



City of **Avondale**

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2003
City of Avondale, Arizona**

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2003**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	v
City of Avondale Management	xiii
Organizational Chart	xiv
Certificate of Achievement for Excellence in Financial Reporting	xv
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (MD&A)	3-15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18-19
Fund Financial Statements	
Balance Sheet - Governmental Funds	20-21
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Activities	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities	26
Budgetary Comparison Statements - General Fund and Major Special Revenue Funds	
General Fund	27
Highway User Revenue Fund	28
Dedicated Sales Tax Revenue Fund	29
Proprietary Fund Financial Statements	
Statement of Net Assets	31
Statement of Revenues, Expenditures and Changes in Fund Net Assets	33
Statement of Cash Flows	34
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	35
Statement of Changes in Fiduciary Net Assets	37
Notes to the Basic Financial Statements	39-62

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2003**

TABLE OF CONTENTS

	Page
Supplementary Information	
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Other Major Funds	
Development Fees Fund	63
Combining Statements	
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet - Non-major Governmental Funds	65-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances- Non-major Governmental Funds	69-71
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non-major Governmental Funds	
Local Transportation Assistance Fund	73
Senior Programs Fund	74
Judicial Collection Enhancement Fund	75
Grants-in-Aid Fund	76
Insurance Reserve Fund	77
Vehicle Replacement Fund	78
Equipment Replacement Fund	79
Other Capital Projects Fund	80
General Obligation Bonds Fund	81
Highway User Revenue Bonds Fund	82
Dedicated Sales Tax Revenue Bonds	83
Other Debt Services Funds	84
Capital Assets Used in the Operation of Governmental Funds	
Comparison Schedules by Source	85
Schedule by Function and Activity	86
Schedule of Changes by Function and Activity	87
 STATISTICAL SECTION	
Government-wide information	
Government-wide Expenses by Function	90-91
Government-wide Revenues	92-93
Government-wide information	
Governmental Activities Expenditures by Function – Last Ten Fiscal Years	94-95
Governmental Activities Revenues by Source – Last Ten Fiscal Years	96-97
Property Tax Levies and Collections – Last Ten Fiscal Years	98
Assessed and Estimated Full-cash Value of Taxable Property – Last Ten Fiscal Years	99
Property Tax Rates – Direct and Overlapping Governments – Per \$100 Assessed Valuation – Last Ten Fiscal Years	100-101

**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2003**

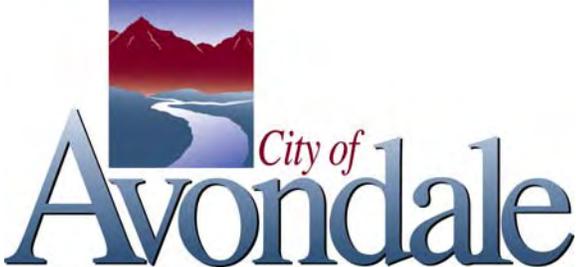
TABLE OF CONTENTS

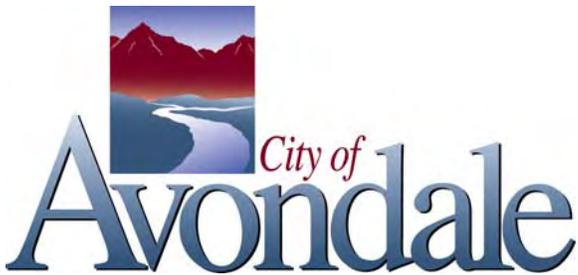
Page

Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita – Last Ten Fiscal Years	102
Computation of Legal Debt Margin	103
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds	104
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	105
Demographic Statistics – Last Ten Fiscal Years	106
Principal Taxpayers and Property Classifications	107
Ratio of Assessed Value to Maricopa County – Last Ten Fiscal Years	108
Comparative Assessed Valuation by Classification – Last Ten Fiscal Years	110-111
Statement of Revenues, Expenses and Debt Service Coverage – Last Five Fiscal Years	112
Water System Capacity and Demand – Last Ten Fiscal Years	113
Wastewater System Usage – Last Ten Fiscal Years	114
Water and Sewer Systems Customer Base – Historical and Projected	115
Water and Sewer Systems Current Water Rate Structure	116
Water and Sewer Systems Current Sewer Rate Structure	117
Water and Sewer Systems Rate Increases, Connection Fee Revenues, and Utility Connections – Last Ten Fiscal Years	118
Street and Highway Revenue Receipts – Last Ten Fiscal Years	119
Actual Excise Tax Revenues – Last Five Fiscal Years	120
Municipal Development Corporation Debt Service Coverage	121
Miscellaneous Statistics	122

SINGLE AUDIT SECTION

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	123
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	125
Schedule of Expenditures of Federal Awards	127
Schedule of Findings and Questioned Costs	129





Finance and Budget Department
11465 W. Civic Center Drive, Suite 250
Avondale, Arizona 85323-9807
Phone: (623) 478-3200
Fax: (623) 478-3817
Website: www.avondale.org

October 31, 2003

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

In accordance with the requirements of the City of Avondale's (the City) Charter, we are pleased to submit the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The report consists of management's representations concerning the City's finances. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or 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, P.L.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, 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 auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's 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 the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Federal Single Audit Report is included within this report.

GAAP require that management provide narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix metropolitan area, and is ranked one of the fastest growing residential areas of Maricopa County, Arizona. The City currently occupies 43 square miles and serves a population of approximately 47,610. 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 affairs of the City. The City of Avondale provides a full range of services for its citizens. Services include, police, fire, public transportation, library, social services, parks and recreation, street maintenance, sanitation, and general administration. The City also operates a water and wastewater utility.

This report includes financial statements on both a government-wide and fund basis for the primary government, as well as 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 County's operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 of the notes to the financial statements.

The annual budget serves as the foundation for the City of Avondale's financial planning and control. The City Manager submits on or before June 1, a proposed budget 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 neighborhood meetings, and Citizen Capital Improvement Plan meetings. The City Council holds two public hearings prior to the budget's final adoption in order to obtain additional taxpayer comments. At the first regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of an ordinance. The ordinance 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, Local Transportation Assistance Fund, Juvenile Collection

Enhancement Fund, Grants-in-Aid Fund, Insurance Reserve Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds, Highway User Revenue Bonds, Dedicated Sales Tax Bonds, and Other Debt Service Fund. Budget to actual comparisons are provided in this report for each of these individual funds.

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

Factors Affecting Economic Condition and Outlook

The City's aggressive approach toward economic development and its careful long-range planning have proved to be instrumental to Avondale's fiscal health.

Although the State and National economy struggled in fiscal year 2002-2003, the economic climate in the City was very encouraging. The City continued an aggressive economic development program with a concentration on bringing commercial development along with the creation of new jobs.

During the last fiscal year, a Costco and Harkins Theatre were constructed and opened. In addition, the Avondale auto mall continues to flourish with 4 new dealership under construction and 5 new development agreements for additional dealerships approved. Also under construction is an automotive technical school, Universal Technical Institute (UTI). UTI is constructing a 275,000 square-foot building on 25 acres that will support 3,000 students annually and employ over 200 people.

Commercial Activity

- Gateway Pavilions – 630,000 square-foot power center, offering an exciting new shopping destination. It was constructed with the highest design standards, adding a valuable and pleasing amenity to Avondale and the surrounding communities. It is one of the Southwest Valley's premier shopping/entertainment destinations. A Costco and Harkins Theater opened in fiscal year 2002-2003. Now open for business are Borders Books, Marshalls, Bed, Bath & Beyond, Circuit City, Sports Authority and several restaurants. Other new retailers will open soon at the Pavilions: Krispy Kreme, Petco, Peter Piper Pizza, Red Robin, and Carrabba's Italian Grill.
- Coldwater Plaza – 450,000 square-foot power center. A Sams Club and Ashley Furniture are under construction and will be joining the existing Home Depot.
- Alameda Crossing – is the site of the new 88,000 square-foot Kohl's Department store.
- Avondale Auto mall – opened in 2001, with the construction of three dealerships: Chevrolet, Dodge, and Chrysler/Jeep. In fiscal year 2002-2003, construction started on the Honda, Volkswagen, Nissan, and Recreational Vehicle dealerships. In addition, development agreements have been signed with Toyota, Saturn, Mitsubishi, Kia, and Hyundai with construction scheduled to begin in Fiscal Year 2003-2004.
- Fiesta Plaza – 125,000 square-foot retail center in southern Avondale. Anchored by Fry's food and drug store.

Office and Employment Activity

- Universal Technical Institute (UTI) – 275,000 square-foot complex on 25 acres with a cost in excess of \$20 million. Located at 107th Avenue and Pierce, UTI will serve 3,000 students annually and employ over 200 people. Students are drawn from across the country. Total annual payroll is expected to exceed \$11 million.
- Rancho Santa Fe Professional Center – 82,000 square-foot medical complex constructed in Fiscal Year 2002-2003. 85% occupied.
- Desert Lakes Professional Plaza – 45,000 square-foot professional plaza. Construction to be completed early spring 2004, and is 25% pre-leased.
- Indian School Crossing – 40,000 square-foot office condominiums. Construction completed and 60% of units have been sold.
- Gateway Office Park – 40,000 square-foot office condominiums. Construction to be completed spring 2004 and 50% of units have been sold.
- Avondale Civic Center Private Sector – 30,000 square-foot professional office building. Plans are in review.

Residential Activity

- Avondale's excellent freeway access, attractive suburban lifestyle, along with the new commercial development has continued to attract new housing communities to the City. During fiscal year 2002-03, 1,642 residential building permits were issued and the City experienced a 35.9% increase in secondary assessed valuation going from \$156,198,776 to \$212,252,060 for fiscal year 2002-03.

The City also developed and implemented a comprehensive program to improve and revitalize older residential and commercial areas of the community and continues to provide adequate public safety services to meet the priority concerns and needs of all residents.

The Estrella Mountain Community College located in northwest Avondale is an excellent post-secondary educational facility enhancing additional economic development opportunities in the surrounding area. The college is master planned for five building phases on its 105-acre site. The college is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools and has an enrollment of more than 5,000 students. Approximately 200,000 people reside in Estrella Mountain's service area, which is expected to grow to a half-million people by 2020.

Major Accomplishments and Initiatives

During fiscal year 2002-03, the City continued or planned for several significant projects.

Proposition 400 – The voters of the City approved proposition 400 increasing the City Sales Tax from 2% to 2.5%. The increased sales tax is dedicated to fund Public Safety operations. 25 police officers and 9 firefighters will be hired over the next 18 months in an effort to upgrade the service levels of Public Safety.

Avondale Civic Center – The City is planning for the development of the Avondale Civic Center, a new one-stop-shop government center complex to serve residents. Located on a 60-acre

parcel along Avondale Boulevard, just south of Van Buren Street, the Avondale Civic Center will serve as a one-stop shop government center for residents and those doing business with the City. Most of the city's departments and the new City Council Chambers are housed at the new Civic Center.

The Avondale Police Department facility is scheduled to open at the Avondale Civic Center in November; the City Court facility will be open in mid-December. A regional library is planned for 2006. City Hall's new "one-stop-shop" customer service counter serves customers wishing to pay a water-bill, sign up for youth sports programs, obtain a building permit, fill out a job application and more. The state-of-the-art council chambers seats nearly 300 people. The facility also has an amphitheater for outdoor events and a xeriscape garden. A Veterans Memorial will also be installed soon.

Avondale Boulevard Improvements – Plans for this project include the widening of Avondale Boulevard from two lanes to six lanes, with a landscaped median. The City will also install a sewer trunk line along Avondale Boulevard from McDowell Road south to Broadway Road, then west along Broadway to the wastewater treatment plant on Dysart Road. The new corridor will serve to promote commercial and employment opportunities. Construction will be completed by November 2003.

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 1.32% for fiscal year 2003-2003.

EXPENDITURE LIMITATION

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

On September 11, 2001, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for four years.

SINGLE AUDIT

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

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

PENSION BENEFITS

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

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

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

The City maintains the Volunteer Firefighters' Relief and Pension Trust Fund. Net assets of the fund totaled \$242,539 at June 30, 2003, an increase of \$5,240 over the previous year.

RISK MANAGEMENT

The City is responsible for the supervision and protection of the City's assets by employing various risk management techniques and procedures, which will reduce, minimize or eliminate the potential for risk. The City carries insurance for general liability, property, automobile, and public officials' errors and omissions through the Arizona Municipal Risk Retention Pool (AMRRP). Workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its comprehensive annual financial report (CAFR) for the year ended June 30, 2002. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2002-2003 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 support for maintaining the highest standards of professionalism in the management of the City of Avondale’s finances.

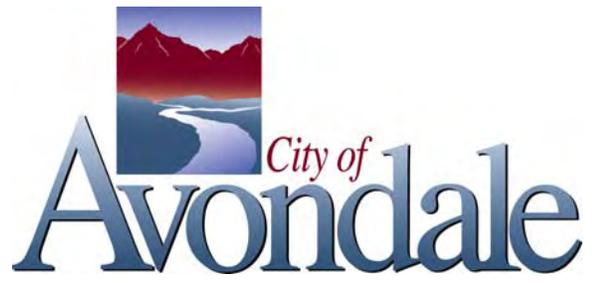
Respectfully submitted,



Erik Montague, CPA
Controller



Kevin H. Artz, CPA
Finance and Budget Director



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS OF THE CITY OF AVONDALE
FISCAL YEAR 2003**

MAYOR AND COUNCIL

Ron Drake, Mayor

Betty S. Lynch, Vice Mayor
Raymond Shuey, Councilmember
Jason Earp, Councilmember

Marie Lopez-Rogers, Councilmember
Al Carroll, Councilmember
Chuck Wolf, Councilmember

MANAGEMENT STAFF

Todd Hileman, City Manager
David Fitzhugh, Assistant City Manager
Charles McClendon, Assistant City Manager

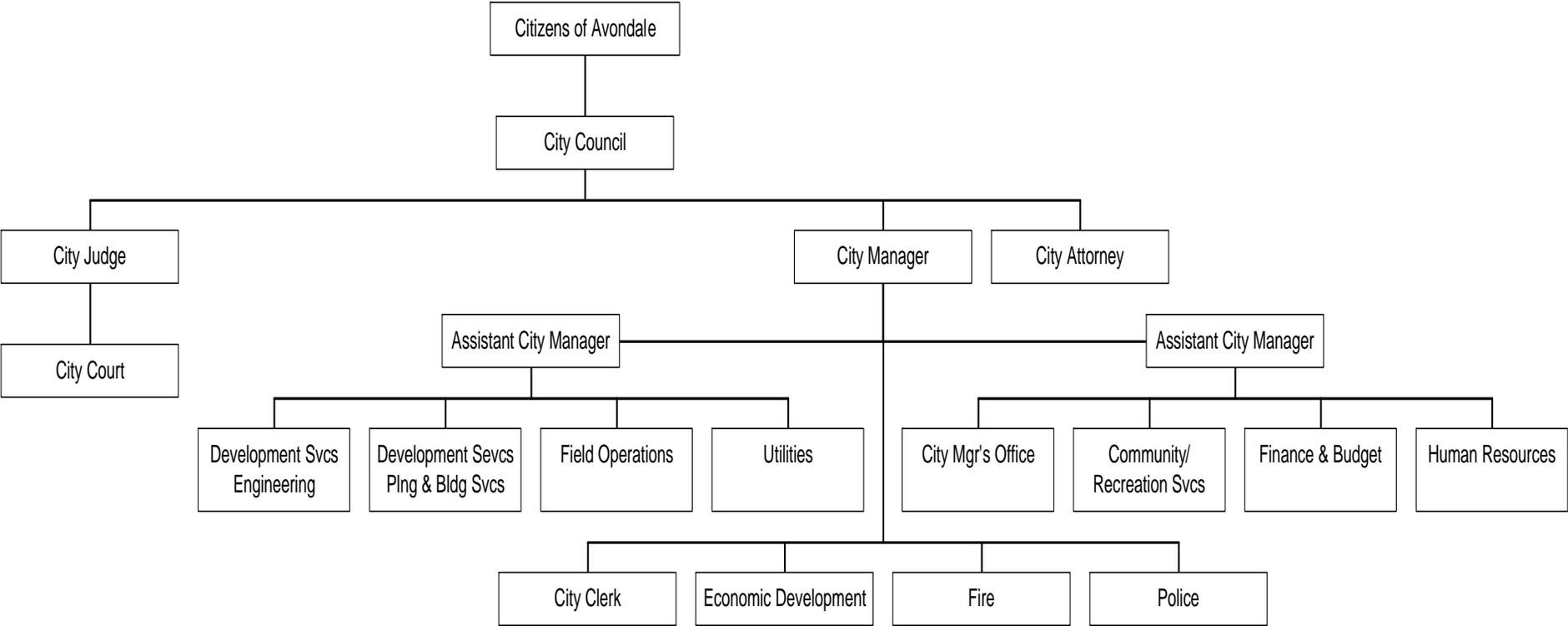
DEPARTMENT HEADS

Janet Stewart, Field Operations Director
Rob Emmett, Utilities Director
Dean Svoboda, Planning & Building Director
Police Chief – Vacant
Paul Adams, Fire Chief
Jeff Fairman, Economic Development Director

Kevin Artz, Finance and Budget Director
Dan Davis, Community/Recreation Director
Cherlene Penilla, Human Resources Director
Linda Farris, City Clerk
Alvin Bell, City Magistrate
Carnell Thurman, City Engineer

Finance and Budget Division Staff: Kevin Artz, Finance and Budget Director; Dianne Johnson, Accounting Manager; Erik Montague, Controller; Pilar Aguilar, Budget Manager

CITY OF AVONDALE ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale,
Arizona

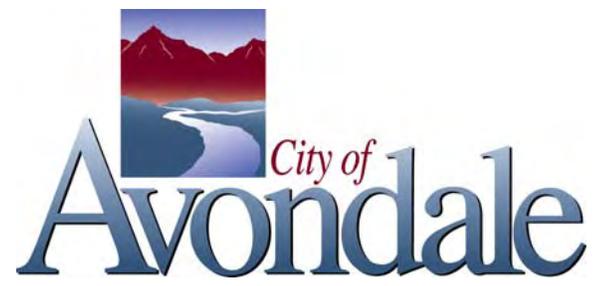
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director





HENRY & HORNE, P.L.C.
A D V I S O R S T O B U S I N E S S

Independent Auditors' Report

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale (the City), Arizona, as of and for the year ended June 30, 2003, 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 respect, 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, 2003, 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 accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Casa Grande Office

711 East Cottonwood Lane, Suite C Casa Grande, Arizona 85222-2725
520-836-8201 Fax 520-426-9432 www.hhcpa.com

The Honorable Mayor and Council
City of Avondale, Arizona

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments*, as of June 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 73 through 84, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Henry + Horn, PLC

October 31, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Avondale, Arizona (the City) we offer the 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, 2003.

This discussion and analysis is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions for the fiscal year ended June 30, 2003. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter as well as the City's basic financial statements.

Financial Highlights

- The City's assets exceeded its liabilities at the close of fiscal year 2003 by \$111.8 million (net assets). Of this amount, \$22.6 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$29.0 million (35.0%) in fiscal year 2003, \$2.3 million (a 15.5% increase) in governmental activities and \$26.7 million (a 39.2% increase) in business-type activities.
- Total revenues for the governmental funds increased by \$9.6 million (a 23% increase) over the previous year.
- At June 30, 2003, the total fund balance of the governmental funds was \$40.9 million, an increase of \$7.6 million (22.9%) from the previous year.
- At June 30, 2003, unreserved fund balance for the General Fund was \$9.6 million, or 37.2% of General Fund expenditures for fiscal year 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction and overview of the City's basic financial statements. The City's basic financial statements comprise three components; 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. Other supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses.

- The Statement of Net Assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The Statement of Activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; highways and streets; sanitation; health and welfare; economic and community development; and culture and recreation. The business-type activities of the City include Avondale Water Utility, East Avondale Water Utility and Wastewater Utility.

