634,975	24,168,796	25,139,168
7,781,653	10,347,480	10,898,173	11,069,079	12,322,104	13,246,764
-	-	-	-	-	-
939,572	1,787,162	2,404,144	2,545,061	2,470,031	2,511,615
5,213,085	6,542,881	8,665,232	6,808,330	7,985,413	5,091,504
1,816,712	3,474,717	2,665,257	3,327,765	3,190,869	3,268,540
615,055	594,823	2,701,817	867,173	1,902,347	1,581,404
2,042,879	2,810,763	2,921,420	3,246,602	5,129,250	4,849,805
<u>56,108,542</u>	<u>66,778,272</u>	<u>73,889,770</u>	<u>69,467,794</u>	<u>70,031,520</u>	<u>71,053,715</u>
11,818,914	13,630,207	14,797,982	15,542,394	15,442,478	16,380,893
-	-	-	-	-	-
8,296,298	9,371,087	9,850,598	10,555,903	10,252,684	11,091,776
3,266,298	4,192,462	4,361,538	4,117,318	3,613,617	3,387,778
<u>23,381,510</u>	<u>27,193,756</u>	<u>29,010,118</u>	<u>30,215,615</u>	<u>29,308,779</u>	<u>30,860,447</u>
<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>	<u>\$ 99,683,409</u>	<u>\$ 99,340,299</u>	<u>\$ 101,914,162</u>
\$ 1,267,440	\$ 1,638,662	\$ 1,924,171	\$ 1,787,153	\$ 1,656,665	\$ 1,465,160
147,137	403,696	716,940	665,937	407,961	415,243
-	14,846	-	-	-	-
-	-	-	-	-	-
5,817,266	3,728,984	2,354,229	805,550	576,436	895,233
254,323	507,118	402,105	492,988	575,046	257,614
5,085,797	7,877,600	9,004,224	8,386,128	12,712,420	13,109,880
10,699,397	41,453,780	25,442,212	8,855,743	1,795,711	979,920
<u>23,271,360</u>	<u>55,624,686</u>	<u>39,843,881</u>	<u>20,993,499</u>	<u>17,724,239</u>	<u>17,123,050</u>
9,336,905	11,277,850	11,689,072	10,903,178	11,097,099	11,009,193
-	-	-	-	-	-
6,946,157	7,431,247	7,720,602	7,124,168	7,220,779	7,197,549
3,392,810	3,915,823	4,346,931	4,414,342	4,732,011	4,702,364
12,531,009	30,783,194	14,128,878	8,216,300	1,648,926	719,803
<u>32,206,881</u>	<u>53,408,114</u>	<u>37,885,483</u>	<u>30,657,988</u>	<u>24,698,815</u>	<u>23,628,909</u>
<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>	<u>\$ 51,651,487</u>	<u>\$ 42,423,054</u>	<u>\$ 40,751,959</u>

(continued on next page)

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

	Fiscal Year ¹		
	2003	2004	2005
Net (Expense) Revenue			
Governmental activities	\$ (11,089,317)	\$ (16,295,900)	\$ (24,298,445)
Business-type activities	9,034,079	18,041,652	18,150,988
Total primary government net (expenses) revenues	<u>\$ (2,055,238)</u>	<u>\$ 1,745,752</u>	<u>\$ (6,147,457)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Sales and use taxes	\$ 16,167,320	\$ 23,177,913	\$ 36,525,428
Property taxes, levied for general purposes	831,159	884,323	1,147,443
Property taxes, levied for debt service	1,192,297	1,452,584	1,941,381
Franchise taxes	558,196	640,293	682,292
State shared revenues, unrestricted	10,323,804	10,272,674	8,218,495
Investment income	534,050	378,780	1,093,019
Gain on sale of capital assets	31,114	372,845	286,400
Miscellaneous	676,905	709,802	407,388
Transfers	(16,924,196)	583,908	(13,072,979)
Total governmental activities	<u>13,390,649</u>	<u>38,473,122</u>	<u>37,228,867</u>
Business-type activities:			
Investment income	577,619	440,575	1,087,666
Gain on sale of capital assets	180,736	-	50,100
Miscellaneous	5,085	17,206	3,915
Transfers	16,924,196	(583,908)	13,072,979
Total business-type activities	<u>17,687,636</u>	<u>(126,127)</u>	<u>14,214,660</u>
Total primary government	<u>\$ 31,078,285</u>	<u>\$ 38,346,995</u>	<u>\$ 51,443,527</u>
Changes in Net Assets			
Governmental activities	\$ 2,301,332	\$ 22,177,222	\$ 12,930,422
Business-type activities	26,721,715	17,915,525	32,365,648
Total primary government	<u>\$ 29,023,047</u>	<u>\$ 40,092,747</u>	<u>\$ 45,296,070</u>

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² Beginning in fiscal year 2005, sanitation services were reclassified from governmental activities to business-type activities. In addition, East Avondale water utility services activities were combined with Water utility services.

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

Schedule 2
(continuation)

Fiscal Year ¹					
2006	2007	2008	2009	2010	2011
\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)	\$ (48,474,295)	\$ (52,307,281)	\$ (53,930,665)
8,825,371	26,214,358	8,875,365	442,373	(4,609,964)	(7,231,538)
<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>	<u>\$ (48,031,922)</u>	<u>\$ (56,917,245)</u>	<u>\$ (61,162,203)</u>
\$ 39,883,436	\$ 42,691,477	\$ 38,291,070	\$ 33,021,053	\$ 30,298,359	\$ 30,417,802
1,310,133	1,519,425	1,815,527	1,916,742	2,063,316	2,210,771
2,319,060	2,800,966	4,135,646	5,061,320	4,716,859	3,473,069
876,224	982,033	1,001,905	1,033,993	1,047,312	1,095,000
10,022,750	17,513,121	18,983,659	18,249,722	15,644,558	14,410,652
2,331,224	3,642,859	2,984,483	592,542	417,727	318,931
61,289	146,585	140,504	217,001	25,307	7,794
358,317	392,483	610,011	934,675	2,376,003	1,084,568
(800,000)	(10,123,583)	(2,800,000)	(17,962,235)	(8,876,219)	(150,000)
<u>56,362,433</u>	<u>59,565,366</u>	<u>65,162,805</u>	<u>43,064,813</u>	<u>47,713,222</u>	<u>52,868,587</u>
2,684,687	3,536,505	2,658,608	574,400	195,602	166,893
7,803	64,223	51,442	77,747	75,345	-
70,470	84,193	158,707	162,046	135,320	381,724
800,000	10,123,583	2,800,000	17,962,235	8,876,219	150,000
<u>3,562,960</u>	<u>13,808,504</u>	<u>5,668,757</u>	<u>18,776,428</u>	<u>9,282,486</u>	<u>698,617</u>
<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>	<u>\$ 56,995,708</u>	<u>\$ 53,567,204</u>
\$ 23,525,251	\$ 48,411,780	\$ 31,116,916	\$ (5,409,482)	\$ (4,594,059)	\$ (1,062,078)
12,388,331	40,022,862	14,544,122	19,218,801	4,672,522	(6,532,921)
<u>\$ 35,913,582</u>	<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>	<u>\$ 78,463</u>	<u>\$ (7,594,999)</u>