Component units are included in our basic financial statements and consist of legally separate entities for which the City is financially accountable and that have substantially the same board as the City or provide services entirely to the City. The blended component unit included is the Municipal Development Corporation. The City does not have any discretely presented component units.

Fund Financial Statements

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the City's assets. The fund financial statements now focus on the City's major funds, rather than fund type used prior to Statement No. 34. All of the funds of the City can be divided into one of three following categories; 1) governmental funds; 2) proprietary funds; 3) and fiduciary funds.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City reports four major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, and the Development Fees Fund.

Data from the other governmental funds (nonmajor) are combined into a single, aggregated column for presentation. Individual fund data for these funds is provided in the combining statements.

- **Proprietary funds** – Proprietary funds are used to account for business-type activities of the City. Enterprise funds are used for activities that primarily serve customers outside the

governmental unit. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detail and additional information like cash flows. Any reconciliation necessary between the fund statements and the business-type activities column of the government-wide financial statements is provided with the fund statements.

- **Fiduciary funds** – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The fiduciary fund statements are prepared on the same basis as the government-wide and proprietary fund statements.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds with a legally adopted budget as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. This information is disclosed in notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This year is the first year that the City applied Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. The City has not restated prior periods for purposes of providing the comparative data for the Management’s Discussion and Analysis (MD&A) because certain prior year information is unavailable. However, a comparative analysis of government-wide data will be presented when prior-year information is available.

Net Assets

As noted earlier, net assets may serve as a useful indicator of a government’s financial position. For the City, assets exceeded liabilities by \$111.8 million, at the close of the most recent fiscal year.

A significant portion of the City’s net assets reflects its investment of \$41.9 million or 37.5% in capital assets (e.g. land, buildings, equipment, and current year infrastructure), less any related outstanding debt used to acquire those assets, for fiscal year 2003. The City uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is 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 cannot be liquidated for these liabilities. The following table reflects the City’s condensed Statement of Net Assets.

	Governmental Activities	Business-type Activities	Total (Primary Government)
Current assets	\$ 58,049,293	\$ 47,732,135	\$105,781,428
Non-current assets	<u>46,055,900</u>	<u>75,652,195</u>	<u>121,708,095</u>
Total assets	<u>104,105,193</u>	<u>123,384,330</u>	<u>227,489,523</u>
Current liabilities	16,155,368	1,381,854	17,537,222
Non-current liabilities	<u>70,887,153</u>	<u>42,941,167</u>	<u>113,828,320</u>
Total liabilities	<u>87,042,521</u>	<u>44,323,021</u>	<u>131,365,542</u>
Net assets:			
Invested in capital assets, net of related debt	(7,765,135)	49,659,313	41,894,178
Restricted	17,748,348	29,627,827	47,376,175
Unrestricted	<u>7,079,459</u>	<u>15,485,880</u>	<u>22,565,339</u>
Total net assets	<u>\$ 17,062,672</u>	<u>\$ 94,773,020</u>	<u>\$111,835,692</u>

The largest portion of the City's net assets, \$47.4 million or 42.4% represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by debt covenants, grantors, contributors, laws or regulations or other governments. The remaining portion of unrestricted net assets, \$22.6 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive net asset balances in two of three categories for the governmental activities and all three of the business-type activities. The City elected to prospectively report infrastructure assets, as required, for fiscal year ended June 30, 2003. Therefore, the deficit position of invested in capital assets, net of related debt, in the governmental activities is as a result of significant debt financed infrastructure capital improvements that will be capitalized in future years. The City anticipates retroactively reporting infrastructure assets for fiscal year 2004.

Changes in Net Assets

The City's total net assets increased by \$29.0 million for the current fiscal year. The following table presents a summary of the changes in net assets for fiscal year ended June 30, 2003.

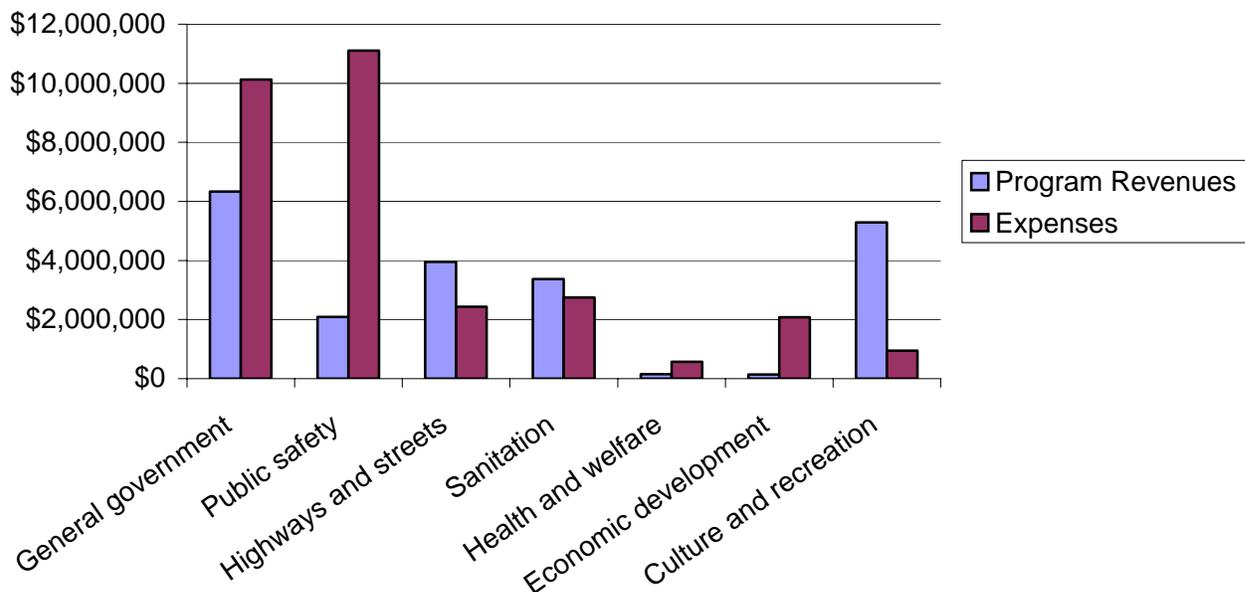
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total (Primary Government)</u>
Revenues:			
Program revenues			
Charges for services	\$ 7,272,094	\$ 12,887,914	\$ 20,160,008
Operating grants and contributions	1,860,947	-	1,860,947
Capital grants and contributions	12,183,730	7,066,770	19,250,500
General revenues			
Sales and use taxes	16,167,320	-	16,167,320
Property taxes	2,023,456	-	2,023,456
Franchise taxes	558,196	-	558,196
State shared revenues	10,323,804	-	10,323,804
Investment income	534,050	577,619	1,111,669
Gain on sale of assets	31,114	180,736	211,850
Miscellaneous	676,905	5,085	681,990
Total revenues	<u>51,631,616</u>	<u>20,718,124</u>	<u>72,349,740</u>
Expenses:			
General government	10,128,809	-	10,128,809
Public safety	11,107,465	-	11,107,465
Highways and streets	2,439,612	-	2,439,612
Sanitation	2,746,075	-	2,746,075
Health and welfare	573,859	-	573,859
Economic and community development	2,078,521	-	2,078,521
Culture and recreation	945,473	-	945,473
Interest on long-term debt	2,386,274	-	2,386,274
Water Utility	-	5,364,526	5,364,526
East Avondale Water Utility	-	501,732	501,732
Wastewater Utility	-	5,054,347	5,054,347
Total expenses	<u>32,406,088</u>	<u>10,920,605</u>	<u>43,326,693</u>
Increase in net assets before transfers	19,225,528	9,797,519	29,023,047
Transfers	<u>(16,924,196)</u>	<u>16,924,196</u>	<u>-</u>
Increase in net assets	2,301,332	26,721,715	29,023,047
Net assets - beginning, as restated	<u>14,761,340</u>	<u>68,051,305</u>	<u>82,812,645</u>
Net assets - ending	<u>\$ 17,062,672</u>	<u>\$ 94,773,020</u>	<u>\$ 111,835,692</u>

Governmental Activities

Governmental activities increased the City's net assets by \$2.3 million for fiscal year ended June 30, 2003. The following graphs and narrative describe the significant factors resulting in the overall increase in net assets for governmental activities.

The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this graph is not intended to represent a full cost allocation to these functions. General revenues of the City cover expenses not covered by direct program revenues. In the governmental activities, the functional program revenues were \$21.3 million and general revenues were \$30.3 million.

Governmental Program Revenues & Expenses

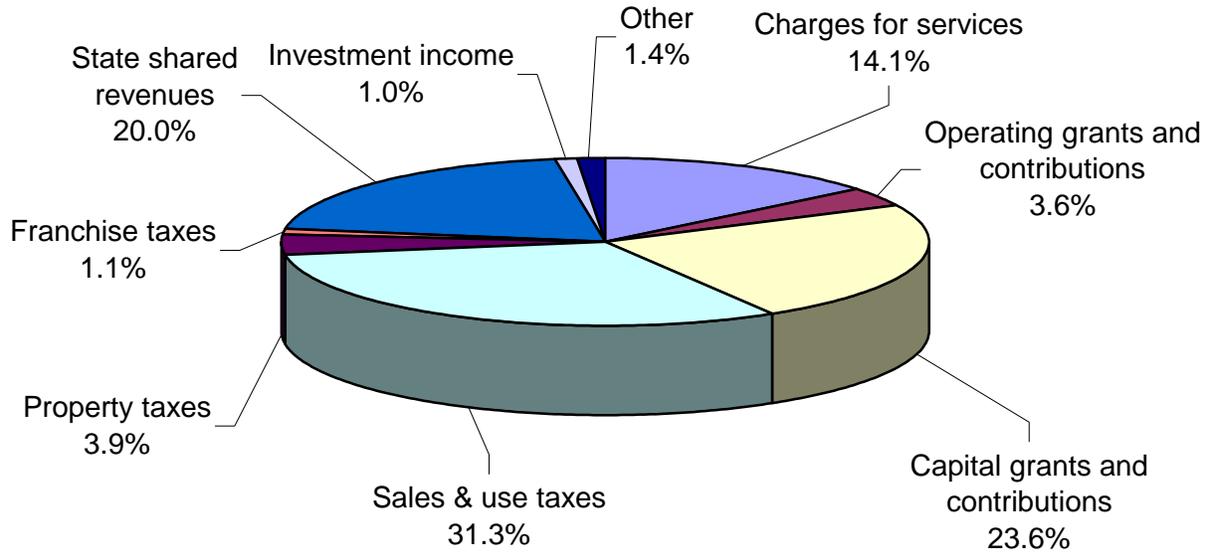


Governmental activities account for 71.3% of the total revenues of the City and 74.8% of the total expenses in fiscal year 2003.

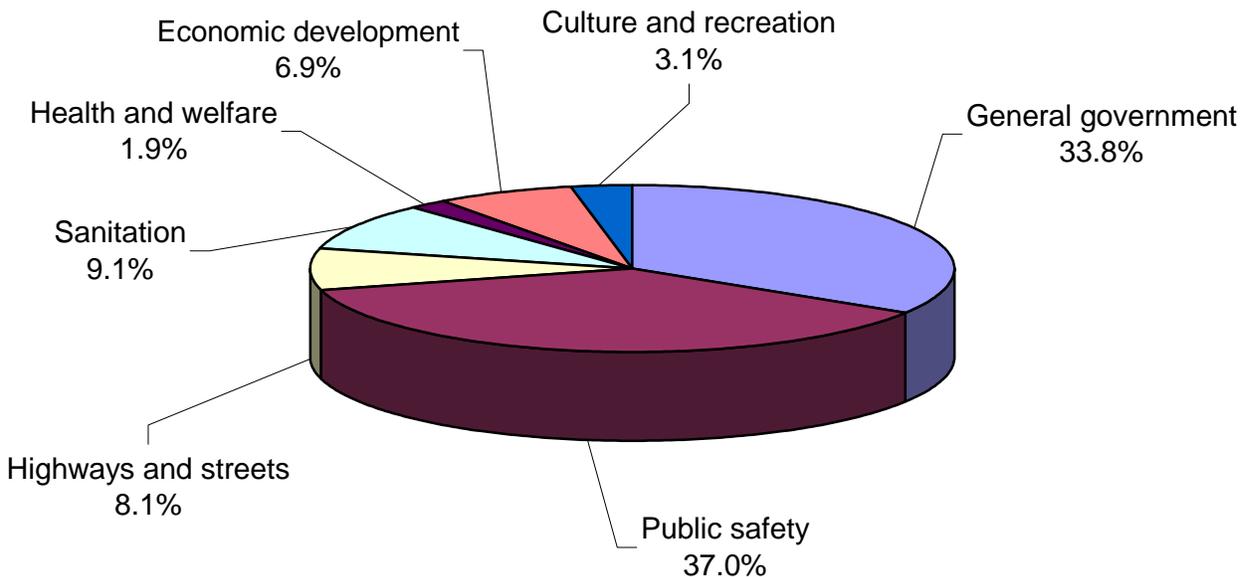
As seen in the following graph, the largest financing source for the City's governmental activities is sales and use taxes at 31.3%. Capital grants and contributions accounted for 23.6% of the City's total revenues. Charges for services contributed a significant portion of governmental activity revenues at 14.1% due primarily to development fees and charges for sanitation services.

Additionally, public safety is the City's largest functional expense at 37.0% followed by general government expenses at 33.8%.

Governmental Activities - Revenue Sources Fiscal Year 2003



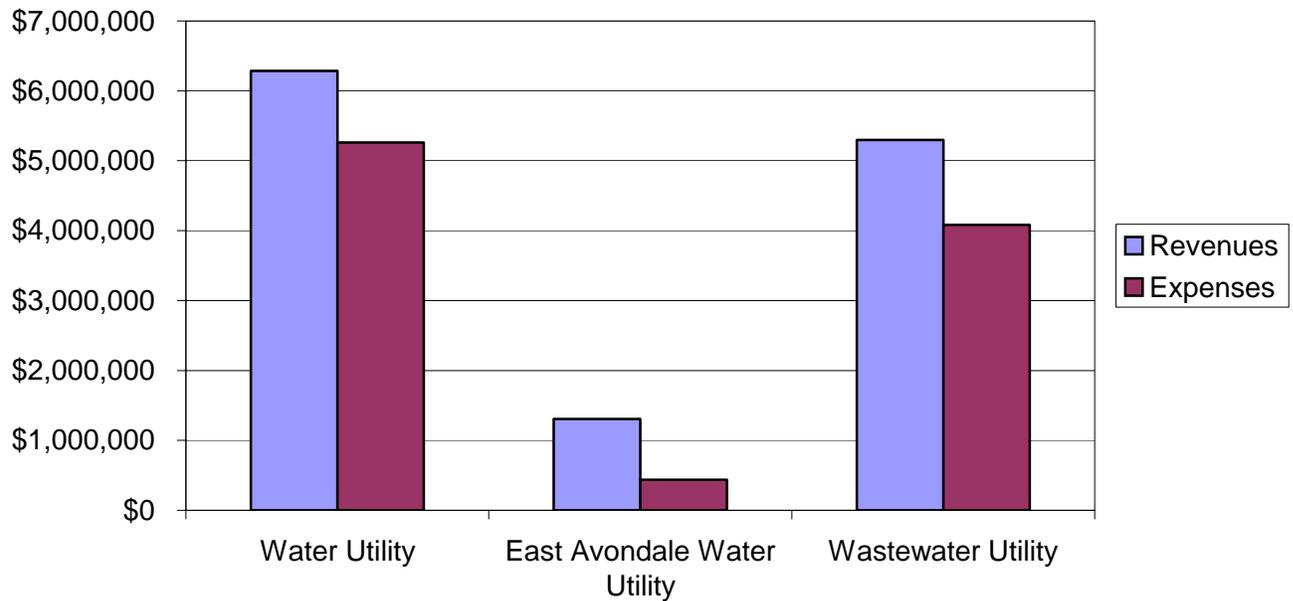
Governmental Activities - Functional Expenses Fiscal Year 2003



Business-type Activities

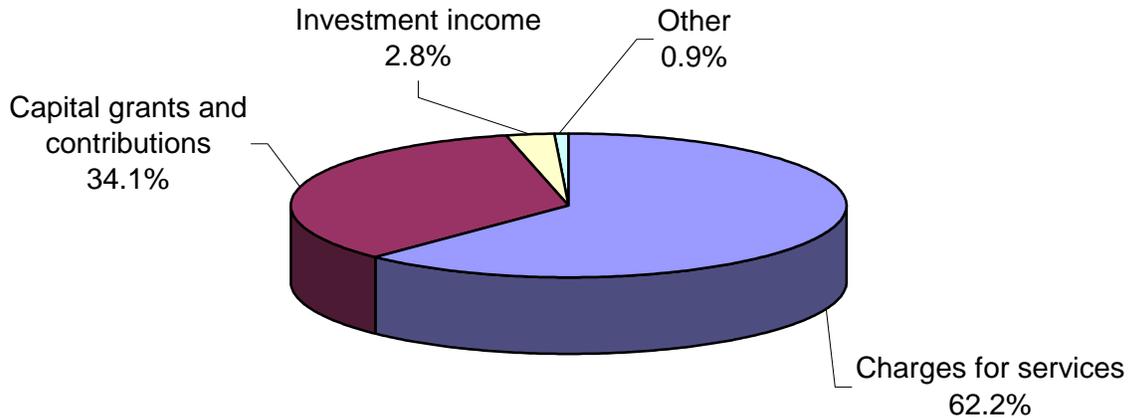
Business-type activities increased the City's net assets by \$26.7 million for fiscal year ended June 30, 2003 accounting for 93% of the City's growth. The following graphs and narrative describe the significant factors resulting in the overall increase in net assets for business-type activities.

Enterprise Fund Operating Revenues and Expenses Fiscal Year 2003



As shown in the preceding graph, the City's Water utility is the largest business-type activity with \$6.3 million and \$5.3 million in operating revenues and operating expenses, respectively, in fiscal year 2003, followed by Wastewater utility with operating revenues of \$5.3 million and operating expenses of \$4.1 million. For the fiscal year, revenues exceeded expenses in all three areas of business activity.

Business-type Activities - Revenues by Source Fiscal year 2003



Charges for services provided the largest share of revenues at \$12.9 million or 62.2% followed by capital grants and contributions of \$7.1 million or 34.1%, which are largely development fees, for all of the business-type activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40.9 million, an increase of \$7.6 million or 22.9% from the previous year. The combined ending fund balances for fiscal year 2002 were \$33.3 million. The increase in the current year's fund balance is largely attributable to the proceeds from bond issuances.

Of the total ending fund balances, \$21.5 million or 52.4% constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$19.4 million is reserved to indicate that it is not available for future spending because it has already been committed.

Revenues for governmental functions overall totaled \$51.5 million and \$41.9 million in the fiscal years ended June 30, 2003, and 2002, respectively, which represents an increase of \$9.6

million or 22.9% from the previous year. In the fiscal years ended June 30, 2003 expenditures for governmental functions, totaled \$70.7 million, an increase of \$33.9 million or 92.1% over the fiscal year 2002 total of \$36.8 million. In fiscal years ended June 30, 2003 and 2002, the excess of revenues over expenditures were (\$19.2) million and \$5.1 million, respectively. The deficit for fiscal year 2003 was caused by significant increases in capital outlay expenditures, public safety expenditures, and an accrual of a \$6.0 million lawsuit settlement.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$9.6 million, while total fund balance was \$9.8 million. The unreserved and total fund balances for the General Fund at the end of fiscal year 2002 were \$13.9 million and \$14.0 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36.8% of the total General Fund expenditures of \$25.8 million in fiscal year 2003.

The decrease in the General Fund's fund balance in fiscal year 2003 of \$4.2 million reflects the costs of providing ever-increasing services for a growing City combined with the effect of the continued sluggish nation-wide economy. Overall, the General Fund's revenues exceeded expenditures by \$4.5 million.