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

	Fiscal Year ^{1,2}			
	2003	2004	2005	2006
General Fund				
Reserved	\$ 199,102	\$ 139,183	\$ 212,336	\$ 154,179
Unreserved	9,574,224	12,894,969	19,781,789	27,505,360
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Committed to:				
Budgetary stabilization	-	-	-	-
Assigned to:				
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 9,773,326</u>	<u>\$ 13,034,152</u>	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>
All other governmental funds				
Reserved	\$ 19,224,835	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955
Unreserved, reported in:				
Special Revenue Funds	2,280,820	5,590,870	10,831,027	12,260,058
Capital Projects Funds	9,599,629	17,673,575	18,186,566	11,923,289
Nonspendable:				
Inventory	-	-	-	-
Prepaid items	-	-	-	-
Restricted for:				
Transit services	-	-	-	-
Highway and streets	-	-	-	-
Court improvements and operations	-	-	-	-
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>\$ 31,105,284</u>	<u>\$ 31,570,286</u>	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² 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

Fiscal Year ^{1,2}				
2007	2008	2009	2010	2011
\$ 77,994	\$ 51,796	\$ 12,435	\$ 77,125	\$ -
37,381,040	35,854,897	32,285,521	29,013,029	-
-	-	-	-	3,783
-	-	-	-	164,012
-	-	-	-	326,879
-	-	-	-	20,107,819
-	-	-	-	2,150,250
-	-	-	-	3,036,074
<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>	<u>\$ 32,297,956</u>	<u>\$ 29,090,154</u>	<u>\$ 25,788,817</u>
\$ 13,459,405	\$ 13,221,123	\$ 16,565,285	\$ 30,429,893	\$ -
14,493,602	11,769,069	9,383,952	9,323,672	-
18,261,268	28,023,908	18,585,349	22,958,296	-
-	-	-	-	225,904
-	-	-	-	612,457
-	-	-	-	61,744
-	-	-	-	3,249,085
-	-	-	-	516,711
-	-	-	-	1,139,954
-	-	-	-	1,233,782
-	-	-	-	12,648,785
-	-	-	-	8,810,461
-	-	-	-	523,204
-	-	-	-	93,903
-	-	-	-	2,871,197
-	-	-	-	46,951
-	-	-	-	6,442,998
-	-	-	-	1,033,740
-	-	-	-	4,536,974
-	-	-	-	2,945,885
-	-	-	-	-
<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>	<u>\$ 44,534,586</u>	<u>\$ 62,711,861</u>	<u>\$ 46,993,735</u>

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

	Fiscal Year ¹			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306
Charges for services ²	2,957,895	4,003,862	943,619	1,955,528
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969
Interest	545,722	385,013	1,093,019	2,331,223
Contributions	4,869,567	1,981,544	824,627	735,024
Miscellaneous	839,084	714,629	425,769	751,867
Total revenues	<u>51,513,961</u>	<u>59,335,350</u>	<u>69,120,428</u>	<u>80,592,405</u>
Expenditures				
General government	16,574,345	11,644,262	15,738,926	16,820,415
Public safety	10,209,532	10,995,415	13,859,897	17,254,476
Highways and streets	2,019,611	2,044,465	1,902,555	2,205,035
Sanitation ²	2,454,368	2,406,162	-	-
Health and welfare	530,698	1,033,165	793,862	914,806
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363
Culture and recreation	768,906	890,534	969,467	1,232,332
Transportation	206,595	311,772	237,535	615,055
Debt Service				
Principal	1,196,220	2,890,843	3,882,461	4,914,723
Interest and other charges	2,387,562	2,650,407	2,957,914	2,909,515
Capital outlay	32,262,324	22,595,576	12,704,572	25,180,046
Total expenditures	<u>70,688,671</u>	<u>59,640,575</u>	<u>55,417,242</u>	<u>76,022,766</u>
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639
Other Financing Sources (Uses)				
Bond issuance	43,170,000	-	12,400,000	18,690,685
Issuance of refunding bonds	3,060,000	-	-	-
Bond premium (discount)	381,356	-	(45,989)	38,724
Payment to refunding bonds escrow agent	(3,977,913)	-	-	(18,337,174)
Sale of capital assets	707,553	909,196	436,574	85,724
Capital leases	387,435	2,537,949	-	927,040
Transfer in	18,255,356	11,226,148	13,551,582	14,234,220
Transfer out	(35,179,552)	(10,642,240)	(26,672,708)	(15,072,100)
Total other financing sources (uses)	<u>26,804,235</u>	<u>4,031,053</u>	<u>(330,541)</u>	<u>567,119</u>
Net change in fund balances	<u>\$ 7,629,525</u>	<u>\$ 3,725,828</u>	<u>\$ 13,372,645</u>	<u>\$ 5,136,758</u>
Debt service as a percentage of noncapital expenditures	9.3%	15.0%	16.0%	15.4%

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

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

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

Schedule 4

Fiscal Year ¹				
2007	2008	2009	2010	2011
\$ 48,059,641	\$ 45,103,331	\$ 40,966,295	\$ 38,227,410	\$ 37,206,864
7,673,913	8,640,183	3,134,769	1,996,430	1,073,233
24,790,367	28,703,206	27,035,675	27,626,462	26,755,077
1,624,541	1,726,235	1,179,405	944,332	1,322,030
1,280,434	1,467,011	1,357,050	1,262,853	1,152,077
3,603,941	2,946,716	580,422	415,395	315,685
1,278,270	874,006	1,137,849	942,440	813,886
1,575,441	377,544	261,427	2,431,170	1,117,621
<u>89,886,548</u>	<u>89,838,232</u>	<u>75,652,892</u>	<u>73,846,492</u>	<u>69,756,473</u>
16,774,809	16,334,100	10,970,755	9,477,910	12,077,265
20,729,479	23,478,075	23,939,534	22,881,143	23,717,192
2,359,925	1,833,928	2,177,687	2,605,224	3,472,183
-	-	-	-	-
1,719,404	2,120,063	2,719,779	4,931,655	2,660,252
5,083,707	7,312,754	6,588,345	5,528,640	4,886,947
4,081,600	3,379,661	4,021,204	3,396,173	3,409,346
588,627	2,693,561	870,662	1,895,324	1,580,838
5,718,590	6,547,759	7,684,563	8,620,474	8,585,695
3,529,618	3,264,547	3,855,789	5,427,681	5,023,373
20,830,712	14,807,347	22,182,625	15,262,429	23,240,459
<u>81,416,471</u>	<u>81,771,795</u>	<u>85,010,943</u>	<u>80,026,653</u>	<u>88,653,550</u>
8,470,077	8,066,437	(9,358,051)	(6,180,161)	(18,897,077)
21,000,000	-	15,000,000	29,800,000	-
-	-	-	2,815,000	-
945,767	-	91,235	(2,753,893)	-
-	-	-	48,388	-
252,296	224,347	223,770	-	7,794
-	-	-	116,358	-
28,055,659	19,867,345	18,277,333	41,785,235	12,859,860
<u>(38,164,331)</u>	<u>(22,910,645)</u>	<u>(36,322,538)</u>	<u>(50,661,454)</u>	<u>(12,990,040)</u>
<u>12,089,391</u>	<u>(2,818,953)</u>	<u>(2,730,200)</u>	<u>21,149,634</u>	<u>(122,386)</u>
<u>\$ 20,559,468</u>	<u>\$ 5,247,484</u>	<u>\$ (12,088,251)</u>	<u>\$ 14,969,473</u>	<u>\$ (19,019,463)</u>
15.3%	14.7%	18.4%	21.7%	20.8%

CITY OF AVONDALE, ARIZONA

ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY ²

LAST TEN FISCAL YEARS

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
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	-	-
2004	151,090,125	16,748,041	71,796,337	74,293,583	297,703	-	-
2003	135,198,702	14,637,321	47,767,825	46,665,816	65,788	-	-
2002	97,965,574	10,009,484	32,301,284	42,473,870	52,954	-	-

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2011	10.0 %	10.0 %	20.0 %	16.0 %	15.0 %	20.0 %	1.0 %
2010	10.0	10.0	21.0	16.0	17.0	21.0	1.0
2009	10.0	10.0	21.0	16.0	18.0	21.0	1.0
2008	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2007	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2006	10.0	10.0	24.5	16.0	22.0	24.5	1.0
2005	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2004	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2003	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2002	10.0	10.0	25.0	16.0	20.0	25.0	1.0

¹ Includes tax-exempt property.

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

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

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

Schedule 5

<u>Gross Valuation</u>	<u>Less: Tax Exempt Real Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value¹ as a Percentage of Actual Value</u>
\$ 499,132,034	\$ (96,728,376)	\$ 402,403,658	1.33	\$ 3,762,818,468	13.265 %
644,158,226	(119,852,877)	524,305,349	1.11	4,765,228,782	13.518
750,963,289	(109,200,312)	641,762,977	1.11	5,772,182,553	13.010
788,314,775	(84,159,774)	704,155,001	1.11	6,319,124,006	12.475
652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.450
443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.019
376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.900
314,225,789	(48,997,680)	265,228,109	1.17	2,430,772,423	12.927
244,335,452	(32,083,392)	212,252,060	1.27	1,981,422,235	12.331
182,803,166	(26,604,390)	156,198,776	1.28	1,474,541,801	12.397

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-wide	County Community College	Tolleson Elementary School District No. 17	Tolleson Union High School District No. 214	Pendergast Elementary School District No. 92	
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	
2004 Primary	0.48	1.21	0.94	3.30	3.24	2.39	
2004 Secondary	0.69	0.07	0.14	2.31	1.03	3.98	
2003 Primary	0.54	1.21	0.96	3.06	3.59	2.81	
2003 Secondary	0.73	0.08	0.15	2.20	1.31	4.67	
2002 Primary	0.55	1.18	0.96	2.56	2.76	2.40	
2002 Secondary	0.73	0.09	0.15	2.87	1.48	4.88	

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, (2008-2011) Tax Rates Maricopa County, Arizona.

Schedule 6

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
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
2.38	3.45	2.42	3.90	2.26
1.89	0.79	1.37	2.02	1.83
2.13	2.25	2.83	2.33	2.50
2.14	0.77	1.39	1.56	1.64
2.61	2.91	2.47	2.88	2.34
2.21	1.11	1.41	1.77	1.76