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. At the end of the current fiscal year, the total fund balances of all Debt Service Funds of \$3.0 million was \$1.4 million higher than fiscal year 2002. The majority of the increase in fund balance in the current fiscal year is attributable to the accumulation of resources in the Dedicated Sales Tax Bond Fund to pay future debt service requirements.

During the fiscal year, the City issued the following debt:

- \$23,000,000 of Municipal Development Corporation Excise Tax Revenue Bonds, Series 2002, dated July 1, 2002, with interest rates from 3.0% to 4.75% and maturity dates from July 1, 2003 to 2020.
- \$13,120,000 of Municipal Development Corporation Excise Tax Revenue Bonds, Series 2003, dated May 1, 2003, with interest rates from 2.0% to 3.4% and maturity dates from July 1, 2004 to 2015.
- \$7,050,000 of General Obligation Bonds (Projects of 1998), Series A (2003), original issue bonds, dated May 1, 2003, with interest rates from 2.0% to 2.75% and maturity dates from July 1, 2004 to 2015.
- \$3,060,000 of General Obligation Refunding Bonds, Series B (2003), dated May 1, 2003, with interest rates from 2.0% to 4.0% and maturity dates from July 1, 2001 to 2014 to advance refund \$2,975,000 of outstanding 1993 General Obligation Bonds with an average interest rate of 5.19%. The City will reduce its total debt service payments over the next 12 years by \$551,749 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$440,246.

The Capital Projects Funds account for the resources used to acquire, construct and improve major capital facilities, other than those financed by proprietary funds. At the end of the current fiscal year, the total fund balances of all Capital Projects Funds was \$25.4 million. The fund balance at the end of fiscal year 2002 was \$11.9 million. The increase in fund balance is

primarily due to the accumulation of unspent bond proceeds. Remaining portions of bond proceeds will be utilized in fiscal year 2004. Capital improvement expenditures in 2003 and 2002 were \$31.1 million and \$9.0 million, respectively, an increase of 245%.

Proprietary Funds – The City's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total unrestricted net assets of the Proprietary Funds was \$15.5 million and \$25.4 million for fiscal years 2003 and 2002, respectively. The growth in total net assets was \$26.7 million. The factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In general, the majority of the increase is due to \$16.9 million transfer of bond proceeds from the governmental funds to fund capital improvements in the Proprietary Funds.

Budgetary Considerations

The City's annual adopted budget establishes the legal level of expenditure control for the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual expenditures.

Amendments to the adopted budget may occur throughout the year between departments within individual funds (as described in Note 1). No amendments occurred during the year that effected total expenditures of any fund. During the year the following significant changes in the adopted budget and variances between budget and actual occurred:

- A \$0.8 million budget amendment in the General Fund moved expenditure authority from the general government line item to the public safety and capital outlay line items to purchase and support a new communication network for the police department.
- Expenditures in the General Fund's general government line item exceeded budget by \$0.4 million due, in part, to the movement of expenditure authority out as described above, combined with certain significant and unanticipated expenditures. The City will include those expenditure activities into consideration in its 2004 budget.
- Expenditures in the General Fund's sanitation line item exceeded budget by \$0.03 million due to the purchase of more recycling containers than expected. Fiscal year 2003 was the first year of its recycling program.
- Expenditures in the Insurance Reserve Fund exceeded budget by \$4.5 million due to a lawsuit settlement of \$6.0 million, which was paid in July 2003. Council approved the settlement payment. The deficit position of the fund will be eliminated through increased transfers from participating funds.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2003 and 2002, amount to \$ 121.7 million and \$88.0 million, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, roads, park facilities, vehicles, furniture and equipment, infrastructure, water system, sewer system, wastewater treatment system, and construction in progress. The total increase in the City's capital assets

(net of accumulated depreciation) for the fiscal years 2003 and 2002 was 37.9% as shown in the table below.

Additional information on the City's capital assets can be found within the notes to the financial statements.

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 7,289,192	\$ 7,629,733	\$ 14,817,798	\$ 14,817,798	\$ 22,106,990	\$ 22,447,531
Buildings and improvements	3,667,745	3,545,705	-	-	3,667,745	3,545,705
Vehicle, furniture and equipment	5,934,736	5,197,928	293,337	403,966	6,228,073	5,601,894
Infrastructure	876,577	-	-	-	876,577	-
Water system	-	-	15,435,326	11,826,966	15,435,326	11,826,966
Sewer system	-	-	14,861,565	12,104,250	14,861,565	12,104,250
Wastewater treatment system	-	-	23,515,843	12,571,734	23,515,843	12,571,734
Construction in progress	28,287,650	1,483,572	6,728,326	18,400,353	35,015,976	19,883,925
Total	<u>\$ 46,055,900</u>	<u>\$ 17,856,938</u>	<u>\$ 75,652,195</u>	<u>\$ 70,125,067</u>	<u>\$ 121,708,095</u>	<u>\$ 87,982,005</u>

Long-term Debt

At the end of the fiscal years 2003 and 2002, the City had total long-term obligations outstanding of \$95.9 million and \$52.4 million, respectively. Of these amounts, \$20.1 million and \$13.4 million are general obligation bonds that are backed by the full faith and credit of the City. The remaining includes revenue bonds, Municipal Development Corporation bonds, water infrastructure improvement loans, and other obligations of \$50.4 million and \$22.7 million, respectively.

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 20,096,000	\$ 13,370,000	\$ -	\$ -	\$ 20,096,000	\$ 13,370,000
Revenue bonds	4,690,000	4,970,000	3,564,400	3,741,100	8,254,400	8,711,100
Municipal Development Corporation Bonds	42,891,088	6,931,183	10,718,912	11,393,817	53,610,000	18,325,000
Water infrastructure improvement loans	-	-	11,709,570	8,569,646	11,709,570	8,569,646
Compensated absences	1,028,646	464,493	46,545	-	1,075,191	464,493
Claims payable	-	7,405,795	-	-	-	-
Capital leases payable	1,184,351	2,176,882	-	-	1,184,351	2,176,882
Contractual obligation	642,000	749,000	-	-	-	749,000
Total	<u>\$ 70,532,085</u>	<u>\$ 36,067,353</u>	<u>\$ 26,039,427</u>	<u>\$ 23,704,563</u>	<u>\$ 95,929,512</u>	<u>\$ 52,366,121</u>

The State constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's legal debt margin at June 30, 2003 and 2002 is \$3.4 million and \$7.1 million, respectively, in the 6% capacity and \$31.9 million and \$20.2 million, respectively, in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report.

Economic Factors

Despite a continued sluggish State and National economy during the fiscal year, the City's economic climate remained positive. The City's tax revenues increased by \$2.2 million or 13.3% in fiscal year 2003. Of the tax revenue increase, \$1.6 million was attributable to sales taxes and \$0.5 million was due to property tax revenues. The increased growth in residential and commercial development has resulted in a significant increase in real property tax valuation. The City's secondary valuation for real property increased from \$156.2 million in fiscal year 2002 to \$212.3 million in fiscal year 2003. This represents a valuation increase of \$56.1 million or 35.9%.

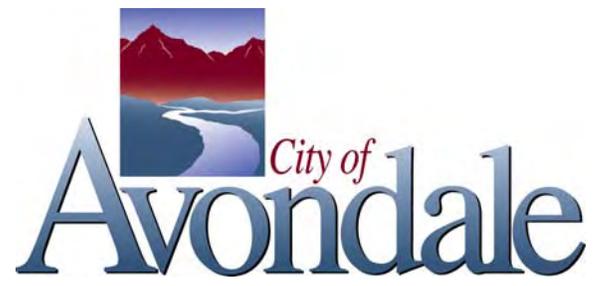
Retail sales are projected to increase approximately 4.0% in 2004. A stronger economy in 2004 will expand sales by volume and provide for limited revenue gains. Accordingly, the City has budgeted limited increases in tax revenues and for relatively flat growth in all other revenues for fiscal year 2004. With continued growth and diversification of its residential and commercial base, the City is poised to take advantage of the eventual economic upswing.

Request for Information

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

City of Avondale
Finance and Budget Department
11465 W. Civic Center Drive, Suite 250
Avondale, Arizona 85323
(623) 478-3200

Or visit our website at:
<http://www.avondale.org>



CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 8,618,721	\$ 3,159,291	\$ 11,778,012
Investments	26,677,434	27,417,070	54,094,504
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	1,433,197	19,754	1,452,951
Accounts	595,810	2,174,346	2,770,156
Interest	101,721	121,956	223,677
Due from other governments	1,301,286	-	1,301,286
Inventories	165,313	398,944	564,257
Prepaid assets	1,482,581	1,011,319	2,493,900
Restricted investments	342,663	-	342,663
Restricted cash with fiscal agent	17,330,567	13,429,455	30,760,022
Capital assets, non-depreciable	35,576,842	21,546,124	57,122,966
Capital assets, depreciable (net)	10,479,058	54,106,071	64,585,129
Total assets	104,105,193	123,384,330	227,489,523
LIABILITIES			
Accounts payable	6,212,052	1,867,047	8,079,099
Accrued payroll	559,796	44,966	604,762
Accrued liabilities	1,660,878	270,643	1,931,521
Claims payable	5,999,000	-	5,999,000
Deposits held for others	21,553	154,274	175,827
Construction contracts payable	1,069,721	70,592	1,140,313
Sales tax payable	5,643	93,996	99,639
Deferred revenue	626,725	70,365	697,090
Non-current liabilities:			
Due within one year			
Compensated absences	616,058	37,236	653,294
Contractual obligations	107,000	-	107,000
Long-term leases payable	361,370	-	361,370
Water infrastructure obligations	-	677,018	677,018
Bonds payable	2,016,973	873,747	2,890,720
Due in more than one year			
Compensated absences	412,588	9,309	421,897
Contractual obligations	535,000	-	535,000
Long-term leases payable	822,981	-	822,981
Water infrastructure obligations	-	11,032,552	11,032,552
Bonds payable	65,660,115	13,409,565	79,069,680
Bond premium	355,068	-	355,068
Total liabilities	87,042,521	28,611,310	115,653,831
NET ASSETS			
Invested in capital assets, net of related debt	(7,765,135)	49,659,313	41,894,178
Restricted for:			
Highways and streets	1,950,268	-	1,950,268
Grants	392,038	-	392,038
Community development	342,663	-	342,663
Debt service	3,201,146	-	3,201,146
Capital improvements	11,862,233	29,627,827	41,490,060
Unrestricted	7,079,459	15,485,880	22,565,339
Total net assets	\$ 17,062,672	\$ 94,773,020	\$ 111,835,692

The accompanying notes are an integral part of the financial statements.

**CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 10,128,809	\$ 4,486,404	\$ -	\$ 1,852,451
Public safety	11,107,465	3,050	945,471	1,136,082
Highways and streets	2,439,612	-	343,457	3,604,676
Sanitation	2,746,075	2,754,200	254,692	360,284
Health and welfare	573,859	-	147,281	-
Economic and community development	2,078,521	-	137,759	-
Culture and recreation	945,473	28,440	32,287	5,230,237
Interest on long-term debt	2,386,274	-	-	-
Total governmental activities	<u>32,406,088</u>	<u>7,272,094</u>	<u>1,860,947</u>	<u>12,183,730</u>
Business-type activities:				
Water utility	5,364,526	6,283,314	-	3,172,337
East Avondale water utility	501,732	1,308,192	-	-
Wastewater utility	5,054,347	5,296,408	-	3,894,433
Total business-type activities	<u>10,920,605</u>	<u>12,887,914</u>	<u>-</u>	<u>7,066,770</u>
Total primary government	<u>\$ 43,326,693</u>	<u>\$ 20,160,008</u>	<u>\$ 1,860,947</u>	<u>\$ 19,250,500</u>

General revenues:

Taxes:

Sales and use taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Franchise taxes

State shared revenues

Investment income

Gain on sale of capital assets

Miscellaneous

Transfers in (out)

Total general revenues and transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of the financial statements.

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

Primary Government		
Governmental Activities	Business-type Activities	Totals
\$ (3,789,954)	\$ -	\$ (3,789,954)
(9,022,862)	-	(9,022,862)
1,508,521	-	1,508,521
623,101	-	623,101
(426,578)	-	(426,578)
(1,940,762)	-	(1,940,762)
4,345,491	-	4,345,491
(2,386,274)	-	(2,386,274)
<u>(11,089,317)</u>	<u>-</u>	<u>(11,089,317)</u>
-	4,091,125	4,091,125
-	806,460	806,460
-	4,136,494	4,136,494
-	9,034,079	9,034,079
<u>(11,089,317)</u>	<u>9,034,079</u>	<u>(2,055,238)</u>
16,167,320	-	16,167,320
831,159	-	831,159
1,192,297	-	1,192,297
558,196	-	558,196
10,323,804	-	10,323,804
534,050	577,619	1,111,669
31,114	180,736	211,850
676,905	5,085	681,990
<u>(16,924,196)</u>	<u>16,924,196</u>	<u>-</u>
<u>13,390,649</u>	<u>17,687,636</u>	<u>31,078,285</u>
<u>2,301,332</u>	<u>26,721,715</u>	<u>29,023,047</u>
<u>14,761,340</u>	<u>68,051,305</u>	<u>82,812,645</u>
<u>\$ 17,062,672</u>	<u>\$ 94,773,020</u>	<u>\$ 111,835,692</u>

**CITY OF AVONDALE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
ASSETS			
Cash	\$ 200,505	\$ 163,296	\$ 489,560
Investments	9,770,366	1,354,471	2,729,348
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	1,051,900	-	305,682
Accounts	531,775	-	7,462
Interest	26,446	3,666	-
Due from other funds	75,000	-	-
Due from other governments	627,715	203,106	-
Inventories	141,607	23,706	-
Prepaid assets	44,078	-	-
Restricted investments	-	-	-
Cash with fiscal agent	57,495	-	-
Total assets	<u>\$ 12,526,887</u>	<u>\$ 1,748,245</u>	<u>\$ 3,532,052</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,065,165	\$ 52,405	\$ -
Accrued payroll and employee benefits	645,949	29,208	-
Accrued liabilities	986,924	-	-
Claims payable	-	-	-
Deposits held for others	9,729	-	-
Sales tax payable	4,661	163	-
Due to other funds	-	-	-
Construction contracts payable	-	-	-
Deferred revenue	41,133	55,436	-
Total liabilities	<u>2,753,561</u>	<u>137,212</u>	<u>-</u>
Fund balances (deficit):			
Reserved for:			
Inventory	141,607	23,706	-
Debt service	-	-	-
Capital improvements	-	-	-
Reserved for cash with fiscal agent	57,495	-	-
Unreserved reported in:			
General Fund	9,574,224	-	-
Special Revenue Funds	-	1,587,327	3,532,052
Capital Projects Funds	-	-	-
Total fund balances	<u>9,773,326</u>	<u>1,611,033</u>	<u>3,532,052</u>
Total liabilities and fund balance	<u>\$ 12,526,887</u>	<u>\$ 1,748,245</u>	<u>\$ 3,532,052</u>

The accompanying notes are an integral part of the financial statements.

Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,040,513	\$ 2,724,847	\$ 8,618,721
7,008,706	5,814,543	26,677,434
-	75,615	1,433,197
-	56,573	595,810
54,254	17,355	101,721
-	-	75,000
259,213	211,252	1,301,286
-	-	165,313
-	734,000	778,078
-	342,663	342,663
15,250,806	2,022,266	17,330,567
<u>\$ 27,613,492</u>	<u>\$ 11,999,114</u>	<u>\$ 57,419,790</u>

\$ 4,834,830	\$ 259,652	\$ 6,212,052
-	34,299	709,456
-	673,954	1,660,878
-	5,999,000	5,999,000
-	11,824	21,553
-	819	5,643
-	75,000	75,000
1,066,672	3,049	1,069,721
387,673	303,635	787,877
<u>6,289,175</u>	<u>7,361,232</u>	<u>16,541,180</u>

-	-	165,313
-	1,028,179	1,028,179
-	899,878	899,878
15,250,806	2,022,266	17,330,567
-	-	9,574,224
-	(2,838,559)	2,280,820
6,073,511	3,526,118	9,599,629
<u>21,324,317</u>	<u>4,637,882</u>	<u>40,878,610</u>
<u>\$ 27,613,492</u>	<u>\$ 11,999,114</u>	<u>\$ 57,419,790</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2003**

Fund balances - total governmental funds balance sheet \$ 40,878,610

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	58,628,157	
Less accumulated depreciation	(12,572,257)	46,055,900

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	(67,677,088)	
Long-term leases payable	(1,184,351)	
Compensated absences	(878,985)	
Contractual obligations	(642,000)	(70,382,424)

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

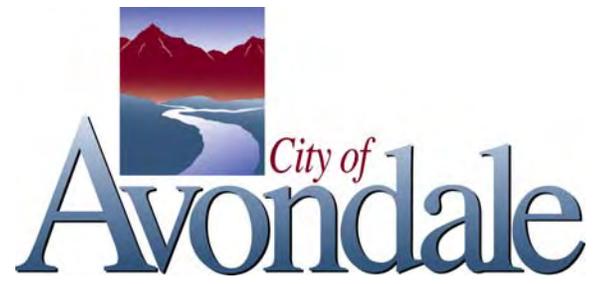
Bond premium	(355,068)	
Bond issue costs	704,503	349,435

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

Recognition of property tax revenue	88,409	
Grant revenue accrual	72,742	161,151

Net assets of governmental activities - statement of net assets \$ 17,062,672

The accompanying notes are an integral part of the financial statements.



CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 14,038,851	\$ -	\$ 3,513,978
Licenses and permits	4,049,503	-	-
Intergovernmental	8,329,552	2,323,982	-
Charges for services	2,948,226	-	-
Fines, forfeitures, and penalties	262,032	-	-
Interest	147,177	19,373	38,240
Contributions	21,303	-	-
Miscellaneous revenues	526,392	116	-
Total revenues	<u>30,323,036</u>	<u>2,343,471</u>	<u>3,552,218</u>
Expenditures			
Current:			
General government	9,909,445	-	-
Public safety	8,976,915	-	-
Highways and streets	-	2,019,610	-
Sanitation	2,432,408	-	-
Health and welfare	370,123	-	-
Economic and community development	1,948,154	-	-
Culture and recreation	755,714	-	-
Debt service:			
Principal	172,913	97,232	-
Interest	27,216	7,141	-
Capital outlay	1,160,618	-	-
Total expenditures	<u>25,753,506</u>	<u>2,123,983</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,569,530</u>	<u>219,488</u>	<u>3,552,218</u>
Other financing sources (uses)			
Proceeds from bond issuance	-	-	-
Refunding bonds issued	3,060,000	-	-
Premium on bonds	28,699	-	-
Payment to escrow agent	(3,000,000)	-	-
Proceeds from sale of capital assets	16,114	-	-
Proceeds from capital leases	-	-	-
Transfers in	128,733	409,000	-
Transfers out	(9,052,743)	(662,490)	(2,600,000)
Total other financing sources (uses)	<u>(8,819,197)</u>	<u>(253,490)</u>	<u>(2,600,000)</u>
Net change in fund balances	(4,249,667)	(34,002)	952,218
Fund balances at beginning of year	<u>14,022,993</u>	<u>1,645,035</u>	<u>2,579,834</u>
Fund balances at end of year	<u>\$ 9,773,326</u>	<u>\$ 1,611,033</u>	<u>\$ 3,532,052</u>

The accompanying notes are an integral part of the financial statements.

Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,183,862	\$ 18,736,691
5,570,043	-	9,619,546
1,445,248	1,584,642	13,683,424
-	9,669	2,957,895
-	-	262,032
222,010	118,922	545,722
4,616,666	231,598	4,869,567
157,318	155,258	839,084
<u>12,011,285</u>	<u>3,283,951</u>	<u>51,513,961</u>
-	6,664,900	16,574,345
-	1,232,617	10,209,532
-	206,596	2,226,206
-	21,960	2,454,368
-	160,575	530,698
-	130,356	2,078,510
-	13,192	768,906
-	926,075	1,196,220
-	2,353,205	2,387,562
29,809,550	1,292,156	32,262,324
<u>29,809,550</u>	<u>13,001,632</u>	<u>70,688,671</u>
<u>(17,798,265)</u>	<u>(9,717,681)</u>	<u>(19,174,710)</u>
20,170,000	23,000,000	43,170,000
-	-	3,060,000
154,934	197,723	381,356
(977,913)	-	(3,977,913)
676,439	15,000	707,553
-	387,435	387,435
10,975,720	6,741,903	18,255,356
-	(22,864,319)	(35,179,552)
<u>30,999,180</u>	<u>7,477,742</u>	<u>26,804,235</u>
13,200,915	(2,239,939)	7,629,525
8,123,402	6,877,821	33,249,085
<u>\$ 21,324,317</u>	<u>\$ 4,637,882</u>	<u>\$ 40,878,610</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURE, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003**

Net change in fund balances - total governmental funds \$ 7,629,525

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

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

Expenditures for capital assets	30,930,368	
Less current year depreciation	<u>(2,054,968)</u>	28,875,400

Some items reported in the governmental funds are sources and uses of current financial resources and therefore are not reported as revenues or expenses in the statement of activities.

Proceeds from the issuance of debt	(46,230,000)	
Bond premium	(355,068)	
Debt issuance costs	704,503	
Proceeds from sale of capital assets	(676,439)	
Principal payments on long-term debt	4,397,928	
Proceeds from capital leases	(387,435)	
Prepayment of capital lease	<u>911,614</u>	(41,634,897)

Certain revenues and expenses are not recorded in the governmental funds because they do not provide or use current financial resources but are recognized in the statement of activities.

Reversal of prior year property tax revenue	(71,912)	
Accrual of current year property tax revenue	84,192	
Grant revenue accrual	72,742	
Reversal of long-term claims payable	7,405,795	
Recognition of vested sick benefits	94,886	
Miscellaneous revenue accrual	1,519	
Recognition of employee benefits	<u>(155,918)</u>	<u>7,431,304</u>

Change in net assets of governmental activities \$ 2,301,332

The accompanying notes are an integral part of the financial statements.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2003

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 12,770,610	\$ 12,770,610	\$ 14,038,851	\$ 1,268,241
Licenses and permits	4,080,000	4,080,000	4,049,503	(30,497)
Intergovernmental	7,672,600	7,672,600	8,329,552	656,952
Charges for services	2,665,050	2,665,050	2,948,226	283,176
Fines, forfeitures, and penalties	346,900	346,900	262,032	(84,868)
Interest	200,000	200,000	147,177	(52,823)
Contributions	-	-	21,303	21,303
Miscellaneous revenues	150,850	150,850	526,392	375,542
Total revenues	<u>27,886,010</u>	<u>27,886,010</u>	<u>30,323,036</u>	<u>2,437,026</u>
Expenditures				
General government	10,154,720	9,498,109	9,909,445	(411,336)
Public safety	9,243,035	9,377,235	8,976,915	400,320
Sanitation	2,405,640	2,405,640	2,432,408	(26,768)
Health and welfare	475,110	470,110	370,123	99,987
Economic and community development	2,698,430	2,646,297	1,948,154	698,143
Culture and recreation	801,240	811,901	755,714	56,187
Debt service				
Principal	236,270	238,133	172,913	65,220
Interest	-	-	27,216	(27,216)
Capital outlay	710,130	1,277,150	1,160,618	116,532
Total expenditures	<u>26,724,575</u>	<u>26,724,575</u>	<u>25,753,506</u>	<u>971,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,161,435</u>	<u>1,161,435</u>	<u>4,569,530</u>	<u>3,408,095</u>
Other financing sources (uses)				
Refunding bonds issued	-	-	3,060,000	3,060,000
Premium on bonds	-	-	28,699	28,699
Payment to escrow agent	-	-	(3,000,000)	(3,000,000)
Proceeds from sale of capital assets	-	-	16,114	16,114
Transfers in	-	-	128,733	128,733
Transfers out	(9,214,590)	(9,214,590)	(9,052,743)	161,847
Total other financing sources (uses)	<u>(9,214,590)</u>	<u>(9,214,590)</u>	<u>(8,819,197)</u>	<u>395,393</u>
Net change in fund balance	(8,053,155)	(8,053,155)	(4,249,667)	3,803,488
Fund balance at beginning of year	<u>13,230,960</u>	<u>13,230,960</u>	<u>14,022,993</u>	<u>792,033</u>
Fund balance at end of year	<u>\$ 5,177,805</u>	<u>\$ 5,177,805</u>	<u>\$ 9,773,326</u>	<u>\$ 4,595,521</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2003**

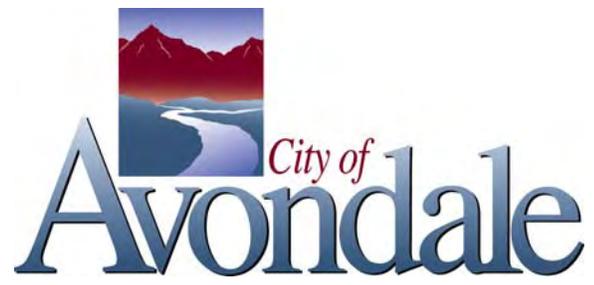
	Highway User Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 2,326,250	\$ 2,326,250	\$ 2,323,982	\$ (2,268)
Interest	20,000	20,000	19,373	(627)
Miscellaneous revenues	-	-	116	116
Total revenues	<u>2,346,250</u>	<u>2,346,250</u>	<u>2,343,471</u>	<u>(2,779)</u>
Expenditures				
Highways and streets	2,041,520	2,041,520	2,019,610	21,910
Principal	104,770	104,770	97,232	7,538
Interest	-	-	7,141	(7,141)
Total expenditures	<u>2,146,290</u>	<u>2,146,290</u>	<u>2,123,983</u>	<u>22,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>199,960</u>	<u>199,960</u>	<u>219,488</u>	<u>19,528</u>
Other financing sources (uses)				
Transfers in	409,000	409,000	409,000	-
Transfers out	(662,490)	(662,490)	(662,490)	-
Total other financing sources (uses)	<u>(253,490)</u>	<u>(253,490)</u>	<u>(253,490)</u>	<u>-</u>
Net change in fund balance	(53,530)	(53,530)	(34,002)	19,528
Fund balance at beginning of year	<u>1,364,556</u>	<u>1,364,556</u>	<u>1,645,035</u>	<u>280,479</u>
Fund balance at end of year	<u>\$ 1,311,026</u>	<u>\$ 1,311,026</u>	<u>\$ 1,611,033</u>	<u>\$ 300,007</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
DEDICATED SALES TAX REVENUE FUND
YEAR ENDED JUNE 30, 2003**

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 3,045,000	\$ 3,045,000	\$ 3,513,978	\$ 468,978
Interest	-	-	38,240	38,240
Total revenues	<u>3,045,000</u>	<u>3,045,000</u>	<u>3,552,218</u>	<u>507,218</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,045,000</u>	<u>3,045,000</u>	<u>3,552,218</u>	<u>507,218</u>
Other financing sources (uses)				
Transfers out	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>(2,600,000)</u>	<u>-</u>
Net change in fund balance	445,000	445,000	952,218	507,218
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>2,579,834</u>	<u>2,579,834</u>
Fund balance at end of year	<u>\$ 445,000</u>	<u>\$ 445,000</u>	<u>\$ 3,532,052</u>	<u>\$ 3,087,052</u>

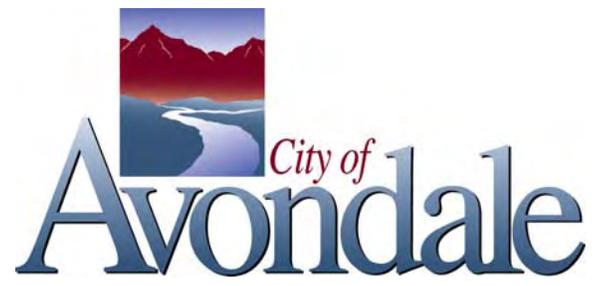
The accompanying notes are an integral part of the financial statements.



**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2003**

	Business-type Activities - Enterprise Funds			
	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
ASSETS				
Current assets:				
Cash	\$ 1,159,331	\$ 166,109	\$ 1,833,851	\$ 3,159,291
Investments	15,889,737	1,854,565	9,672,768	27,417,070
Receivables				
Accounts, net	1,088,367	199,169	886,810	2,174,346
Miscellaneous state and county taxes receivable	4,866	14,888	-	19,754
Interest	90,331	5,042	26,583	121,956
Inventories	325,995	23,891	49,058	398,944
Prepaid assets	198,601	60,700	752,018	1,011,319
Total current assets	<u>18,757,228</u>	<u>2,324,364</u>	<u>13,221,088</u>	<u>34,302,680</u>
Non-current assets:				
Restricted assets				
Cash with fiscal agent	12,601,490	-	827,965	13,429,455
Capital assets:				
Capital assets, non-depreciable	14,719,326	1,043,325	5,783,473	21,546,124
Capital assets, depreciable (net)	14,119,871	1,477,334	38,508,866	54,106,071
Total non-current assets	<u>41,440,687</u>	<u>2,520,659</u>	<u>45,120,304</u>	<u>89,081,650</u>
Total assets	<u>60,197,915</u>	<u>4,845,023</u>	<u>58,341,392</u>	<u>123,384,330</u>
LIABILITIES				
Current liabilities:				
Accounts payable	937,082	31,467	898,498	1,867,047
Accrued payroll and employee benefits	45,557	4,106	32,539	82,202
Accrued liabilities	49,100	3,322	218,221	270,643
Construction contracts payable	70,592	-	-	70,592
Sales tax payable	77,808	15,779	409	93,996
Deposits held in custody for others	140,179	14,095	-	154,274
Deferred revenues	66,817	3,548	-	70,365
Water infrastructure obligations - current	-	-	677,018	677,018
Revenue bonds payable - current	156,820	60,700	656,227	873,747
Total current liabilities	<u>1,543,955</u>	<u>133,017</u>	<u>2,482,912</u>	<u>4,159,884</u>
Non-current liabilities:				
Compensated absences	6,424	465	2,420	9,309
Water infrastructure obligations	-	-	11,032,552	11,032,552
Revenue bonds payable	1,950,330	1,198,700	10,260,535	13,409,565
Total long term liabilities	<u>1,956,754</u>	<u>1,199,165</u>	<u>21,295,507</u>	<u>24,451,426</u>
Total liabilities	<u>3,500,709</u>	<u>1,332,182</u>	<u>23,778,419</u>	<u>28,611,310</u>
NET ASSETS				
Invested in capital assets, net of related debt	26,732,047	1,261,259	21,666,007	49,659,313
Restricted				
Capital improvements	8,924,246	-	7,274,126	16,198,372
Cash with fiscal agent	12,601,490	-	827,965	13,429,455
Unrestricted	8,439,423	2,251,582	4,794,875	15,485,880
Total net assets	<u>\$ 56,697,206</u>	<u>\$ 3,512,841</u>	<u>\$ 34,562,973</u>	<u>\$ 94,773,020</u>

The accompanying notes are an integral part of the financial statements.



CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003

	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
Operating Revenues				
Charges for services	\$ 6,283,314	\$ 1,308,192	\$ 5,296,408	\$ 12,887,914
Total operating revenue	<u>6,283,314</u>	<u>1,308,192</u>	<u>5,296,408</u>	<u>12,887,914</u>
Operating Expenses				
Personal services	853,259	81,395	666,153	1,600,807
Contractual services	1,877,279	143,152	1,478,248	3,498,679
Repairs and maintenance	52,225	80,887	211,379	344,491
Materials and supplies	1,318,971	18,668	197,832	1,535,471
Depreciation	1,158,122	114,211	1,528,360	2,800,693
Total operating expenses	<u>5,259,856</u>	<u>438,313</u>	<u>4,081,972</u>	<u>9,780,141</u>
Operating income	<u>1,023,458</u>	<u>869,879</u>	<u>1,214,436</u>	<u>3,107,773</u>
Non-operating revenues (expenses)				
Miscellaneous	5,011	(960)	180,854	184,905
Interest income	396,976	23,084	157,559	577,619
Interest expense	(104,203)	(62,970)	(972,375)	(1,139,548)
Total non-operating revenues (expenses)	<u>297,784</u>	<u>(40,846)</u>	<u>(633,962)</u>	<u>(377,024)</u>
Income before contributions and transfers	1,321,242	829,033	580,474	2,730,749
Development fees	3,172,337	-	3,894,433	7,066,770
Transfers in	13,780,961	-	3,227,095	17,008,056
Transfers out	(63,730)	-	(20,130)	(83,860)
Change in net assets	<u>18,210,810</u>	<u>829,033</u>	<u>7,681,872</u>	<u>26,721,715</u>
Net assets - beginning, as restated	<u>38,486,396</u>	<u>2,683,808</u>	<u>26,881,101</u>	<u>68,051,305</u>
Net assets - ending	<u>\$ 56,697,206</u>	<u>\$ 3,512,841</u>	<u>\$ 34,562,973</u>	<u>\$ 94,773,020</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2003**

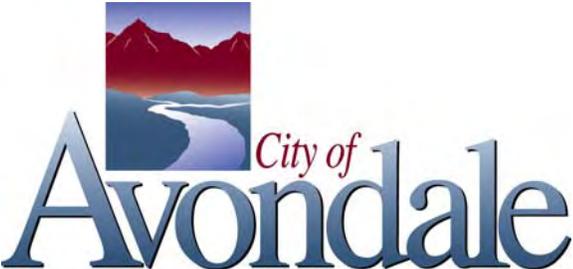
	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
Cash flows from operating activities:				
Receipts from customers	\$ 6,347,325	\$ 1,250,425	\$ 5,355,465	\$ 12,953,215
Payments to suppliers	(3,507,658)	(295,412)	(2,883,553)	(6,686,623)
Payments to employees	(849,879)	(83,425)	(666,871)	(1,600,175)
Net cash provided by operating activities	<u>1,989,788</u>	<u>871,588</u>	<u>1,805,041</u>	<u>4,666,417</u>
Cash flows from non-capital financing activities:				
Miscellaneous receipts (payments)	5,011	(960)	180,854	184,905
Transfers in	13,780,961	-	3,227,095	17,008,056
Transfers out	(63,730)	-	(20,130)	(83,860)
Net cash provided (used) for non-capital financing activities	<u>13,722,242</u>	<u>(960)</u>	<u>3,387,819</u>	<u>17,109,101</u>
Cash flows from capital and related financing activities:				
Development fees received	3,172,337	-	3,894,433	7,066,770
Acquisition and construction of capital assets	(2,622,307)	-	(5,705,512)	(8,327,819)
Proceeds from loan	-	-	3,787,949	3,787,949
Principal payments on long-term debt	(149,050)	(57,700)	(1,292,880)	(1,499,630)
Interest paid on long-term debt	(106,330)	(62,970)	(986,275)	(1,155,575)
Net cash provided (used) for capital and related financing activities	<u>294,650</u>	<u>(120,670)</u>	<u>(302,285)</u>	<u>(128,305)</u>
Cash flows from investing activities:				
Interest received on investments	320,100	18,969	140,091	479,160
Net cash provided by investing activities	<u>320,100</u>	<u>18,969</u>	<u>140,091</u>	<u>479,160</u>
Net increase in cash and cash equivalents	16,326,780	768,927	5,030,666	22,126,373
Cash and cash equivalents, beginning of period	<u>13,323,778</u>	<u>1,251,747</u>	<u>7,303,918</u>	<u>21,879,443</u>
Cash and cash equivalents, end of period	<u>\$ 29,650,558</u>	<u>\$ 2,020,674</u>	<u>\$ 12,334,584</u>	<u>\$ 44,005,816</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 1,023,458	\$ 869,879	\$ 1,214,436	\$ 3,107,773
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation	1,158,122	114,211	1,528,360	2,800,693
Change in assets and liabilities:				
(Increase) decrease in receivables	245,626	(53,685)	59,613	251,554
(Increase) decrease in inventories	(242,393)	(14,601)	(36,378)	(293,372)
(Increase) decrease in prepaid items	(197,225)	(60,417)	(751,062)	(1,008,704)
Increase (decrease) in accounts payable	157,481	19,926	245,957	423,364
Increase (decrease) in accrued payroll and employee benefits	3,380	(2,030)	(718)	632
Increase (decrease) in accrued liabilities	(671)	2,387	-	1,716
Increase (decrease) in construction contracts payable	23,625	-	(454,611)	(430,986)
Increase (decrease) in sales tax payable	(17,889)	3,051	(556)	(15,394)
Increase (decrease) in deposits held in custody for others	(50,381)	(7,205)	-	(57,586)
Increase (decrease) in deferred revenues	(113,345)	72	-	(113,273)
Net cash provided by operating activities	<u>\$ 1,989,788</u>	<u>\$ 871,588</u>	<u>\$ 1,805,041</u>	<u>\$ 4,666,417</u>
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:				
Cash	\$ 1,159,331	\$ 166,109	\$ 1,833,851	\$ 3,159,291
Restricted Cash	12,601,490	-	827,965	13,429,455
Investments	15,889,737	1,854,565	9,672,768	27,417,070
Total cash and cash equivalents	<u>\$ 29,650,558</u>	<u>\$ 2,020,674</u>	<u>\$ 12,334,584</u>	<u>\$ 44,005,816</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF AVONDALE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003**

	Volunteer Firefighters' Relief and Pension Trust Fund
	<u> </u>
Assets	
Cash	\$ 1,738
Investments (at fair value)	236,103
Receivables	
Accounts	4,028
Interest	670
Total assets	<u>242,539</u>
Net assets	
Held in trust for pension benefits	<u>242,539</u>
Total net assets	<u><u>\$ 242,539</u></u>

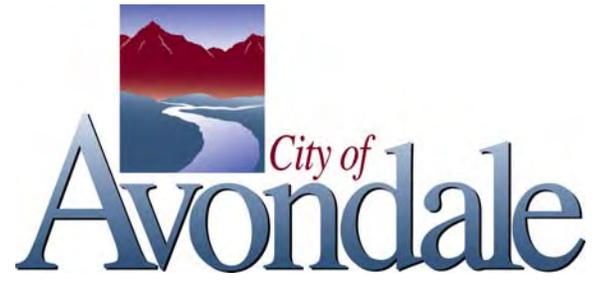
The accompanying notes are an integral part of the financial statements.



**CITY OF AVONDALE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2003**

	Volunteer Firefighters' Relief and Pension Trust Fund
<u>Additions:</u>	
Taxes	\$ 3,903
Contributions:	
Employer	1,937
Employee	1,937
Interest	3,144
 Total additions	 <u>10,921</u>
 <u>Deductions:</u>	
Benefits paid to plan members	5,681
 Total deductions	 <u>5,681</u>
 Change in net assets	 5,240
Total net assets, beginning of year	237,299
Total net assets, end of year	<u>\$ 242,539</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In fiscal year 2003, the City implemented GASB Statement No. 34, "*Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*", as amended by GASB Statement No. 37, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus – and amendment of GASB Statements No. 21 and No. 34*", and Statement No. 38 "*Certain Financial Statement Note Disclosures*". These statements prescribe a new reporting model consisting of both government-wide and fund financial statements and certain new and revised note disclosures.

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, water and sanitation services, construction and maintenance of streets and infrastructure, and recreational activities. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements include financial activities of the City, the primary government, and its component units. Component units are legally separate entities for which the City is considered financially accountable. 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. The blended component unit presented has a June 30 year-end.