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

Schedule 7

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Phoenix Speedway Corp	\$ 8,115,425	1	2.02 %	-	-	-
Inland Western Avondale McDowell, LLC	7,835,649	2	1.95	-	-	-
Moreland Properties, LLC	6,316,481	3	1.57	-	-	-
Raintree Pad 2, LLC	6,272,083	4	1.56	-	-	-
Smiths Food & Drug Centers, Inc.	4,906,813	5	1.22	-	-	-
D H Ventures, LLC	4,830,000	6	1.20	-	-	-
Mechanic (AZ) QRS 15-41 INC	4,787,216	7	1.19	-	-	-
Avondale Commerce Center Phase 1, LLC	4,370,100	8	1.09	-	-	-
Avondale Commerce Center Phase 2, LLC	4,352,925	9	1.08	-	-	-
Harkins Phoenix Cinemas, LLC	4,092,464	10	1.02	-	-	-
Rubbermaid, Inc.	-	-	-	\$ 6,312,153	1	5.64 %
Suncor Development Co.	-	-	-	5,020,031	2	4.48
Arizona Public Service	-	-	-	4,479,336	3	4.00
Snyder of Hanover	-	-	-	3,703,083	4	3.31
Loral Corp.	-	-	-	3,671,402	5	3.28
McLane Co. Inc.	-	-	-	2,290,700	6	2.05
US West Communications Inc.	-	-	-	1,981,376	7	1.77
Dayton Hudson (Target)	-	-	-	1,766,607	8	1.58
Wal-Mart Stores Inc.	-	-	-	1,437,922	9	1.28
Goodyear Marketplace LTD	-	-	-	1,076,010	10	0.96
Total	\$ 55,879,156		13.90 %	\$ 31,738,620		28.35 %

Source: Stone & Youngberg, LLC Official Statements (City of Avondale, Arizona) 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
2011	\$ 5,632,413	\$ 5,413,477	96.11 %	\$ 220,416	\$ 5,633,893	100.03 %
2010	6,843,611	6,526,469	95.37	318,665	6,845,134	100.02
2009	7,102,059	6,710,295	94.48	188,138	6,898,433	97.13
2008	5,906,911	5,639,466	95.47	135,697	5,775,163	97.77
2007	4,389,587	4,225,998	96.27	35,793	4,261,791	97.09
2006	3,668,855	3,593,624	97.95	28,187	3,621,811	98.72
2005	2,977,361	2,906,636	97.62	26,545	2,933,181	98.52
2004	2,406,999	2,374,955	98.67	22,005	2,396,960	99.58
2003	2,014,427	1,976,098	98.10	21,542	1,997,640	99.17
2002	1,607,427	1,502,020	93.44	26,930	1,528,950	95.12

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, 2011*.

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

Schedule 9

	Fiscal Year			
	2008	2009	2010	2011
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	\$ 37,526,007	\$32,709,485	\$29,350,643	\$29,488,911

Year-over-Year Increase (Decrease)				
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		(12.8) %	(10.3) %	0.5 %

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

Source: City records

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

Schedule 10

(dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income ²	Per Capita ²
	General Obligation Bonds	HURF Bonds	Municipal Development Corporation Bonds	Capital Leases	Revenue Bonds	Municipal Development Corporation Bonds	WIFA Loans				
2011	\$ 37,160	\$ 2,465	\$ 62,386	\$ 948	\$ 8,625	\$ 1,734	\$ -	\$ 113,318	0.07 %	\$ 1,464	
2010	40,085	2,780	67,350	1,329	8,625	2,085	-	122,254	0.08	1,497	
2009	13,450	3,085	72,042	1,727	1,225	6,038	7,235	104,802	0.07	1,356	
2008	16,365	3,375	61,110	2,139	1,320	6,935	8,054	99,298	0.06	1,296	
2007	18,630	3,510	64,802	2,594	1,410	7,793	8,845	107,584	0.07	1,613	
2006	17,705	3,920	49,569	3,061	1,500	8,631	9,604	93,990	0.07	1,422	
2005	18,775	4,065	51,744	2,508	1,585	9,296	10,332	98,305	0.08	1,631	
2004	19,620	4,390	41,608	2,997	1,665	10,032	11,033	91,345	0.08	1,694	
2003	20,096	4,690	42,891	1,184	3,564	10,719	11,710	94,854	0.09	1,992	

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² See Demographics and Economic Statistics schedule on page 152 for personal income and population data.

Source: City records.

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

Schedule 11

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
2011	\$ 402,403,658	\$ 37,160,000	\$ 4,343,222	\$ 32,816,778	8.16 %	\$ 424
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	16,106,965	2.75	242
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	240
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	347
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404
2002	156,198,776	13,370,000	566,141	12,803,859	8.20	317

¹ See Demographics and Economic Statistics Schedule on page 152 for population data.

² See Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule on page 132 for secondary assessed valuation data.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2011)* and city records.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT¹
AS OF JUNE 30, 2011

Jurisdiction	Net General Obligation Debt Outstanding	Percentage Applicable to City of Avondale	Amount Applicable to City of Avondale
State of Arizona	\$ NONE	0.69 %	\$ NONE
Maricopa County	NONE	1.05	NONE
Maricopa County Community College District	737,930,000	1.05	7,748,265
Maricopa County Flood Control District	NONE	1.15	NONE
Tolleson Elementary School District No. 17	17,015,000	11.83	2,012,875
Avondale Elementary School District No. 44	32,270,000	18.90	6,099,030
Littleton Elementary School District No. 65	19,085,000	56.13	10,712,411
Litchfield Elementary School District No. 79	42,275,000	12.01	5,077,228
Pendergast Elementary School District No. 92	27,265,000	30.06	8,195,859
Tolleson Union High School District No. 214	86,020,000	23.75	20,429,750
Agua Fria Union High School District No. 216	48,410,000	14.70	7,116,270
Total overlapping general obligation bonded debt	1,010,270,000		67,391,688
City of Avondale	37,160,000	100.00	37,160,000
Total direct and overlapping general obligation bonded debt	\$ 1,047,430,000		\$ 104,551,688

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

Source: The various jurisdictions.

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

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

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

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

Source: City records.