The Avondale Municipal Development Corporation (MDC) is a nonprofit corporation organized for the purpose of issuing debt to purchase municipal facilities, which it then leases to the City. As the City Council appoints the management of the MDC, receives a financial benefit from a special financing relationship with the MDC, and is financially accountable for the MDC, the corporation is considered a blended component unit of the City. The MDC is reported as a governmental fund type. Financial statements for the MDC are not available as separately issued financial statements are not prepared.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the City as a whole, while the fund-based statements focus 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 – provide useful information about the primary government (the City) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the City. Governmental activities generally are

CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not currently have an indirect cost allocation system. However, the General Fund and certain other funds allocate administrative charges to other funds to support general services used by the operating funds (like purchasing, accounting, and administration). These fees are included in the expense column on the Statement of Activities. Program revenues include:

- Charges to customers for applicable goods, services or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from the transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as non-operating revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if doing so would distort the direct costs and program revenues reported by the departments concerned.

Fund financial statements – provide information about the City's funds, including the fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

The City reports the following major governmental funds:

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

The Highway User Revenue Fund – is used to account for the City's share of motor fuel tax revenues and Arizona Lottery revenues.

The Dedicated Sales Tax Revenue Fund – is used to account for monies received from the voter approved 0.5-cent sales tax increase.

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Development Fee Fund – is used to account for monies collected from developers for governmental activities.

The City reports the following major enterprise funds:

The Avondale Water Utility, East Avondale Water Utility, and the Wastewater Utility Funds account for the revenues from charges to the customers of these services and the costs of these activities.

The Pension Trust Fund – was established to account for assets held by the City in a trustee capacity. The Pension Trust Fund includes the Volunteer Firefighters' Pension Trust Fund. Pension Trust funds are accounted for in essentially the same manner as Enterprise Funds since capital maintenance is critical.

C. Measurement Focus and Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual are property taxes, intergovernmental revenues, licenses, investment income, and charges for services. Auto lieu taxes, business privilege taxes, and urban revenue sharing taxes are considered available when in the hands of the intermediary collecting governments and are recognized as revenues at that time. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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

Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

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

D. Budgets and Budgetary Accounting

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

On September 11, 2001, City voters approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of the adopted budget become the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

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

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

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

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 General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Local Transportation Assistance Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Insurance Reserve Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds, Highway User Revenue Bonds, Dedicated Sales Tax Bonds, and Other Debt Service.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund or any transfers between funds must be approved by the City Council.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The original budget has been amended for the year ending 2002-03 in a legally permissible manner. Budget-to-actual comparisons are provided in this report for each of the governmental funds. During the year, actual expenditures exceeded budget for the general government and sanitation functions in the General Fund and in the Insurance Reserve Fund.
8. All appropriations lapse at year-end.

E. Cash and investments

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

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

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

F. Inventory

Inventories for Governmental and Proprietary Funds consist primarily of expendable supplies. Governmental funds maintain inventories using the consumption method of accounting. All inventories are valued at cost, which approximates market. Inventories are maintained on a

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

first-in/first out method of valuation in/first-out method of valuation. Physical inventories are conducted at year-end for financial statement purposes.

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Open encumbrances are not reported as reservations of fund balance at June 30, 2003, but liquidated and re-established at the beginning of the next fiscal year. Outstanding encumbrances at year-end were insignificant.

H. Investment Income

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items.

J. Capital Assets

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the government-wide statements and the proprietary funds. The City elected to prospectively report infrastructure assets, as required, for fiscal year ended June 30, 2003. The City anticipates retroactively reporting infrastructure assets for fiscal year 2004.

Capital assets are defined as those City assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, equipment, and infrastructure of the primary government is depreciated using the straight-line method over the following estimated useful lives:

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

<u>Asset</u>	<u>Useful Life (Years)</u>
Buildings and improvements	40
Water and sewer improvements	40
Storm drainage systems	35
Street system	35
Park facilities and streetscape	25
Streetlights and control devices	10
Machinery and equipment	5-15
Furniture and fixtures	5-10
Vehicles	3-15
Computers and software	3

K. *Compensated Absences*

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation accumulates up to 240 hours for regular full-time employees and 336 for full-time fire employees.

In the governmental funds, the vested accumulated liability for vacation leave used within 60 days of the fiscal year-end is a current liability and is accrued in the applicable fund. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time and benefits are recorded as a liability.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits are forfeited upon termination of employment. However, upon retirement employees with 10 years of continuous service with the City shall be compensated for 250 hours and employees with 20 years of continuous service with the City shall be compensated for 500 hours. This amount is accrued as a liability in the government-wide and proprietary funds, as applicable.

L. *Statement of Cash Flows*

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2003, were cash in bank, certificates of deposit, cash and investments held by the State Treasurer, and cash held by paying agent.

NOTE 2 CASH AND INVESTMENTS

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

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 2 CASH AND INVESTMENTS (continued)

Deposits

Cash in bank - At June 30, 2003, the City's carrying amount of deposits was \$11,778,012 and the bank balance was \$12,086,445. The difference between the book and bank balance was due to outstanding checks and other reconciling items. Of the bank balance, \$200,000 was covered by federal depository insurance (category 1). The difference between bank balance and combined insurance coverage of \$11,886,445 was uncollateralized (category 3).

Restricted cash with fiscal agent - At June 30, 2003, the City had restricted cash with fiscal agent of \$30,760,022. Of this balance, \$27,524,762 (fair value) of restricted construction bond proceeds was invested with the State Treasurer's Local Government Investment Pool. The remaining cash balance of \$3,235,260 reflects cash temporarily held by fiscal agent for the City's July 1, 2003 debt service payments and was uncollateralized (category 3).

Fiduciary cash – At June 30, 2003, the Volunteer Firefighters' Relief and Pension Fund had deposits of \$1,738 and the bank balance was \$1,838. The difference between the book and bank balance was due to outstanding checks and other reconciling items. The entire balance was covered by federal depository insurance (category 1).

Investments

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

The State Board of Deposit provides oversight for the State Treasurer's pools. Additionally, the City may invest in interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The City's investment in the State Treasurer's Local Government Investment Pool is stated at fair value, which approximates the value of the investment upon withdrawal

The City's investments are categorized into these three categories of credit risk at June 30, 2003:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities.)

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 2 CASH AND INVESTMENTS (concluded)

At year end, the City's investment balances were as follows:

	Carrying Amount	Category			Fair Value
		1	2	3	
<u>Investments</u>					
Restricted securities	\$ 342,663	\$ 342,663	\$ -	\$ -	\$ 342,663
State Treasury Pool					
Primary government	54,094,504				54,094,504
Fiduciary activities	236,103				236,103
Total Treasury Pool	54,330,607	-	-	-	54,330,607
TOTAL INVESTMENTS	\$ 54,673,270	\$ 342,663	\$ -	\$ -	\$ 54,673,270

NOTE 3 PROPERTY TAX REVENUES

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

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

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

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

Property tax revenues are recognized as revenues in the government-wide financial statements, when an enforceable legal claim has arisen. Therefore, the City recognizes revenue and a receivable, for the entire tax levy in the year it is levied. For the governmental fund financial

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 3 PROPERTY TAX REVENUES (concluded)

statements, property taxes are recognized as revenues in the year they are levied and collected or if they are collected within 60 days subsequent to year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of year-end for which they are levied are reported as deferred revenues.

NOTE 4 RECEIVABLES

The non-utility receivables in the General Fund and all receivables in the Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the General Fund, Avondale Water Utility, East Avondale Water Utility and Sewer Utility at June 30, 2003, are \$57,000, \$119,250, \$15,750 and \$108,000, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the General Fund, Avondale Water Utility, East Avondale Water Utility and Sewer Utility were \$30,000, \$63,528, \$8,140, and \$58,000, respectively.

NOTE 5 CAPITAL ASSETS

A summary of capital asset activity, for the governmental activities on the government-wide financial statements, for the year ended June 30, 2003 follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Governmental activities:				
Non-depreciable assets:				
Land	\$ 7,629,733	\$ 335,898	\$ (676,439)	\$ 7,289,192
Construction in progress	1,483,572	27,335,633	(531,555)	28,287,650
Total non-depreciable capital assets	<u>9,113,305</u>	<u>27,671,531</u>	<u>(1,207,994)</u>	<u>35,576,842</u>
Depreciable assets:				
Buildings and improvements	7,260,589	559,043	-	7,819,632
Vehicles, furniture and equipment	12,336,373	2,349,544	(336,040)	14,349,877
Infrastructure	-	881,806	-	881,806
Total depreciable capital assets	<u>19,596,962</u>	<u>3,790,393</u>	<u>(336,040)</u>	<u>23,051,315</u>
Less accumulated depreciation for:				
Buildings and improvements	3,714,884	437,003	-	4,151,887
Vehicles, furniture and equipment	7,138,445	1,612,736	(336,040)	8,415,141
Infrastructure	-	5,229	-	5,229
Total accumulated depreciation	<u>10,853,329</u>	<u>2,054,968</u>	<u>(336,040)</u>	<u>12,572,257</u>
Total capital assets being depreciated, net	<u>8,743,633</u>	<u>1,735,425</u>	<u>-</u>	<u>10,479,058</u>
Total governmental activities capital assets, net	<u>\$ 17,856,938</u>	<u>\$ 29,406,956</u>	<u>\$ (1,207,994)</u>	<u>\$ 46,055,900</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 CAPITAL ASSETS (continued)

A summary of capital asset activity, for the business-type activities on the government-wide financial statements, for the year ended June 30, 2003 follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Business-type activities:				
Non-depreciable assets:				
Land	\$ 14,817,798	\$ -	\$ -	\$ 14,817,798
Construction in progress	18,400,353	5,253,086	(16,925,113)	6,728,326
Total non-depreciable capital assets	<u>33,218,151</u>	<u>5,253,086</u>	<u>(16,925,113)</u>	<u>21,546,124</u>
Depreciable assets:				
Water system	15,627,507	4,778,107	-	20,405,614
Sewer system	15,046,386	-	(19,205)	15,027,181
Wastewater treatment system	16,500,832	15,224,691	-	31,725,523
Vehicles, furniture and equipment	1,031,485	16,255	-	1,047,740
Total depreciable capital assets	<u>48,206,210</u>	<u>20,019,053</u>	<u>(19,205)</u>	<u>68,206,058</u>
Less accumulated depreciation for:				
Water system	3,800,541	1,169,747	-	4,970,288
Sewer system	2,942,136	333,742	-	3,275,878
Wastewater treatment system	3,929,098	1,170,320	-	5,099,418
Vehicles, furniture and equipment	627,519	126,884	-	754,403
Total accumulated depreciation	<u>11,299,294</u>	<u>2,800,693</u>	<u>-</u>	<u>14,099,987</u>
Total business-type activities capital assets being depreciated, net	<u>36,906,916</u>	<u>17,218,360</u>	<u>(19,205)</u>	<u>54,106,071</u>
Business-type activities capital assets, net	<u>\$ 70,125,067</u>	<u>\$ 22,471,446</u>	<u>\$ (16,944,318)</u>	<u>\$ 75,652,195</u>

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

Governmental activities:	
General government	\$ 695,944
Public safety	687,191
Highways and streets	195,217
Sanitation	259,236
Health and welfare	23,116
Economic and community development	34,767
Culture and recreation	159,497
Total depreciation expenses - governmental activities	<u>\$ 2,054,968</u>
Business-type activities:	
Avondale Water utility	\$ 1,158,122
East Avondale water utility	114,211
Wastewater utility	1,528,360
Total depreciation expense - business-type activities	<u>\$ 2,800,693</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 5 CAPITAL ASSETS (concluded)

During the year, the City reclassified certain capital assets between functions/programs within the governmental activities. The effect of the reclassification on each function/program can be seen in the capital assets schedules in the Supplementary information section of this report.

NOTE 6 RETIREMENT PLANS

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

Arizona State Retirement System

Plan Description. The Arizona State Retirement System (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 has the authority to establish and amend benefits, provisions and contributions for active plan members. For the year ended June 30, 2003, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 2.49 percent (1.94 percent retirement, 0.06 percent health benefit services and 0.49 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2003, 2002 and 2001 were \$243,888, \$209,700 and \$193,193, respectively, which were equal to the required contributions for those years.

Public Safety Personnel Retirement System

Plan Description. The Public Safety Personnel Retirement System (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. PSPRS issues a publicly available report that includes financial

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 RETIREMENT PLANS (Continued)

statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 E. Missouri Avenue, Phoenix, Arizona 85014.

Funding Policy - The Arizona State Legislature has the authority to establish and amend benefits, provisions and contributions for active plan members. For the year ended June 30, 2003, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 12.32 percent for police and 11.43 percent for fire. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2003, the date of the most recent actuarial valuation, and related information follow.

	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
Contribution rates:		
City	9.52%	8.43%
Plan members	7.65%	7.65%
Annual pension cost	372,656	146,084
Contributions made	372,656	146,084
Actuarial valuation date	6/30/03	6/30/03
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	9%	9%
Projected salary increases	6.5% - 9.5%	6.5% - 9.5%
Includes inflation at cost-of-living adjustments	5.5%	5.5%
Post-retirement benefit increases	Based on	Based on
	Investment Income	Investment Income
Amortization method	Level Percentage	Level Percentage
	Open	Open
Remaining amortization period from 7/1/02	Open 20 Years	Open 20 Years
Asset valuation method	4-Year Smoothed	4-Year Smoothed
	Market	Market

Trend information – Information of the PSPRS plan as of the most recent actuarial valuation follows:

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
PSPRS – Police	2003	\$372,656	100%	-
	2002	391,133	100%	-
	2001	327,267	100%	-
PSPRS – Fire	2003	\$146,084	100%	-
	2002	181,109	100%	-
	2001	158,703	100%	-

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 RETIREMENT PLANS (Continued)

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2003, follows:

PSPR – Police

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/03	\$5,539,272	\$6,748,559	\$1,209,287	82.1%	\$3,914,443	-30.9%
6/30/02	4,673,499	5,390,454	716,955	86.7%	3,316,268	-21.6%
6/30/01	4,195,962	4,056,163	(139,799)	103.4%	2,631,914	0%

PSPR – Fire

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
6/30/03	\$3,590,655	\$3,821,193	\$230,538	94.0%	\$ 2,271,474	-10.2%
6/30/02	3,037,180	2,707,219	(329,961)	112.2%	\$ 1,942,617	0%
6/30/01	2,640,392	2,469,854	(170,538)	106.9%	\$ 1,651,842	0%

Elected Officials' Retirement Plan

The Elected Officials' Retirement Plan (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 certain elected officials. The Arizona State Legislature has the authority to establish and amend benefits, provisions and contributions for 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. That report may be obtained by writing to Elected Officials' Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling (602) 255-5575.

The payroll for employees covered by EORP for the year ended June 30, 2003, was \$60,600. Contributions to the plan were 6.97% for the City and 7.00% for covered employees. The City's contribution to EORP for the years ended June 30, 2003, 2002 and 2001 were \$4,224, \$2,844, and \$2,085, respectively, which were equal to the required contributions for those years.

Volunteer Firefighters' Relief and Pension Fund

The Volunteer Firefighters' Relief and Pension Fund (VFRPF) is a defined contribution plan to provide pensions to volunteer firefighters only. The plan is administered by State statute that requires both the employee and the City to make contributions equal to 5 percent of the employees' compensation. Some monies are also received from the State. After a volunteer firefighter has 20 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the VFRPF, not to exceed \$200. If an employee

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 6 RETIREMENT PLANS (Concluded)

resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the State, or earnings on any of the contributions.

The payroll for employees covered by VFRPF for the year ended June 30, 2003, was \$38,738. Both the City and the employees made the required 5 percent contribution, amounting to \$1,937 each.

NOTE 7 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, 2003, is as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Governmental activities:					
Compensated absences	\$ 464,493	\$ 564,153	\$ -	\$ 1,028,646	\$ 616,058
Capital leases payable	2,176,882	387,435	1,379,966	1,184,351	361,370
Claims payable	7,405,795	-	7,405,795	-	-
Contractual obligations	749,000	-	107,000	642,000	107,000
Municipal Development					
Corporation Bonds	6,931,183	36,120,000	160,095	42,891,088	1,282,973
General Obligation Bonds	13,370,000	10,110,000	3,384,000	20,096,000	434,000
Highway User Revenue Bond	4,970,000	-	280,000	4,690,000	300,000
	<u>\$ 36,067,353</u>	<u>\$ 47,181,588</u>	<u>\$ 12,716,856</u>	<u>\$ 70,532,085</u>	<u>\$ 3,101,401</u>

Compensated Absences - The compensated absences represents the portion of employee vacation leave, which will not be liquidated with current assets of the governmental fund types.

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

Accordingly, the assets have been capitalized at the present value of the future minimum lease payments as of the date of their inception.

The assets acquired through capital lease are as follows:

Asset:	
Buildings	\$ 588,013
Vehicles, machinery and equipment	2,290,195
Less: accumulated depreciation	(293,366)
Total	<u>\$ 2,878,208</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 LONG-TERM OBLIGATIONS (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2003, were as follows:

Year Ending June 30	
2004	\$ 412,807
2005	332,934
2006	194,941
2007	154,585
2008	124,116
2009-2013	<u>93,458</u>
Total minimum lease payment	1,312,841
Less: Interest	<u>(128,490)</u>
Present value of lease payments	<u><u>\$ 1,184,351</u></u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2003</u>
1999 series bonds	3.6-5.0%	2019	\$ 6,771,088
2002 series bonds	3.0-5.0%	2020	23,000,000
2003 series bonds	2.0-3.75%	2015	13,120,000
			<u><u>\$ 42,891,088</u></u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,282,973	\$ 1,625,818
2005	2,264,478	1,503,202
2006	2,411,451	1,435,532
2007	2,493,425	1,365,028
2008	2,617,260	1,288,006
2009-2013	14,463,982	4,933,541
2014-2018	11,535,745	2,358,282
2019-2023	5,821,773	270,203
Total	<u><u>\$ 42,891,088</u></u>	<u><u>\$ 14,779,612</u></u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 LONG-TERM OBLIGATIONS (Continued)

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2003</u>
1980 series bonds	5.0%	2011	\$ 46,000
1993 series bonds	4.4-8.0%	2015	170,000
1997 series bonds	4.6 - 7.1%	2016	5,470,000
1998 series bonds	4.1 - 5.8%	2018	4,300,000
2003 series A bonds	2.0 - 4.0%	2014	3,060,000
2003 series B bonds	2.0 - 2.75%	2010	7,050,000
			<u>\$ 20,096,000</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>
2004	\$ 434,000	\$ 767,287
2005	849,000	687,356
2006	1,190,000	641,019
2007	1,530,000	590,064
2008	1,915,000	522,180
2009-2013	9,248,000	1,621,855
2014-2018	4,545,000	455,488
2019-2023	385,000	-
Total	<u>\$ 20,096,000</u>	<u>\$ 5,285,249</u>

Refunded General Obligation Bonds

On May 29, 2003, the City issued \$3,060,000 in General Obligation Bonds with an average interest rate of 2.91% to advance refund \$2,975,000 of outstanding 1993 General Obligation Bonds with an average interest rate of 5.19%. The net proceeds of \$3,082,603 (less cost of issuance of \$60,000, plus \$82,603 of City monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The cash and investments held in the irrevocable trust at June 30, 2003, amounted to \$3,066,897. The bonds will be called and paid in July 2003. As a result, the 1993 bonds are considered to be defeased and the liability for those bonds has been removed from the long-term liabilities in the financial statements.

The City advance refunded the 1993 General obligation bonds to reduce its total debt service payments over the next 12 years by \$551,749 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$440,246.