Schedule 13

Fiscal Year				
2007	2008	2009	2010	2011
\$ 586,169,088	\$ 704,155,001	\$ 641,762,977	\$ 524,305,349	\$ 402,403,658
117,233,818	140,831,000	128,352,595	104,861,070	80,480,732
16,130,000	14,185,000	11,785,000	38,570,000	35,805,000
<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>	<u>\$ 116,567,595</u>	<u>\$ 66,291,070</u>	<u>\$ 44,675,732</u>
13.8%	10.1%	9.2%	36.8%	44.5%
\$ 35,170,145	\$ 42,249,300	\$ 38,505,779	\$ 31,458,321	\$ 24,144,219
2,500,000	2,180,000	1,665,000	1,515,000	1,355,000
<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>	<u>\$ 36,840,779</u>	<u>\$ 29,943,321</u>	<u>\$ 22,789,219</u>
7.1%	5.2%	4.3%	4.8%	5.6%

CITY OF AVONDALE, ARIZONA
AVONDALE WATER AND SEWER SYSTEMS¹
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Fiscal Year			
	2002	2003	2004	2005⁵
Total operating revenues ²	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708
Total operating expenses ³	<u>7,109,672</u>	<u>6,655,346</u>	<u>7,247,442</u>	<u>8,851,960</u>
Net operating income	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>	<u>6,544,748</u>
Other revenues	<u>571,524</u>	<u>740,400</u>	<u>420,466</u>	<u>1,087,765</u>
Net revenues before debt service	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>
Debt service ⁴	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448
Debt service coverage	1.89	2.23	1.76	3.10

¹ The information contained in this schedule excludes East Avondale Water Company revenues, expenses, and debt service.

² Includes all water and sewer operating revenues except for water and sewer development fees.

³ Excludes depreciation and interest expenses.

⁴ Debt Service includes all bonds having a water and sewer system revenue pledge including the following outstanding debt: (1) Municipal Development Corporation Revenue Bonds, Series 1999 (37% of total issue) and Series 2005 (12% of total issue).

⁵ In fiscal years 2005 and 2006, pledged revenues incorrectly included sanitation revenues. In fiscal year 2007, fiscal years 2005 and 2006 pledged revenues were adjusted to exclude the sanitation revenues.

Note: See Note 9 - Long-term Obligations on pages 76-80 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

Schedule 14

Fiscal Year					
2006 ⁵	2007	2008	2009	2010	2011
\$ 16,342,090	\$ 18,749,786	\$ 19,436,132	\$ 18,073,444	\$ 18,357,018	\$ 18,416,763
10,023,264	12,473,104	13,259,794	14,419,200	13,843,483	14,591,625
6,318,826	6,276,682	6,176,338	3,654,244	4,513,535	3,825,138
2,585,356	3,687,234	2,785,829	2,092,810	1,595,269	874,992
\$ 8,904,182	\$ 9,963,916	\$ 8,962,167	\$ 5,747,054	\$ 6,108,804	\$ 4,700,130
\$ 2,455,293	\$ 2,469,394	\$ 2,444,879	\$ 2,441,059	\$ 2,437,250	\$ 727,458
3.63	4.03	3.67	2.35	2.51	6.46

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

Schedule 15

Debt Service Payable During Year Ended June 30	Actual Excise tax Revenues ²	Total Actual and Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 27,411,443	\$ 2,601,893	10.54
2004	34,943,465	4,079,119	8.57
2005	49,478,255	4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	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	—	7,879,354	5.99
2013	—	7,461,517	6.32
2014	—	7,351,904	6.42
2015	—	6,861,876	6.87
2016	—	7,027,660	6.71
2017	—	6,001,492	7.86
2018	—	5,966,460	7.91
2019	—	5,966,985	7.90
2020	—	5,983,585	7.88
2021	—	5,045,876	9.35
2022	—	2,554,650	18.46
2023	—	2,549,100	18.50
2024	—	2,544,000	18.54
2025	—	2,534,500	18.61
2026	—	2,529,500	18.65
2027	—	2,523,750	18.69
2028	—	1,115,750	42.28
2029	—	1,115,000	42.30

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been resated to provide this schedule information. As this schedule is used to meet the City's ongoing debt disclosure requirements, in addition to GASB reporting requirements, estimated debt service requirements and debt service coverage ratios are presented for the term of the outstanding debt.

² The City has pledged excise taxes to secure Municipal Development Corporation bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 144).

Note: See Note 9 - Long-term Obligations on pages 76-80 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 NINE FISCAL YEARS**

Schedule 16

Debt service payable during year ended June 30	Street and Highway Revenue Receipts	Total Actual Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 2,323,982	\$ 563,746	4.12
2004	2,484,542	564,574	4.40
2005	2,608,891	563,249	4.63
2006	2,952,118	553,370	5.33
2007	4,948,541	537,827	9.20
2008	4,764,909	257,308	18.52
2009	4,161,313	399,838	10.41
2010	3,942,434	405,688	9.72
2011	4,109,134	405,844	10.12

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² The Highway User Revenue Fund (HURF) Bonds are special revenue bonds specifically issued for the purpose of constructing street and highway projects. The bonds are secured by 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 76-80 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

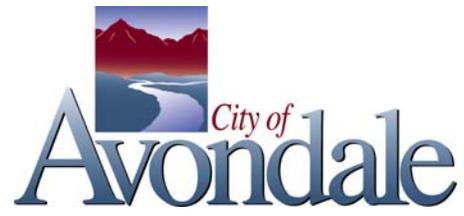
**CITY OF AVONDALE, ARIZONA
STREET AND HIGHWAY REVENUE
LAST TEN FISCAL YEARS**

Schedule 17

Fiscal Year	Street and Highway Revenue Receipts
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
2004	2,484,542
2003	2,323,982
2002	2,227,397

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

Source: City records.



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

Source	Fiscal Year			
	2002	2003	2004	2005
City sales tax	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607
State sales tax	2,765,159	2,806,331	3,018,844	3,324,212
State revenue sharing	3,748,916	3,770,461	3,240,789	3,336,656
Utility and cable franchise fees	492,526	558,196	640,293	682,292
Licenses and permits	4,194,488	4,049,503	4,862,956	5,518,886
Fines and forfeitures	297,233	262,032	334,392	660,601
Totals	\$ 25,840,823	\$ 27,411,444	\$ 34,972,840	\$ 49,478,254

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

Source: City records.