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 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 gas tax revenues secure these bonds. The voters must approve these bonds. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2003
1985 series bonds	8.4 – 9.5%	2004	\$ 355,000
1991 series bonds	7.0 – 9.5%	2006	620,000
1998 series bonds	4.4 – 6.9%	2017	3,715,000
			<u>\$ 4,690,000</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>
2004	\$ 300,000	\$ 239,574
2005	325,000	213,249
2006	350,000	187,951
2007	370,000	161,071
2008	105,000	156,451
2009-2013	1,425,000	592,883
2014-2018	1,815,000	190,250
Total	<u>\$ 4,690,000</u>	<u>\$ 1,741,429</u>

Refunded Highway User Revenue Bonds – In prior years, the City defeased certain highway user revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service payments on the old bonds. Accordingly, the trust account assets and the 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, 2003, amounted to \$524,343. The following issue is refunded.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2003
1985A series bonds	9.3 – 9.4%	2005	\$ 510,000
			<u>\$ 510,000</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 LONG-TERM OBLIGATIONS (Continued)

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, 2003 is as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Business-type activities:					
Compensated absences	\$ -	\$ 46,545	\$ -	\$ 46,545	\$ 37,236
Water and Sewer					
Revenue Bonds	3,741,100	-	176,700	3,564,400	186,700
Municipal Development					
Corporation Bonds	11,393,817	-	674,905	10,718,912	687,047
Water Infrastructure					
Financing Loans	8,569,646	\$ 3,787,949	648,025	11,709,570	677,018
	<u>\$ 23,704,563</u>	<u>\$ 3,834,494</u>	<u>\$ 1,499,630</u>	<u>\$ 26,039,427</u>	<u>\$ 1,588,001</u>

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.

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2003
1980 series bonds	5.00%	2011	\$ 565,000
1988 series bonds	5.00%	2017	1,259,400
1998 series bonds	4.1 – 5.95%	2018	1,740,000
			<u>\$ 3,564,400</u>

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

Year Ending June 30	Principal	Interest
2004	\$ 186,700	\$ 162,963
2005	197,800	152,473
2006	209,100	141,593
2007	219,500	131,428
2008	226,100	120,933
2009-2013	1,238,600	428,363
2014-2018	1,141,600	145,518
2019-2023	145,000	-
Total	<u>\$ 3,564,400</u>	<u>\$ 1,283,268</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 LONG-TERM OBLIGATIONS (Continued)

Municipal development corporation bonds are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2003</u>
1996 series bonds	3.45 – 5.2%	2013	\$ 6,705,000
1999 series (37% of total issue)	3.6 – 5.0%	2019	4,013,912
			<u>\$ 10,718,912</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 687,027	\$ 483,302
2005	735,523	451,506
2006	773,549	417,290
2007	816,575	380,344
2008	847,740	341,141
2009-2013	4,996,018	1,002,067
2014-2018	1,464,255	187,190
2019-2023	398,227	10,235
Total	<u>\$ 10,718,912</u>	<u>\$ 3,273,075</u>

Water infrastructure financing loan agreements are payable from water and Sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2003</u>
1992 series	3.40%	2012	\$ 5,807,220
1999 series	3.94%	2021	5,902,350
			<u>\$ 11,709,570</u>

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 7 LONG-TERM OBLIGATIONS (Concluded)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 677,018	\$ 405,837
2005	700,296	380,719
2006	728,014	354,607
2007	759,631	327,366
2008	790,247	299,029
2009-2013	4,922,784	1,014,086
2014-2018	1,842,540	404,740
2019-2023	1,289,041	52,096
Total	<u>\$ 11,709,570</u>	<u>\$ 3,238,480</u>

NOTE 8 SEGMENT INFORMATION

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

NOTE 9 INTERFUND PAYABLES AND RECEIVABLES

At June 30, 2003, internal balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major governmental funds	\$ 75,000

The purpose of the balance was to offset a temporary deficit cash position in one of the non-major funds.

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 9 INTERFUND PAYABLES AND RECEIVABLES (Concluded)

During the year, the City transferred \$17,008,056 of bond proceeds from the non-major governmental funds to the Enterprise Funds to provide funding for the acquisition and construction of water and sewer improvements. All other transfers between funds were routine in nature and consistent with the fund making the transfer. Transfers were as follows:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 9,052,743	\$ 128,733
Highway User Revenue Fund	662,490	409,000
Dedicated Sales Tax Revenue Fund	2,600,000	-
Development Fees Fund	-	10,975,720
Non-major Governmental Funds	<u>22,864,319</u>	<u>6,741,903</u>
Total governmental funds	<u>35,179,552</u>	<u>18,255,356</u>
Enterprise funds:		
Water Utility Fund	63,730	13,780,961
Wastewater Utility Fund	<u>20,130</u>	<u>3,227,095</u>
Total enterprise funds	<u>83,860</u>	<u>17,008,056</u>
Grand total	<u><u>\$ 35,263,412</u></u>	<u><u>\$ 35,263,412</u></u>

NOTE 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined the Arizona Municipal Risk Retention Pool, Inc. (AMRRP), together with other cities in the State. AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for general liability claims and \$250,000 for property claims. The City also joined the Arizona Municipal Workers' Compensation Pool (AMWCP) for workers' compensation insurance. AMWCP is a public entity workers' compensation pool currently operating for member cities and towns. The City pays quarterly premiums to AMWCP for its workers' compensation insurance. The agreement provides that AMWCP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000.

Breaches of contract claims are not covered by AMRRP. In July 2003, the City settled a breach of contract claim and paid \$5,999,000 (see Note 13). Therefore, the City was obligated to pay the settlement liability.

The City continues to carry commercial insurance for all other risks of loss, including employee health and automobile accident insurance. Settled claims resulting from covered risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 11 CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of other lawsuits as of June 30, 2003. It is the opinion of management and City counsel that the amount of losses resulting from this litigation at June 30, 2003, if any, would not be material to the financial position of the City.

Federal and State Grants - The City has received a number of grants from both the Federal and State governments. Some programs have been audited, as of June 30, 2003. The City expects no material disallowance of expenditures.

NOTE 12 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2003, the City of Avondale had two major contractual commitments related to capital projects. Commitments have been grouped into the Government Center Construction and 115th Avenue Improvements.

Government Center Construction

At June 30, 2003, the City had contractual commitments of \$8,486,065 for the design and building of a new Government Center, which will comprise three buildings that will house City Hall, Police, and Court facilities.

Funding was provided through development fees, transfers from the general fund and bond proceeds. During the 2003 fiscal year Maricopa County also contributed the first of three equal payments, which will total \$2,000,000 to provide infrastructure for a future county library.

115th Avenue Improvements

At June 30, 2003, the City had contractual commitments of \$7,097,193 for the various projects relating to the 115th Avenue Improvements. Funding for these expenditures will be provided from dedicated sales tax revenue, development fees and funds from Arizona Department of Transportation.

NOTE 13 SUBSEQUENT EVENTS

On July 14, 2003 the City entered into a settlement agreement with Crystal Gardens in the matter of *Crystal Gardens v. City of Avondale, et al.*, CV 1999-023229. In accordance with the settlement agreement, the City paid \$5,999,000 in July 2003. Accordingly, the City accrued this amount as a claims payable liability in the Insurance Reserve fund for fiscal year ended June 30, 2003.

NOTE 14 DEFICIT FUND BLANCES

The following fund had an accumulated fund deficit at June 30, 2003:

<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Special Revenue	Insurance Reserve Fund	\$ 3,592,094

**CITY OF AVONDALE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

NOTE 14 DEFICIT FUND BLANCES (Concluded)

The deficit in the Insurance Reserve Fund is largely due the settlement of the matter of *Crystal Gardens v. City of Avondale, et al.*, CV 1999-023229. The settlement of \$5,999,000 was paid in July 2003 and was accrued as a claims payable liability for fiscal year 2003.

The City plans to eliminate this deficit during fiscal year 2004 with increased transfers from participating funds.

NOTE 15 BEGINNING BALANCES RESTATED

As a result of implementing GASB Statement No. 34, the City's governmental fund-type balances as of June 30, 2002, have been restated as net assets as of July 1, 2002, on the government-wide Statement of Activities. The reconciliation below summarizes the differences between governmental fund-type fund balances as of June 30, 2002, as previously reported, to net assets as of July 1, 2002, reported in the government-wide Statement of Activities.

Aggregate fund balances of governmental fund types as of June 30, 2002	\$ 33,249,085
Add:	
Capital assets, net of accumulated depreciation	17,856,938
Revenues earned but not yet available	76,130
Subtract:	
Long-term liabilities	<u>(36,420,813)</u>
Net assets of governmental activities as of July 1, 2002	<u>\$ 14,761,340</u>

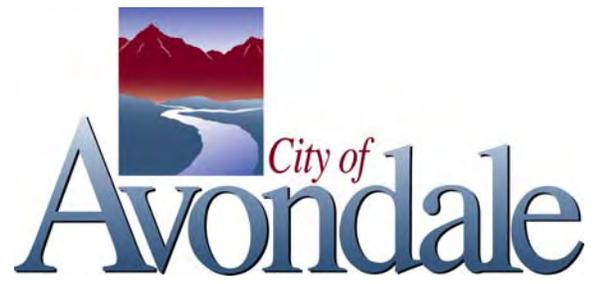
Additionally, Proprietary Funds fund equity has been restated to include contributed capital and related transactions' effect on net assets as of July 1, 2002, on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Assets. The reconciliation below summarizes the restatement:

	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility
Aggregate fund equity of proprietary funds as of June 30, 2002	<u>\$ 14,999,948</u>	<u>\$ 1,468,344</u>	<u>\$ 10,673,309</u>
Add:			
Cumulative effect of changes in accounting principle	<u>23,486,448</u>	<u>1,215,464</u>	<u>16,207,792</u>
Net assets of business-type activities as of July 1, 2002	<u>\$ 38,486,396</u>	<u>\$ 2,683,808</u>	<u>\$ 26,881,101</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2003**

	Development Fees Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 4,836,500	\$ 4,836,500	\$ 5,570,043	\$ 733,543
Intergovernmental	12,131,530	12,131,530	1,445,248	(10,686,282)
Interest	261,090	261,090	222,010	(39,080)
Contributions	-	-	4,616,666	4,616,666
Miscellaneous revenues	-	-	157,318	157,318
Total revenues	<u>17,229,120</u>	<u>17,229,120</u>	<u>12,011,285</u>	<u>(5,217,835)</u>
Expenditures				
Capital outlay	<u>44,534,981</u>	<u>44,534,981</u>	<u>29,809,550</u>	<u>14,725,431</u>
Total expenditures	<u>44,534,981</u>	<u>44,534,981</u>	<u>29,809,550</u>	<u>14,725,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,305,861)</u>	<u>(27,305,861)</u>	<u>(17,798,265)</u>	<u>9,507,596</u>
Other financing sources (uses)				
Proceeds from bond issuance	15,200,000	15,200,000	20,170,000	4,970,000
Premium on bonds	-	-	154,934	154,934
Payment to escrow agent	-	-	(977,913)	(977,913)
Proceeds from sale of capital assets	-	-	676,439	676,439
Transfers in	<u>4,148,190</u>	<u>4,148,190</u>	<u>10,975,720</u>	<u>6,827,530</u>
Total other financing sources (uses)	<u>19,348,190</u>	<u>19,348,190</u>	<u>30,999,180</u>	<u>11,650,990</u>
Net change in fund balance	(7,957,671)	(7,957,671)	13,200,915	21,158,586
Fund balance at beginning of year	<u>20,047,541</u>	<u>20,047,541</u>	<u>8,123,402</u>	<u>(11,924,139)</u>
Fund balance at end of year	<u>\$ 12,089,870</u>	<u>\$ 12,089,870</u>	<u>\$ 21,324,317</u>	<u>\$ 9,234,447</u>

The accompanying notes are an integral part of the financial statements.



**CITY OF AVONDALE, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2003**

	Special Revenue Funds		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
ASSETS			
Cash	\$ 148,413	\$ 34,948	\$ 58,267
Investments	200,665	-	-
Receivables			
Taxes	-	-	-
Accounts	-	43,621	-
Interest	587	-	18
Due from other governments	39,617	25,906	-
Prepaid assets	-	-	-
Restricted investments	-	-	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 389,282</u>	<u>\$ 104,475</u>	<u>\$ 58,285</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 24,736	\$ 17,254	\$ -
Accrued payroll and employee benefits	-	5,907	-
Accrued liabilities	-	-	-
Claims Payable	-	-	-
Deposits held for others	-	-	-
Sales tax payable	-	5	-
Construction contracts payable	3,049	-	-
Due to other funds	-	-	-
Deferred revenues	-	-	-
Total liabilities	<u>27,785</u>	<u>23,166</u>	<u>-</u>
Fund balances (deficit):			
Reserved for:			
Debt service	-	-	-
Reserved for capital improvements	-	-	-
Reserved for cash with fiscal agent	-	-	-
Unreserved	361,497	81,309	58,285
Total fund balance (deficit)	<u>361,497</u>	<u>81,309</u>	<u>58,285</u>
Total liabilities and fund balances	<u>\$ 389,282</u>	<u>\$ 104,475</u>	<u>\$ 58,285</u>

The accompanying notes are an integral part of the financial statements.

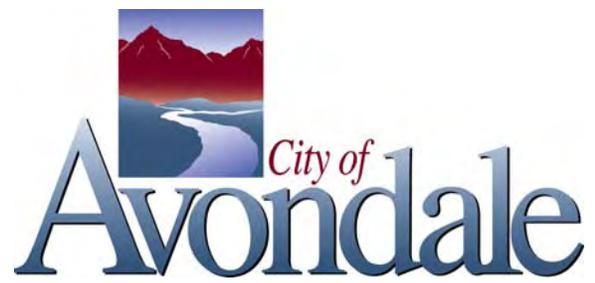
(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2003**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Insurance Reserve</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
ASSETS				
Cash	\$ 264,901	\$ 907,094	\$ 273,649	\$ 100,926
Investments	-	1,511,015	3,272,654	43,107
Receivables				
Taxes	-	-	-	-
Accounts	8,158	-	-	-
Interest	105	4,273	8,875	142
Due from other governments	145,729	-	-	-
Prepaid assets	-	-	-	-
Restricted investments	342,663	-	-	-
Restricted cash with fiscal agent	-	-	-	-
Total assets	<u>\$ 761,556</u>	<u>\$ 2,422,382</u>	<u>\$ 3,555,178</u>	<u>\$ 144,175</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 27,395	\$ 15,476	\$ 172,129	\$ 1,106
Accrued payroll and employee benefits	28,392	-	-	-
Accrued liabilities	-	-	-	-
Claims Payable	-	5,999,000	-	-
Deposits held for others	11,824	-	-	-
Sales tax payable	814	-	-	-
Construction contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenues	98,024	-	-	-
Total liabilities	<u>166,449</u>	<u>6,014,476</u>	<u>172,129</u>	<u>1,106</u>
Fund balances (deficit):				
Reserved for:				
Debt service	-	-	-	-
Reserved for capital improvements	342,663	-	-	-
Reserved for cash with fiscal agent	-	-	-	-
Unreserved	252,444	(3,592,094)	3,383,049	143,069
Total fund balance (deficit)	<u>595,107</u>	<u>(3,592,094)</u>	<u>3,383,049</u>	<u>143,069</u>
Total liabilities and fund balances	<u>\$ 761,556</u>	<u>\$ 2,422,382</u>	<u>\$ 3,555,178</u>	<u>\$ 144,175</u>

The accompanying notes are an integral part of the financial statements.

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	Total Non- Major Governmental Funds
\$ 496,479	\$ 13,408	\$ 11,540	\$ 160,547	\$ 254,675	\$ 2,724,847
55,662	227,076	620	210,584	293,160	5,814,543
-	75,615	-	-	-	75,615
4,794	-	-	-	-	56,573
280	938	525	602	1,010	17,355
-	-	-	-	-	211,252
-	434,000	300,000	-	-	734,000
-	-	-	-	-	342,663
36,363	-	-	1,418,575	567,328	2,022,266
<u>\$ 593,578</u>	<u>\$ 751,037</u>	<u>\$ 312,685</u>	<u>\$ 1,790,308</u>	<u>\$ 1,116,173</u>	<u>\$ 11,999,114</u>
\$ -	\$ 1,556	\$ -	\$ -	\$ -	\$ 259,652
-	-	-	-	-	34,299
-	19,156	-	473,600	181,198	673,954
-	-	-	-	-	5,999,000
-	-	-	-	-	11,824
-	-	-	-	-	819
-	-	-	-	-	3,049
-	-	75,000	-	-	75,000
-	54,569	-	-	151,042	303,635
<u>-</u>	<u>75,281</u>	<u>75,000</u>	<u>473,600</u>	<u>332,240</u>	<u>7,361,232</u>
-	675,756	237,685	(101,867)	216,605	1,028,179
557,215	-	-	-	-	899,878
36,363	-	-	1,418,575	567,328	2,022,266
-	-	-	-	-	687,559
<u>593,578</u>	<u>675,756</u>	<u>237,685</u>	<u>1,316,708</u>	<u>783,933</u>	<u>4,637,882</u>
<u>\$ 593,578</u>	<u>\$ 751,037</u>	<u>\$ 312,685</u>	<u>\$ 1,790,308</u>	<u>\$ 1,116,173</u>	<u>\$ 11,999,114</u>



**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	333,457	244,938	-
Charges for services	-	-	9,669
Interest	2,704	-	621
Contributions	-	26,166	-
Miscellaneous revenue	-	620	-
Total revenue	<u>336,161</u>	<u>271,724</u>	<u>10,290</u>
Expenditures			
Current:			
General government	-	-	13,870
Public safety	-	-	-
Highway and streets	206,596	-	-
Sanitation	-	-	-
Health and welfare	-	160,075	-
Economic and community development	-	115,588	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>206,596</u>	<u>275,663</u>	<u>13,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,565</u>	<u>(3,939)</u>	<u>(3,580)</u>
Other financing sources (uses)			
Proceeds from bond issuance	-	-	-
Premium on bonds	-	-	-
Proceeds from capital leases	-	-	-
Proceeds from sale of capital assets	-	-	-
Payment to escrow agent	-	-	-
Transfers in	130,500	29,320	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>130,500</u>	<u>29,320</u>	<u>-</u>
Net change in fund balances	260,065	25,381	(3,580)
Fund balances at beginning of year	<u>101,432</u>	<u>55,928</u>	<u>61,865</u>
Fund balances at end of year	<u>\$ 361,497</u>	<u>\$ 81,309</u>	<u>\$ 58,285</u>

The accompanying notes are an integral part of the financial statements.

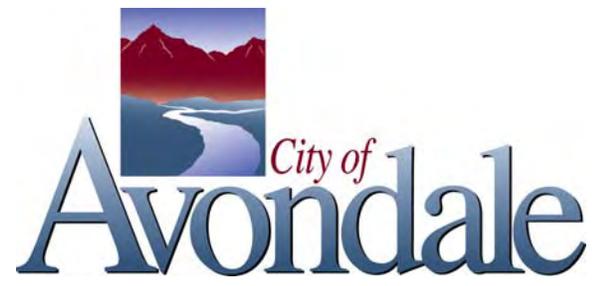
(continued on next page)

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2003**

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Insurance Reserve	Vehicle Replacement	Equipment Replacement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,006,247	-	-	-
Charges for services	-	-	-	-
Interest	30,651	18,863	41,424	1,177
Contributions	14,158	-	-	-
Miscellaneous revenue	213	154,325	100	-
Total revenue	<u>1,051,269</u>	<u>173,188</u>	<u>41,524</u>	<u>1,177</u>
Expenditures				
Current:				
General government	465	6,650,565	-	-
Public safety	1,232,617	-	-	-
Highway and streets	-	-	-	-
Sanitation	21,960	-	-	-
Health and welfare	500	-	-	-
Economic and community development	14,768	-	-	-
Culture and recreation	13,192	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	48,840	-	724,770	82,979
Total expenditures	<u>1,332,342</u>	<u>6,650,565</u>	<u>724,770</u>	<u>82,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(281,073)</u>	<u>(6,477,377)</u>	<u>(683,246)</u>	<u>(81,802)</u>
Other financing sources (uses)				
Proceeds from bond issuance	-	-	-	-
Premium on bonds	-	-	-	-
Proceeds from capital leases	-	-	387,435	-
Proceeds from sale of capital assets	15,000	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	228,333	2,200,000	701,600	100,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>243,333</u>	<u>2,200,000</u>	<u>1,089,035</u>	<u>100,000</u>
Net change in fund balances	(37,740)	(4,277,377)	405,789	18,198
Fund balances at beginning of year	<u>632,847</u>	<u>685,283</u>	<u>2,977,260</u>	<u>124,871</u>
Fund balances at end of year	<u>\$ 595,107</u>	<u>\$ (3,592,094)</u>	<u>\$ 3,383,049</u>	<u>\$ 143,069</u>

The accompanying notes are an integral part of the financial statements.

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	Total Non- Major Governmental Funds
\$ -	\$ 1,183,862	\$ -	\$ -	\$ -	\$ 1,183,862
-	-	-	-	-	1,584,642
-	-	-	-	-	9,669
5,115	3,568	1,831	2,152	10,816	118,922
52,732	-	-	-	138,542	231,598
-	-	-	-	-	155,258
<u>57,847</u>	<u>1,187,430</u>	<u>1,831</u>	<u>2,152</u>	<u>149,358</u>	<u>3,283,951</u>
-	-	-	-	-	6,664,900
-	-	-	-	-	1,232,617
-	-	-	-	-	206,596
-	-	-	-	-	21,960
-	-	-	-	-	160,575
-	-	-	-	-	130,356
-	-	-	-	-	13,192
-	409,000	280,000	-	237,075	926,075
-	668,816	265,671	902,471	516,247	2,353,205
435,567	-	-	-	-	1,292,156
<u>435,567</u>	<u>1,077,816</u>	<u>545,671</u>	<u>902,471</u>	<u>753,322</u>	<u>13,001,632</u>
<u>(377,720)</u>	<u>109,614</u>	<u>(543,840)</u>	<u>(900,319)</u>	<u>(603,964)</u>	<u>(9,717,681)</u>
23,000,000	-	-	-	-	23,000,000
197,723	-	-	-	-	197,723
-	-	-	-	-	387,435
-	-	-	-	-	15,000
-	-	-	-	-	-
-	-	544,750	2,200,000	607,400	6,741,903
<u>(22,864,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,864,319)</u>
<u>333,404</u>	<u>-</u>	<u>544,750</u>	<u>2,200,000</u>	<u>607,400</u>	<u>7,477,742</u>
(44,316)	109,614	910	1,299,681	3,436	(2,239,939)
<u>637,894</u>	<u>566,142</u>	<u>236,775</u>	<u>17,027</u>	<u>780,497</u>	<u>6,877,821</u>
<u>\$ 593,578</u>	<u>\$ 675,756</u>	<u>\$ 237,685</u>	<u>\$ 1,316,708</u>	<u>\$ 783,933</u>	<u>\$ 4,637,882</u>



**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2003**

	Local Transportation Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 163,300	\$ 163,300	\$ 333,457	\$ 170,157
Interest	-	-	2,704	2,704
Total revenues	<u>163,300</u>	<u>163,300</u>	<u>336,161</u>	<u>172,861</u>
Expenditures				
Highways and streets	<u>293,800</u>	<u>293,800</u>	<u>206,596</u>	<u>87,204</u>
Total expenditures	<u>293,800</u>	<u>293,800</u>	<u>206,596</u>	<u>87,204</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,500)</u>	<u>(130,500)</u>	<u>129,565</u>	<u>260,065</u>
Other financing sources (uses)				
Transfers in	<u>130,500</u>	<u>130,500</u>	<u>130,500</u>	<u>-</u>
Total other financing sources (uses)	<u>130,500</u>	<u>130,500</u>	<u>130,500</u>	<u>-</u>
Net change in fund balance	-	-	260,065	260,065
Fund balance at beginning of year	<u>80,080</u>	<u>80,080</u>	<u>101,432</u>	<u>21,352</u>
Fund balance at end of year	<u>\$ 80,080</u>	<u>\$ 80,080</u>	<u>\$ 361,497</u>	<u>\$ 281,417</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2003**

	Senior Programs Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 251,461	\$ 251,461	\$ 244,938	\$ (6,523)
Contributions	18,000	18,000	26,166	8,166
Miscellaneous revenues	2,900	2,900	620	(2,280)
Total revenues	<u>272,361</u>	<u>272,361</u>	<u>271,724</u>	<u>(637)</u>
Expenditures				
Heath and welfare	188,781	188,781	160,075	28,706
Economic and community development	140,980	140,980	115,588	25,392
Total expenditures	<u>329,761</u>	<u>329,761</u>	<u>275,663</u>	<u>54,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(57,400)</u>	<u>(57,400)</u>	<u>(3,939)</u>	<u>53,461</u>
Other financing sources (uses)				
Transfers in	57,400	57,400	29,320	(28,080)
Total other financing sources (uses)	<u>57,400</u>	<u>57,400</u>	<u>29,320</u>	<u>(28,080)</u>
Net change in fund balance	-	-	25,381	25,381
Fund balance at beginning of year	<u>2,000</u>	<u>2,000</u>	<u>55,928</u>	<u>53,928</u>
Fund balance at end of year	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 81,309</u>	<u>\$ 79,309</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
JUDICIAL COLLECTION ENHANCEMENT FUND
YEAR ENDED JUNE 30, 2003**

	Judicial Collection Enhancement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ 9,300	\$ 9,300	\$ 9,669	\$ 369
Interest	-	-	621	621
Total revenues	<u>9,300</u>	<u>9,300</u>	<u>10,290</u>	<u>990</u>
Expenditures				
General government	69,800	69,800	13,870	55,930
Total expenditures	<u>69,800</u>	<u>69,800</u>	<u>13,870</u>	<u>55,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(60,500)</u>	<u>(60,500)</u>	<u>(3,580)</u>	<u>56,920</u>
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(60,500)	(60,500)	(3,580)	56,920
Fund balance at beginning of year	<u>59,800</u>	<u>59,800</u>	<u>61,865</u>	<u>2,065</u>
Fund balance at end of year	<u>\$ (700)</u>	<u>\$ (700)</u>	<u>\$ 58,285</u>	<u>\$ 58,985</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
OTHER GRANTS-IN-AID FUND
YEAR ENDED JUNE 30, 2003**

	Other Grants-in-Aid			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 911,449	\$ 974,584	\$ 1,006,247	\$ 31,663
Interest	17,000	17,000	30,651	13,651
Contributions	2,500	10,500	14,158	3,658
Miscellaneous revenues	5,000,000	4,928,865	213	(4,928,652)
Total revenues	<u>5,930,949</u>	<u>5,930,949</u>	<u>1,051,269</u>	<u>(4,879,680)</u>
Expenditures				
General government	5,251,589	4,768,316	465	4,767,851
Public safety	1,169,020	1,507,690	1,232,617	275,073
Sanitation	-	24,400	21,960	2,440
Health and welfare	-	-	500	(500)
Economic and community development	377,000	370,143	14,768	355,375
Culture and recreation	-	15,803	13,192	2,611
Capital outlay	-	111,257	48,840	62,417
Total expenditures	<u>6,797,609</u>	<u>6,797,609</u>	<u>1,332,342</u>	<u>5,465,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(866,660)</u>	<u>(866,660)</u>	<u>(281,073)</u>	<u>585,587</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	15,000	15,000
Transfers in	362,100	362,100	228,333	(133,767)
Total other financing sources (uses)	<u>362,100</u>	<u>362,100</u>	<u>243,333</u>	<u>(118,767)</u>
Net change in fund balance	(504,560)	(504,560)	(37,740)	466,820
Fund balance at beginning of year	<u>497,397</u>	<u>497,397</u>	<u>632,847</u>	<u>135,450</u>
Fund balance at end of year	<u>\$ (7,163)</u>	<u>\$ (7,163)</u>	<u>\$ 595,107</u>	<u>\$ 602,270</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
INSURANCE RESERVE FUND
YEAR ENDED JUNE 30, 2003**

	Insurance Reserve Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 18,863	\$ 17,863
Miscellaneous revenues	-	-	154,325	154,325
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>173,188</u>	<u>172,188</u>
Expenditures				
General government	<u>2,200,000</u>	<u>2,200,000</u>	<u>6,650,565</u>	<u>(4,450,565)</u>
Total expenditures	<u>2,200,000</u>	<u>2,200,000</u>	<u>6,650,565</u>	<u>(4,450,565)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,199,000)</u>	<u>(2,199,000)</u>	<u>(6,477,377)</u>	<u>4,622,753</u>
Other financing sources (uses)				
Transfers in	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>-</u>
Net change in fund balance	1,000	1,000	(4,277,377)	(4,278,377)
Fund balance at beginning of year	<u>204,250</u>	<u>204,250</u>	<u>685,283</u>	<u>481,033</u>
Fund balance at end of year	<u>\$ 205,250</u>	<u>\$ 205,250</u>	<u>\$ (3,592,094)</u>	<u>\$ (3,797,344)</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2003**

	Vehicle Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 65,000	\$ 65,000	\$ 41,424	\$ (23,576)
Miscellaneous revenues	-	-	100	100
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>41,524</u>	<u>(23,476)</u>
Expenditures				
Capital outlay	556,480	556,480	724,770	(168,290)
Total expenditures	<u>556,480</u>	<u>556,480</u>	<u>724,770</u>	<u>(168,290)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(491,480)</u>	<u>(491,480)</u>	<u>(683,246)</u>	<u>(191,766)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	387,435	387,435
Transfers in	701,600	701,600	701,600	-
Total other financing sources (uses)	<u>701,600</u>	<u>701,600</u>	<u>1,089,035</u>	<u>387,435</u>
Net change in fund balance	210,120	210,120	405,789	195,669
Fund balance at beginning of year	<u>2,991,150</u>	<u>2,991,150</u>	<u>2,977,260</u>	<u>(13,890)</u>
Fund balance at end of year	<u>\$ 3,201,270</u>	<u>\$ 3,201,270</u>	<u>\$ 3,383,049</u>	<u>\$ 181,779</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2003**

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 2,900	\$ 2,900	\$ 1,177	\$ (1,723)
Total revenues	<u>2,900</u>	<u>2,900</u>	<u>1,177</u>	<u>(1,723)</u>
Expenditures				
Capital outlay	100,000	100,000	82,979	17,021
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>82,979</u>	<u>17,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(97,100)</u>	<u>(97,100)</u>	<u>(81,802)</u>	<u>15,298</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	2,900	2,900	18,198	15,298
Fund balance at beginning of year	<u>124,000</u>	<u>124,000</u>	<u>124,871</u>	<u>871</u>
Fund balance at end of year	<u>\$ 126,900</u>	<u>\$ 126,900</u>	<u>\$ 143,069</u>	<u>\$ 16,169</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
OTHER CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2003**

	Other Capital Projects Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 5,115	\$ 5,115
Contributions	-	-	52,732	52,732
Total revenues	-	-	57,847	57,847
Expenditures				
Capital outlay	142,930	142,930	435,567	(292,637)
Total expenditures	142,930	142,930	435,567	(292,637)
Excess (deficiency) of revenues over (under) expenditures	(142,930)	(142,930)	(377,720)	(234,790)
Other financing sources (uses)				
Proceeds from bond issuance	-	-	23,000,000	23,000,000
Premium on bonds	-	-	197,723	197,723
Transfers out	-	-	(22,864,319)	22,864,319
Total other financing sources (uses)	-	-	333,404	46,062,042
Net change in fund balance	(142,930)	(142,930)	(44,316)	98,614
Fund balance at beginning of year	316,230	316,230	637,894	321,664
Fund balance at end of year	\$ 173,300	\$ 173,300	\$ 593,578	\$ 420,278

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
GENERAL OBLIGATION BOND FUND
YEAR ENDED JUNE 30, 2003**

	General Obligation Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 1,147,590	\$ 1,147,590	\$ 1,183,862	\$ 36,272
Interest	25,000	25,000	3,568	(21,432)
Total revenues	<u>1,172,590</u>	<u>1,172,590</u>	<u>1,187,430</u>	<u>14,840</u>
Expenditures				
Debt service				
Principal	409,000	409,000	409,000	-
Interest	662,030	662,030	668,816	(6,786)
Total expenditures	<u>1,071,030</u>	<u>1,071,030</u>	<u>1,077,816</u>	<u>(6,786)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,560</u>	<u>101,560</u>	<u>109,614</u>	<u>8,054</u>
Other financing sources (uses)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	101,560	101,560	109,614	8,054
Fund balance at beginning of year	<u>550,000</u>	<u>550,000</u>	<u>566,142</u>	<u>16,142</u>
Fund balance at end of year	<u>\$ 651,560</u>	<u>\$ 651,560</u>	<u>\$ 675,756</u>	<u>\$ 24,196</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
HIGHWAY USER REVENUE BOND FUND
YEAR ENDED JUNE 30, 2003**

	Highway User Revenue Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 1,831	\$ 1,831
Total revenues	-	-	1,831	1,831
Expenditures				
Debt service				
Principal	280,000	280,000	280,000	-
Interest	263,750	263,750	265,671	(1,921)
Total expenditures	543,750	543,750	545,671	(1,921)
Excess (deficiency) of revenues over (under) expenditures	(543,750)	(543,750)	(543,840)	(90)
Other financing sources (uses)				
Transfers in	544,750	544,750	544,750	-
Total other financing sources (uses)	544,750	544,750	544,750	-
Net change in fund balance	1,000	1,000	910	(90)
Fund balance at beginning of year	217,000	217,000	236,775	19,775
Fund balance at end of year	\$ 218,000	\$ 218,000	\$ 237,685	\$ 19,685

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
DEDICATED SALES TAX BOND FUND
YEAR ENDED JUNE 30, 2003**

	Dedicated Sales Tax Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 2,152	\$ 2,152
Total revenues	<u>-</u>	<u>-</u>	<u>2,152</u>	<u>2,152</u>
Expenditures				
Debt service				
Principal	2,200,000	2,200,000	-	2,200,000
Interest	-	-	902,471	(902,471)
Total expenditures	<u>2,200,000</u>	<u>2,200,000</u>	<u>902,471</u>	<u>1,297,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,200,000)</u>	<u>(2,200,000)</u>	<u>(900,319)</u>	<u>1,299,681</u>
Other financing sources (uses)				
Transfers in	2,200,000	2,200,000	2,200,000	-
Total other financing sources (uses)	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>-</u>
Net change in fund balance	-	-	1,299,681	1,299,681
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>17,027</u>	<u>17,027</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,316,708</u>	<u>\$ 1,316,708</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET TO ACTUAL
OTHER DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2003**

	Other Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 10,816	\$ 10,816
Contributions	-	-	138,542	138,542
Total revenues	-	-	149,358	149,358
Expenditures				
Debt service				
Principal	300,095	300,095	237,075	63,020
Interest	584,375	584,375	516,247	68,128
Total expenditures	884,470	884,470	753,322	131,148
Excess (deficiency) of revenues over (under) expenditures	(884,470)	(884,470)	(603,964)	280,506
Other financing sources (uses)				
Transfers in	607,400	607,400	607,400	607,400
Total other financing sources (uses)	607,400	607,400	607,400	607,400
Net change in fund balance	(277,070)	(277,070)	3,436	280,506
Fund balance at beginning of year	612,600	612,600	780,497	167,897
Fund balance at end of year	\$ 335,530	\$ 335,530	\$ 783,933	\$ 448,403

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULES BY SOURCE
JUNE 30, 2003

Governmental funds capital assets:

Land and improvements	\$ 7,289,192
Buildings and improvements	7,819,632
Vehicles, furniture and equipment	14,349,877
Infrastructure	881,806
Construction in progress	28,287,650
Total	<u>\$ 58,628,157</u>

Investments in governmental funds capital assets by source:

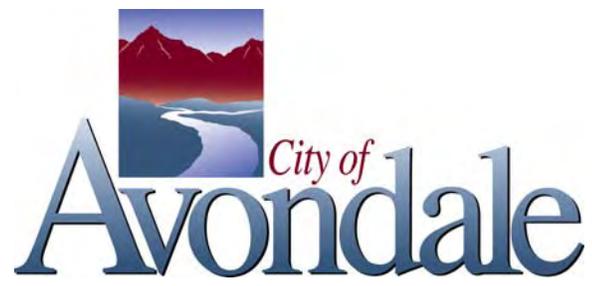
General Fund	\$ 18,329,332
Special Revenue Funds	2,393,655
Capital Projects Funds	37,905,170
Total	<u>\$ 58,628,157</u>

CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2003

Function and Activity	Asset Classification					Total
	Land and Improvements	Buildings and Improvements	Vehicles, Furniture and Equipment	Infrastructure	Construction in Progress	
General government	\$ 3,201,239	\$ 2,051,612	\$ 4,911,906	\$ 881,806	\$ 11,292,658	\$ 22,339,221
Public safety	225,421	3,000,462	4,988,167	-	2,667,538	10,881,588
Highways and streets	218,376	139,731	1,664,202	-	10,703,372	12,725,681
Sanitation	-	53,727	2,253,055	-		2,306,782
Health and welfare	215,948	557,284	87,515	-	21,725	882,472
Culture and recreation	<u>3,428,207</u>	<u>2,016,816</u>	<u>445,032</u>	<u>-</u>	<u>3,602,357</u>	<u>9,492,412</u>
Total	<u>\$ 7,289,192</u>	<u>\$ 7,819,632</u>	<u>\$ 14,349,877</u>	<u>\$ 881,806</u>	<u>\$ 28,287,650</u>	<u>\$ 58,628,157</u>

**CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Function and Activity</u>	<u>Capital Assets July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments to Categories</u>	<u>Capital Assets June 30, 2003</u>
General government	\$ 8,603,925	\$ 1,831,441	\$ 898,981	\$ 1,510,178	\$ 11,046,563.00
Public safety	5,789,055	1,366,642	73,402	1,131,756	8,214,051
Highways and streets	6,209,329	-	8,396	(4,178,624)	2,022,309
Sanitation	3,036,110	-		(729,328)	2,306,782
Health and welfare	720,364	-	27,607	167,990	860,747
Culture and recreation	2,867,912	928,208	4,094	2,098,028	5,890,055
Construction in Progress	<u>1,483,572</u>	<u>27,335,633</u>	<u>531,555</u>	<u>-</u>	<u>28,287,650</u>
Totals	<u>\$ 28,710,267</u>	<u>\$ 31,461,924</u>	<u>\$ 1,544,034</u>	<u>\$ -</u>	<u>\$ 58,628,157</u>



(This page intentionally left blank)

**CITY OF AVONDALE, ARIZONA
 GOVERNMENT-WIDE REVENUES
 YEAR ENDED JUNE 30, 2003**

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Sales and Use taxes
2002-03	\$ 20,160,008	\$ 1,860,947	\$ 19,250,500	\$ 16,167,320

The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only one year is shown. The source of this information is City records.

Property Taxes	Franchise Taxes	State Shared Revenues	Investment Income	Other/ Miscellaneous	Total
<u>\$ 2,023,456</u>	<u>\$ 558,196</u>	<u>\$ 10,323,804</u>	<u>\$ 1,111,669</u>	<u>\$ 893,840</u>	<u>\$ 72,349,740</u>

**CITY OF AVONDALE, ARIZONA
 GOVERNMENT-WIDE EXPENSES BY FUNCTION
 YEAR ENDED JUNE 30, 2003**

Governmental Activities						
Fiscal Year	General Government	Public Safety	Highways and Streets	Sanitation	Health and Welfare	Economic and Community Development
2002-03	\$ 10,128,809	\$ 11,107,465	\$ 2,439,612	\$ 2,746,075	\$ 573,859	\$ 2,078,521

The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34 were adopted in fiscal year 2003. Therefore, only one year is shown. The source of this information is City records.