Schedule 18

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 39,327,962	\$ 42,619,823	\$ 37,549,019	\$ 32,618,773	\$ 29,664,531	\$ 30,079,230
4,055,107	6,592,077	6,374,091	5,518,183	5,089,719	5,351,475
4,100,286	8,031,441	9,806,105	10,195,604	8,208,394	6,750,611
876,223	982,032	1,001,905	1,033,993	1,067,061	1,095,000
4,884,077	3,974,976	2,405,938	972,685	1,810,205	810,508
951,968	1,249,998	1,387,841	850,862	1,328,659	1,032,246
<u>\$ 54,195,623</u>	<u>\$ 63,450,347</u>	<u>\$ 58,524,899</u>	<u>\$ 51,190,101</u>	<u>\$ 47,168,569</u>	<u>\$ 45,119,070</u>

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

Schedule 19

Fiscal Year	Population⁴	Personal Income (in thousands)	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate³
2011	77,388	\$ 150,452,431	\$ 34,416	15,091	8.4 %	9.6 %
2010	76,238	146,212,275	34,864	14,273	8.4	9.5
2009	77,276	142,091,618	35,319	13,980	6.1	7.0
2008	76,613	146,898,132	37,112	12,702	3.4	4.1
2007	66,678	145,880,680	37,666	12,619	3.2	3.9
2006	66,110	139,069,591	36,829	12,849	3.5	4.4
2005	60,255	126,010,741	34,551	13,357	3.9	4.7
2004	53,925	114,049,001	32,561	9,689	7.6	5.0
2003	47,610	104,665,923	30,862	9,040	9.4	5.7
2002	40,445	99,836,197	30,261	5,193	10.6	6.1

¹ The City does not maintain personal income or per capita personal income information. Therefore, the information presented is based on Maricopa County figures. The source of this information is the U.S. Department of Commerce, Bureau of Economic Analysis. Information has been updated to reflect the most current data available from the U.S. Department of Commerce through 2009. Personal income and per capita personal income amounts presented for years 2010 and 2011 are city-calculated estimates based on the average annual percentage change.

² Information provided by Estrella Mountain Community College, unduplicated headcount for combined total of credit, non-credit, and skill center students.

³ Information is based on the average of current fiscal year monthly data provided by the U.S. Department of Labor, Bureau of Labor Statistics. Arizona unemployment rates prior to fiscal year 2010 were obtained from the Arizona Department of Economic Security.

⁴ Fiscal year 2008 and 2009 City population projections are based on the Maricopa Association of Governments (MAG) figures for the prior fiscal year, adjusted by MAG figures for the net change in current year housing units, estimated population per housing unit, and occupancy rate. Fiscal year 2010 numbers were updated based on new census data. Fiscal year 2011 population was based on the estimated per quarter change for the year between census and State of Arizona Data.

⁵ Since estimates from prior years may change as more current information becomes available, the amounts shown have been updated to provide the most recent data.

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

Schedule 20

Employer	2011			2002		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
City of Avondale	530	1	1.33 %	295	4	1.58 %
Fry's Food and Drug Store	411	2	1.03	-	-	-
Roman Catholic Church of the Diocese of Phoenix	400	3	1.00			
Avondale Elementary School Dist. No. 44	382	4	0.96	395	1	2.12
Tolleson Union High School Dist. No. 214	357	5	0.90	-	-	-
Wal-Mart Stores, Inc	300	6	0.75	-	-	-
Agua Fria Union High School Dist. No. 216	295	7	0.74	300	2	1.61
Pendergast Elementary School District No. 92	249	8	0.63			
Littleton Elementary School District No. 65	247	9	0.62			
Avondale Automotive Inc.	216	10	0.54	-	-	-
Cummins Rock Mountain LLC	-	-		-	-	-
Costco Wholesale	-	-		-	-	-
Universal Technical Institute (UTI)	-	-		-	-	-
SunBridge Healthcare Corp.	-	-	-	150	8	0.67
Estrella Community College	-	-	-	150	5	0.86
Beam Corporation	-	-	-	300	3	1.61
Arizona Machinery Company	-	-	-	150	6	0.81
Rudolfo Bros Plasteries	-	-	-	150	7	0.81
Gateway Chevrolet & Geo	-	-	-	40	9	0.21
Total	3,387		8.50 %	1,930		10.28 %

Source: Stone & Youngberg LLC, Official Statements, Maricopa Association of Governments Employer Database, and the U.S. Department of Labor, Bureau of Labor Statistics

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

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

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

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

Schedule 21

As of June 30			
2008	2009	2010	2011
9.0	9.0	9.0	10.0
29.5	29.5	27.5	28.5
13.5	14.0	14.0	13.0
29.0	25.0	23.0	0.0
48.0	40.0	37.2	36.2
54.5	50.5	50.0	46.0
107.5	112.5	121.8	120.8
50.0	50.0	50.0	49.0
13.0	10.0	8.0	8.0
21.0	19.0	18.0	34.0
14.0	14.0	10.0	10.0
21.5	27.5	22.5	21.0
3.0	3.0	1.0	3.0
20.0	20.0	18.0	19.0
49.0	45.0	38.0	29.0
40.5	42.5	37.0	37.1
16.5	20.5	19.0	18.9
<u>539.5</u>	<u>532.0</u>	<u>504.0</u>	<u>483.5</u>

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

Function	Fiscal Year			
	2003	2004	2005	2006
Police				
Calls for service	unavailable	46,552	53,476	52,419
Citations ³	unavailable	4,880	8,741	9,423
Physical arrests	unavailable	4,579	4,345	5,062
Fire				
Number of emergency responses	7,939	6,519	7,806	6,735
Inspections	unavailable	unavailable	3,238	4,900
Number of fires extinguished	15	26	10	-
Sanitation				
Refuse collected (tons per day)	86	87	68	72
Recyclables collected (tons per day)	9	12	14	14
Water				
New connections	16,200	18,417	20,545	21,459
Water mains breaks	unavailable	10	17	8
Average daily consumption (thousands of gallons)	8,305	9,185	9,301	10,285
Wastewater				
Average daily sewage treatment (thousands of gallons)	unavailable	3,507	3,825	4,080

¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² Indicators are not available for the general government function.

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

Source: Various city departments.

Schedule 22

Fiscal Year				
2007	2008	2009	2010	2011
68,364	72,872	74,929	73,884	78,961
10,550	7,239	4,950	6,167	6,487
3,373	4,121	4,113	3,080	4,234
6,843	5,583	6,002	5,965	6,057
4,460	4,479	3,881	3,077	3,296
148	49	503	493	451
126	143	146	134	141
49	49	49	46	52
21,821	22,600	22,925	22,992	23,251
16	17	26	12	10
11,850	11,850	11,664	11,850	11,300
4,602	4,974	4,883	4,886	5,159

CITY OF AVONDALE, ARIZONA
CAPITAL ASSET STATISTICS BY FUNCTION²
LAST NINE FISCAL YEARS

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Public Safety					
Police:					
Stations	2	2	2	2	2
Patrol units	28	47	53	64	76
Fire stations					
Stations	2	2	2	3	3
Regional training academy	0	0	0	1	
Fire trucks	4	4	7	7	7
Fire vehicles (excl. fire trucks)	12	13	15	16	19
Sanitation					
Collection trucks	11	11	15	18	18
Highways and streets					
Streets (miles)	213	220	253	264	279
Streetlights	5,950	5,950	5,950	6,499	7,103
Traffic signals	24	26	28	29	33
Culture and recreation					
Parks acreage	118	118	130	265	265
Parks	11	11	11	11	11
Racquetball courts	0	0	0	0	0
Basketball courts	15	11	10	14	14
Volleyball courts	5	4	4	4	2
Baseball fields	0	3	3	3	3
Softball fields	0	3	3	3	3
Soccer fields	0	10	10	11	11
Swimming pools	0	0	0	0	0
Tennis courts	2	2	2	2	2
Community centers	2	2	2	2	2
Dog park	0	0	0	1	1
Playgrounds	4	5	5	7	7
Amphitheatre	3	3	3	3	3
Ramadas	5	6	6	8	8
Water					
Number of service connections	16,200	18,417	20,545	21,459	21,821
Water mains (miles)	315	335	335	406	309
Fire hydrants	unavailable	1,965	2,235	2,564	2,581
Sewer					
Number of service connections	16,150	18,417	20,100	19,970	21,218
Sanitary sewers (miles)	307	329	329	321	232
Storm sewers (miles)	unavailable	unavailable	31	26	29
Wastewater					
Treatment plants	1	1	1	1	1

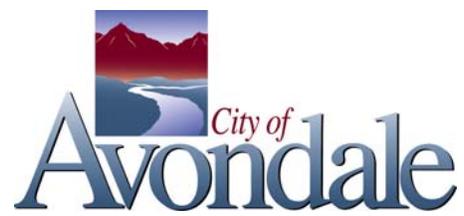
¹ The City implemented GASB 34 in fiscal year 2003. Prior years' financial statements have not been restated to provide this schedule information.

² Indicators are not available for the general government function.

Source: Various city departments.

Schedule 23

Fiscal Year			
2008	2009	2010	2011
2	4	4	4
84	90	93	116
3	3	3	3
7	7	7	7
17	16	16	16
18	17	18	18
284	284	285	285
7,952	8,016	7,739	7,739
36	42	42	46
265	265	265	265
11	11	11	11
0	0	0	0
14	14	14	18
0	0	0	0
4	4	4	4
7	7	7	7
12	12	12	14
0	0	0	0
2	2	2	2
2	1	1	1
1	1	1	1
8	8	8	8
2	2	2	2
12	12	12	12
22,600	22,925	22,992	23,251
314	316	318	330
2,624	2,686	2,703	2,711
21,416	21,453	21,471	21,479
235	235	235	235
32	32	37	37
1	1	1	1



**SINGLE AUDIT
SECTION**



HENRY & HORNE, LLP
Certified Public Accountants

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

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale, Arizona, (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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

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Fax (480) 483-7126

Casa Grande
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(520) 836-8201
Fax (520) 426-9432

Compliance and Other Matters

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

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

Henry & Horne LLP

Casa Grande, Arizona
December 20, 2011



HENRY & HORNE, LLP
Certified Public Accountants

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

The Honorable Mayor and Council
City of Avondale, Arizona

Compliance

We have audited City of Avondale, Arizona's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

As described in item 2011-1 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding subrecipient monitoring that are applicable to its CDBG Entitlement Grants Cluster. Compliance with such requirement is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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Internal Control Over Compliance

Management of the City of Avondale is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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's internal control over compliance.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-1 to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

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

Henry & Horne LLP

Casa Grande, Arizona
December 20, 2011

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Agency/Program Title/Cluster/Pass-Through Grantor	CFDA Number	Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		\$ 756,325
ARRA-Community Development Block Grant ARRA Entitlement Grants (CDBG-R)(Recovery Act Funded)	14.253		<u>76,511</u>
Total CDBG - Entitlement Grants Cluster			832,836 *
Home Investment Partnerships Program , passed through the Maricopa County Human Services Department	14.239	M-09-DC-04-0227, M-10-DC-04-0228	<u>102,060</u>
Total U.S. Department of Housing and Urban Development			<u>934,896</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety Bulletproof Vest Partnership Program	16.575 16.607	2009-VA-GX-0060	44,399 3,300
ARRA-Public Safety Partnership and Community Policing Grants	16.710		319,694
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,779
Edward Byrne Memorial Justice Assistance Grant Program, passed through Maricopa County	16.738	2009-G9557-AZ-DJ	<u>4,749</u>
Total Edward Byrne Memorial Justice Assistance Grant Program	16.738		13,528
ARRA-Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants To Units Of Local Government, passed through Maricopa County	16.804	2009-SB-B9-2970	<u>78,264</u>
Total JAG Program Cluster			91,792
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		<u>2,081</u>
Total U.S. Department of Justice			<u>461,266</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	P001-2008-004107, P001-2009-002154	173,742
Federal Transit_Formula Grants, Passed through the City of Phoenix	20.507	AZ-90-X103	1,225,987 *
Job Access_Reverse Commute, passed through the Arizona Department of Transportation	20.516	AZ-37-X010	43,655
Highway Safety Cluster			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2011-AL-004	8,787
Alcohol Impaired Driving Countermeasures Incentive Grants I, passed through the Arizona Governor's Office of Highway Safety	20.601	2010-410-038	<u>39,400</u>
Total Highway Safety Cluster			48,187
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants, passed through the Arizona Governor's Office of Highway Safety	20.614	2009-NG-002	<u>3,691</u>
Total U.S. Department of Transportation			<u>1,495,262</u>
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	UNKNOWN	<u>18,389</u>
Total Institute of Museum and Library Services			<u>18,389</u>
U.S. Department of Energy			
ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>309,552</u> *
Total U.S. Department of Energy			<u>309,552</u>
U.S. Department of Education			
ARRA-State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act, passed through the Arizona Governor's Office of Economic Recovery	84.397		<u>62,250</u>
Total U.S. Department of Education			<u>62,250</u>

(continued on next page)

See accompanying notes to schedule.

* Denotes major program

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

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	2011-05-AVO	45,477
Special Programs for the Aging_ Title III, Part C_ Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2011-05-AVO	123,546
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2011-05-AVO	<u>28,381</u>
Total Aging Cluster			197,404
Immunization Grants, passed through Maricopa County Department of Public Health	93.268	C-86-08-045-2-00	10,290
Temporary Assistance for Needy Families, passed through the Maricopa County Department of Human Services	93.558	C-22-10-084-3	9,964
Low-Income Home Energy Assistance, passed through the Maricopa County Department of Human Services	93.568	C-22-10-084-3	57,329
CSBG Cluster			
Community Services Block Grant, passed through the Maricopa County Department of Human Services	93.569	C-22-10-084-3	6,900
ARRA - Community Services Block Grant, passed through the Maricopa County Department of Human Services	93.710	C-22-10-084-3	<u>36,619</u>
Total CSBG Cluster			43,519
Social Services Block Grant, passed through the Maricopa County Department of Human Services	93.667	C-22-10-084-3	53,409
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2011-05-AVO	<u>25,243</u>
Total Social Services Block Grant			78,652
Total U.S. Department of Health and Human Services			<u>397,158</u>
U.S. Department of Homeland Security			
Homeland Security Grant Program	97.067		21,123
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	09-AZDOHS-HSGP-555204-01	726
Homeland Security Grant Program, passed through Maricopa County Sheriff's Office	97.067	09-AZDOHS-HSGP-555811-01	<u>35,533</u>
Total Homeland Security Grant Program			57,382
Total U.S. Department of Homeland Security			<u>57,382</u>
Total Expenditures of Federal Awards			<u>\$ 3,736,155</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, 2011

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 2011 *Catalog of Federal Domestic Assistance*.

NOTE 3 - SUBRECIPIENT EXPENDITURES

During the year, the City passed federal funds through to Housing Our Communities, Inc., under the Neighborhood Stabilization Program 1 (NSP1), a homebuyer assistance program (Subrecipient Agreement No. 12811). The City has reported NSP1 expenditures with Community Development Block Grants/Entitlement Grants (CDBG) expenditures, CFDA No. 14.218. The subrecipient's share of total CDBG expenditures for the year ended June 30, 2011, was \$167,589.

CITY OF AVONDALE, ARIZONA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2011

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported yes X none

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported yes X none

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

CDGB – Entitlement Grants Cluster	<u>Qualified</u>
Federal Transit Formula Grant	<u>Unqualified</u>
ARRA – Energy Efficiency Conservation Block Grant	<u>Unqualified</u>

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218, 14.253	CDGB – Entitlement Grants Cluster
20.507	Federal Transit Formula Grant
81.128	ARRA – Energy Efficiency Conservation Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

None Noted

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT

Finding Number:	2011-1	Questioned Costs:	\$787,004
Program Name:	CDBG- Entitlement Grants Cluster	CFDA Number:	14.218 & 14.253
Pass-Through Agency:	N/A	Grantor Number:	N/A

CRITERIA

OMB Circular A-133 requires that a pass-through entity establish monitoring policies over pass-through entities to ensure the subrecipient's use of Federal awards complies to applicable compliance requirements.

CONDITION/CONTEXT

During the year, the City passed Federal funds through to a subrecipient under the Neighborhood Stabilization Program 1, a homebuyer assistance program. While some monitoring of the subrecipient did occur, these procedures were not adequate enough to ensure that Federal compliance requirements were followed by the subrecipient. According to a U.S. Department of Housing and Urban Development, Office of the Inspector General (OIG) Report (Audit Report Number 2012-LA-1001), dated December 8, 2011, the subrecipient may have charged the program unsupported or ineligible costs totaling \$787,004 while under contract with the City.

EFFECT

The U.S. Department of Housing and Urban Development may require some, or all, of the funds overpaid to the subrecipient to be refunded by the City.

CAUSE

The monitoring procedures used by the City were not sufficient to ensure the subrecipient's use of Federal awards complied with applicable compliance requirements.

RECOMMENDATION

In order to comply with the requirements of OMB Circular A-133, the City should improve monitoring procedures such as reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipients administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS
(Continued)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management's response: Concur with the finding.

While management agrees that the OIG report identified unsupported or ineligible costs totaling \$787,004, the U.S Department of Housing and Urban Development (HUD) has not taken final management action and made a final decision as to how much, if any, of the \$787,004 amount will be disallowed. The OIG report recommended that HUD require the subrecipient to either substantiate the amounts that it charged the City or repay any unsubstantiated charges. In an effort to facilitate this process, city management has been working closely with local HUD representatives and the subrecipient to substantiate all amounts identified as overcharges in the OIG report.

Management's Corrective Action Plan: In addition to the subrecipient monitoring procedures already performed, the City plans the following corrective action:

- Develop a comprehensive monitoring schedule and procedures for all federal programs.
- Explore using external monitoring resources such as an independent auditor, or conduct joint monitoring with other jurisdictions using the same subrecipients, as appropriate, to assist with financial monitoring of larger, federally funded programs.
- Conduct walk-throughs on all construction projects to help ensure that the contracted services and goods are being provided according to the contract scope of work.
- Conduct programmatic and fiscal monitoring on all subrecipients and contractors receiving federal funding within the first 6 months of contract execution and annually thereafter.
- Send customer surveys to all program recipients after the project is completed and conduct telephone surveys, using sampling, to identify concerns.

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2010-2
Program Name: CDBG- Entitlement Grants Cluster
CFDA No. 14.218 & 14.253

Status: Corrected