Governmental Activities		Business-type Activities			
Culture and Recreation	Interest on Long-term Debt	Water Utility	East Avondale Water Utility	Wastewater Utility	Total
\$ 945,473	\$ 2,386,274	\$ 5,364,526	\$ 501,732	\$ 5,054,347	\$ 43,326,693

**CITY OF AVONDALE, ARIZONA
 GOVERNMENTAL ACTIVITIES EXPENDITURES BY FUNCTION*
 LAST TEN FISCAL YEARS**

Fiscal Year	General Government	Public Safety	Highways and Streets	Sanitation	Health and Welfare
2002-03	\$ 16,574,345	\$ 10,209,532	\$ 2,226,206	\$ 2,454,368	\$ 530,698
2001-02	8,505,547	8,479,739	2,292,530	1,699,393	594,409
2000-01	3,926,882	7,282,438	1,780,400	1,540,569	306,109
1999-00	3,233,932	6,099,367	2,105,616	1,365,616	278,542
1998-99	4,667,890	4,739,006	1,781,527	1,301,842	299,117
1997-98	3,730,304	4,103,779	1,226,703	896,324	306,523
1996-97	3,529,373	3,480,597	1,212,306	882,017	275,518
1995-96	2,734,963	3,092,171	1,071,781	760,411	298,417
1994-95	2,531,944	2,526,031	1,009,847	660,890	277,188
1993-94	2,096,392	2,212,101	949,877	598,929	240,162

* Funds included are General, Special Revenue and Debt Service. The source of this information is City records.

** During 2001 - 2002 activity associated with Public Services was moved to the appropriate functional classification (i.e general government, public safety, welfare)

Culture and Recreation	Public Services	Economic & Community Development	Capital Outlay	Debt Service	Total
\$ 768,906	\$ - **	\$ 2,078,510	\$ 1,209,458	\$ 3,583,782	\$ 39,635,805
639,035	- **	1,683,260	1,388,987	2,562,547	27,845,447
1,140,231	898,922	1,480,929	234,078	3,404,955	21,995,513
695,132	953,404	1,755,315	561,033	4,332,647	21,380,604
501,203	387,183	26,336	2,585,930	3,351,130	19,641,164
232,099	336,979	61,409	2,676,408	2,279,140	15,849,668
223,689	308,820	50,785	1,197,322	2,004,379	13,164,806
235,583	455,849	90,400	700,099	2,804,011	12,243,685
278,978	332,985	120,760	690,417	1,982,419	10,411,459
252,702	324,439	93,404	193,505	1,759,000	8,720,511

**CITY OF AVONDALE, ARIZONA
GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE*
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes	Licenses & Permits	Inter-governmental	Charges for Services	Fines and Forfeits
2002-03	\$ 18,736,691	\$ 4,049,502	\$ 12,238,176	\$ 2,957,895	\$ 262,032
2001-02	16,522,695	4,194,488	11,538,326	2,637,134	297,233
2000-01	9,009,499	6,783,500	8,976,753	2,546,843	296,037
1999-00	7,790,709	3,141,234	8,651,974	2,179,204	284,784
1998-99	6,821,890	1,825,608	7,587,410	2,084,559	320,592
1997-98	4,736,307	1,282,725	7,413,960	1,594,746	309,495
1996-97	3,904,635	752,246	6,564,687	1,273,386	397,725
1995-96	3,713,968	531,786	5,580,278	1,187,679	281,409
1994-95	2,912,894	406,083	5,438,174	907,856	294,138
1993-94	2,250,156	225,934	4,378,370	820,416	314,105
1992-93	2,173,431	211,140	3,999,552	791,266	281,126

* Funds included are General, Special Revenue and Debt Service. The source of this information is City records.

<u>Interest</u>	<u>Contributions</u>	<u>Total</u>
\$ 275,996	\$ 200,169	\$ 38,720,461
386,616	12,347	35,588,839
631,373	58,000	28,302,005
528,545	317,397	22,893,847
408,932	436,599	19,485,590
349,214	1,019,043	16,705,490
212,502	268,152	13,373,333
257,231	210,478	11,762,829
208,896	105,522	10,273,563
145,903	93,870	8,228,754
95,203	50,897	7,602,615

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

Fiscal Year	Original Property Tax Levy	Collected to June 30th End of Tax Fiscal Year		Collected to June 30, 2002	
		Amount	Percent of Levy	Amount	Percent of Levy
2002-03	\$ 2,014,427	\$ 1,976,098	98.10 %	\$ 1,997,640	99.17 %
2001-02	1,607,427	1,502,020	93.44	1,528,950	95.12
2000-01	1,290,209	1,260,264	97.68	1,267,795	98.26
1999-00	1,273,147	1,259,546	98.93	1,268,655	99.65
1998-99	1,103,916	1,062,957	96.29	1,068,549	96.80
1997-98	799,004	717,389	89.79	763,896	95.61
1996-97	767,197	720,393	93.90	766,899	99.96
1995-96	601,944	567,283	94.24	601,944	100.00
1994-95	537,032	476,126	88.66	525,381	97.83
1993-94	259,849	238,350	91.73	257,450	99.08

* 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%.

The source of this information is the Maricopa County Budget Dept based on information from the Secured Levy Report from the Treasurer's Office.

**CITY OF AVONDALE
 ASSESSED AND ESTIMATED FULL-CASH VALUE OF TAXABLE PROPERTY*
 LAST TEN FISCAL YEARS**

Fiscal Year	Net Secondary Assessed Value	Estimated Full-Cash Value	Ratio of Net Secondary Assessed to Estimated Full-Cash Value	
2002-03	\$ 212,252,060	\$ 1,981,422,235	10.71	%
2001-02	156,198,776	1,474,541,801	10.59	
2000-01	129,300,380	1,180,235,350	10.96	
1999-00	104,336,139	938,408,667	11.12	
1998-99	67,117,423	600,345,095	11.18	
1997-98	60,895,900	569,686,926	10.69	
1996-97	49,197,335	450,087,491	10.93	
1995-96	45,909,426	419,672,908	10.94	
1994-95	41,263,879	373,733,031	11.04	
1993-94	41,861,899	362,929,124	11.53	

* The Source of this information is the Maricopa County Assessor's Office

**CITY OF AVONDALE, ARIZONA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS*
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>State of Arizona</u>	<u>County</u>		<u>Tolleson Elementary School District No. 17</u>	<u>Tolleson Union High School District No. 214</u>
		<u>County- wide</u>	<u>Junior College</u>		
2002-03 Primary	-0-	1.21	0.96	3.06	3.59
Secondary	-0-	0.08	0.15	2.20	1.31
2001-02 Primary	-0-	1.18	0.96	2.56	2.76
Secondary	-0-	0.09	0.15	2.87	1.48
2000-01 Primary	-0-	1.16	0.97	3.27	2.81
Secondary	-0-	0.12	0.15	3.06	1.66
1999-00 Primary	-0-	1.19	0.97	2.41	2.13
Secondary	-0-	1.00	0.15	3.33	1.63
1998-99 Primary	-0-	1.15	0.99	2.68	2.39
Secondary	-0-	0.13	0.13	2.97	1.81
1997-98 Primary	-0-	1.66	0.97	2.59	2.69
Secondary	-0-	0.14	0.16	3.06	1.80
1996-97 Primary	-0-	1.49	0.98	2.43	2.50
Secondary	-0-	0.16	0.07	2.73	2.25
1995-96 Primary	0.47	1.68	0.95	2.36	3.11
Secondary	-0-	0.15	0.17	1.14	2.05
1994-95 Primary	0.47	1.77	0.85	2.97	2.60
Secondary	-0-	-0-	-0-	2.21	1.94
1993-94 Primary	0.47	1.58	0.85	2.69	2.80
Secondary	-0-	0.19	-0-	2.74	1.38

* Taxes based on the primary assessment may be levied to pay current operating and maintenance expenses. Taxes based on the secondary assessment, enacted in 1980, may be levied to pay bonded indebtedness. The source of this information is the Property Tax Rates and Assessed Values, Arizona Research Foundation.

Pendergast Elementary School District No. 92	Litchfield Elementary School District No. 79	Avondale Elementary School District No. 44	Agua Fria Union High School District No. 216	City of Avondale, Arizona	Littleton Elementary School District No. 65
2.81	2.13	2.25	2.83	0.54	2.33
4.67	2.14	0.77	1.39	0.73	1.56
2.40	2.61	2.91	2.47	0.55	2.88
4.88	2.21	1.11	1.41	0.73	1.77
2.50	2.62	2.57	3.62	0.60	2.29
4.90	2.51	1.93	1.57	0.68	1.82
2.68	2.31	2.87	2.99	0.64	2.31
4.89	2.93	2.10	1.51	1.00	1.37
2.62	2.71	2.69	2.95	0.63	2.89
5.11	3.04	2.10	1.68	1.15	1.24
3.19	2.53	2.66	2.96	0.63	2.38
4.57	2.47	1.88	1.19	0.72	1.79
2.20	2.67	2.56	2.80	0.67	2.71
4.36	2.37	2.03	1.34	0.91	1.46
2.62	2.58	3.00	3.06	0.67	2.60
4.45	2.09	2.22	1.47	0.69	1.37
3.11	2.92	3.17	3.44	0.67	2.25
3.95	2.30	2.08	1.15	0.65	0.95
3.05	2.85	2.67	3.00	0.62	3.52
3.93	2.34	1.99	0.79	0.02	0.50

**CITY OF AVONDALE, ARIZONA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
 VALUE AND NET GENERAL BONDED DEBT PER CAPITA*
 LAST TEN FISCAL YEARS**

Fiscal Year	Population	Net Secondary Assessed Value	Net General Bonded Debt	Ratio of Net Bonded Debt to Secondary Assessed Value	Bonded Debt Per Capita
2002-03	47,610	\$ 212,252,060	\$ 19,926,000	9.39 %	\$ 419
2001-02	40,445	156,198,776	13,370,000	8.56	331
2000-01	35,883	129,300,380	13,759,000	10.64	383
1999-00	32,270	104,336,139	14,123,000	13.54	438
1998-99	30,800	67,117,423	14,436,000	21.51	469
1997-98	26,020	60,895,900	10,359,000	17.01	398
1996-97	25,000	49,197,335	10,482,000	21.31	419
1995-96	23,500	45,909,426	3,970,000	8.65	169
1994-95	22,855	41,263,879	4,073,000	9.87	178
1993-94	21,505	41,861,899	4,276,000	10.21	199

* The Source of this information is City records and the Maricopa County Assessor's Office

**CITY OF AVONDALE, ARIZONA
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT -
 GENERAL OBLIGATION BONDS
 JUNE 30, 2003**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
State of Arizona	\$ NONE	N/A %	\$ NONE
Maricopa County	39,515,000	0.64	252,896
Maricopa County Community College District	284,815,000	0.64	1,822,816
Maricopa County Library District	NONE	N/A	NONE
Maricopa County Flood Control District	NONE	N/A	NONE
Maricopa County Fire District	NONE	N/A	NONE
Central Arizona Water Conservation District	NONE	N/A	NONE
Avondale Elementary School District No. 44	13,725,000	23.58	3,236,355
Litchfield Elementary School District No. 79	23,385,000	17.16	4,012,866
Littleton Elementary School District No. 65	1,360,000	30.38	413,168
Pendergast Elementary School District No. 92	23,805,000	37.49	8,924,495
Tolleson Elementary School District No. 17	5,193,000	4.9	254,457
Liberty Elementary School District No. 25	2,780,000	0.08	2,224
Agua Fria Union High School District No. 216	40,580,000	42.65	17,307,370
Tolleson Union High School District No. 214	43,865,000	35.41	15,532,597
City of Avondale	<u>19,926,000</u>	100.00	<u>19,926,000</u>
 Total Direct and Overlapping General Obligation Bonded Debt	 <u>\$ 498,949,000</u>		 <u>\$ 71,685,243</u>

* The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue.

**CITY OF AVONDALE, ARIZONA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES*
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total Expenditures	Ratio of Debt Service To Total Expenditures
2002-03	\$ 409,000	\$ 668,816	\$ 1,077,816	\$ 39,635,805	2.72 %
2001-02	389,000	687,422	1,076,422	27,845,447	3.87
2000-01	364,000	962,680	1,326,680	22,243,788	5.96
1999-00	192,250	506,154	698,404	23,579,505	2.96
1998-99	160,900	401,826	562,726	19,641,164	2.87
1997-98	123,000	286,355	409,355	15,849,668	2.58
1996-97	118,000	226,611	344,611	13,164,806	2.62
1995-96	103,000	234,471	337,471	12,243,685	2.76
1994-95	3,000	240,579	243,579	10,411,459	2.34
1993-94	3,000	4,125	7,125	8,720,511	0.08

* Funds included are General, Special Revenue and Debt Service. The source of this information is City records.

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

<u>Year</u>	<u>Population as of July 1</u>	<u>Per Capita Income*</u>	<u>Estrella Mountain Community College Enrollment</u>	<u>Unemployment Rate</u>
2002	47,610	\$ 30,597	5,193	10.6 %
2001	40,445	29,133	4,958	7.4
2000	35,883	28,962	4,300	8.2
1999	32,270	27,582	4,400	4.9
1998	30,800	27,028	4,222	5.2
1997	26,020	25,505	3,010	5.7
1996	25,000	24,032	2,734	7.0
1995	23,500	22,858	2,451	7.0
1994	22,855	21,763	2,207	8.5
1993	21,505	20,554	1,750	10.0

* Information is County-wide, since it is not available at the City level. The source of this information is the Economic Outlook 02/03 Eller College of Business and Public Administration, the University of Arizona.

** The source of this information is the Arizona Department of Economic Security, Population and Statistical Unit, Research Administration and the Arizona Department of Education.

**CITY OF AVONDALE, ARIZONA
 PRINCIPAL TAXPAYERS AND PROPERTY CLASSIFICATIONS*
 JUNE 30, 2003**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>As Percent of City's Total Secondary Assessed Valuation</u>
Kroger/Smiths Food & Drug Centers Inc.	Retail	2,834,182	1.81 %
Arizona Public Service Company	Electric Utility	2,221,354	1.42
Avondale Automotive Inc.	Auto Sales	2,200,059	1.41
Wal-Mart Stores Inc.	Retail	1,857,981	1.19
Bes Rio Santa Fe LLC	Apartments	1,547,746	0.99
Circle K Stores Inc./Home Depot USA Inc.	Retail	1,394,062	0.89
Aventura Apartments LLC	Apartments	1,348,800	0.86
Southwest Gas Corporation	Gas Utility	924,081	0.59
Suncor Development Company	Shopping Center	878,364	0.56
Weingarten Nostat Inc.	Shopping Center	804,912	0.52
Total		<u>\$ 16,011,541</u>	<u>10.24 %</u>

The basis of assessment for all property classification are shown below. The assessment factor for each property classification is applied to the primary and secondary full-cash value of the property to determine the respective assessed valuations for tax levy purposes.

<u>Tax Years</u>	<u>Utilities</u>	<u>Residential</u>	<u>Agriculture and Vacant Land</u>
2003	25 %	10 %	16 %
2002	25	10	16
2001	25	10	16
2000	26	10	16
1998	27	10	16
1997	27	10	16
1996	28	10	16
1995	29	10	16
1994	30	10	16
1993	30	10	16

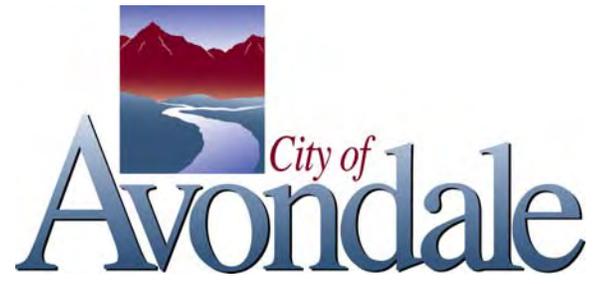
* The source of this information is the Maricopa County Assessor's Office

** For tax year 1991 and thereafter, the percentages will be calculated annually, based on the ratio of the assessed valuation of all mining, utility and commercial properties to the total full cash value of such properties.

**CITY OF AVONDALE, ARIZONA
RATIO OF ASSESSED VALUE TO MARICOPA COUNTY*
LAST TEN FISCAL YEARS**

Fiscal Year	City of Avondale	Maricopa County	Percent of Primary Assessed Value to Maricopa	
2002-03	\$ 195,727,504	\$ 25,447,850,971	0.77	%
2001-02	143,810,720	22,955,864,822	0.63	
2000-01	119,820,404	21,355,326,477	0.56	
1999-00	97,804,983	19,603,718,629	0.50	
1998-99	67,117,423	16,813,017,261	0.40	
1997-98	60,895,900	15,723,498,194	0.39	
1996-97	47,398,284	13,975,668,204	0.34	
1995-96	42,974,598	13,493,736,826	0.32	
1994-95	40,367,782	13,302,326,609	0.30	
1993-94	41,861,899	13,504,107,816	0.31	
1992-93	41,380,375	13,808,814,077	0.30	

* The source of this information is Arizona Department of Revenue and Arizona Tax Research Foundation.



**CITY OF AVONDALE, ARIZONA
 COMPARATIVE ASSESSED VALUATION BY CLASSIFICATION*
 LAST TEN FISCAL YEARS**

Fiscal Year	Real Property	Secured Personal	Unsecured Personal	Utilities	Gross Valuation
2002-03	\$ 204,837,474	\$ -	\$ 3,930,453	\$ 9,085,315	\$ 217,853,242
2001-02	147,931,646	-	3,897,155	8,103,395	159,932,196
2000-01	120,334,155	-	4,307,650	6,854,516	131,496,321
1999-00	99,158,316	-	3,597,795	3,958,060	106,714,171
1998-99	67,976,431	-	3,326,170	4,039,600	75,342,201
1997-98	62,899,557	145	2,183,145	4,095,931	69,178,778
1996-97	51,159,619	145	2,183,145	4,137,304	57,480,213
1995-96	41,463,647	710	1,862,040	2,787,055	46,113,452
1994-95	35,826,671	1,965	2,726,015	2,920,780	41,475,431
1993-94	36,424,691	1,965	2,726,015	2,920,780	42,073,451

* The source of this information is the Maricopa County Assessor's Office.

Less Exemption	Net Valuation
\$ (22,125,738)	\$ 195,727,504
(16,121,476)	143,810,720
(11,675,917)	119,820,404
(8,909,188)	97,804,983
(8,224,778)	67,117,423
(8,282,878)	60,895,900
(8,282,878)	49,197,335
(204,026)	45,909,426
(211,552)	41,263,879
(211,552)	41,861,899

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTEMS**
 STATEMENT OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE*
 LAST FIVE FISCAL YEARS**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Total Operating Revenues ***	\$ 7,927,205	\$ 8,545,713	\$ 9,624,392	\$ 10,822,148	\$ 11,579,722
Total Operating Expenses *****	<u>5,284,222</u>	<u>6,427,458</u>	<u>5,917,381</u>	<u>7,109,672</u>	<u>6,655,346</u>
Net Operating Income	<u>2,642,983</u>	<u>2,118,255</u>	<u>3,707,011</u>	<u>3,712,476</u>	<u>4,924,376</u>
Other Revenues	<u>\$ 248,431</u>	<u>\$ 873,958</u>	<u>\$ 1,382,408</u>	<u>\$ 571,524</u>	<u>\$ 740,400</u>
Net Revenues Before Debt Service	<u>\$ 2,891,414</u>	<u>\$ 2,992,213</u>	<u>\$ 5,089,419</u>	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>
Debt Service ****	\$ 1,428,126	\$ 1,993,341	\$ 1,938,090	\$ 2,271,301	\$ 2,538,561
Debt Service Coverage	2.02	1.50	2.63	1.89	2.23

* The source of this information is the City's records.

** Does not include revenues, expenses and debt service for the East Avondale Water Company.

*** Operating revenues do not include revenues received from water and sewer development fees.

**** Debt Service includes all bonds having a water and sewer system revenue pledge.

*****Total operating expenses do not include depreciation or interest.

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTEMS -
 WATER SYSTEM CAPACITY AND DEMAND*
 LAST TEN FISCAL YEARS**

<u>Fiscal Year Ending June</u>	<u>Water System Capacity**</u>		<u>Water System Demand</u>		
	<u>Supply MGDs</u>	<u>Available Capacity of Supply</u>	<u>Average Daily Demand MGDs</u>	<u>Peak Demand (MGDs)</u>	
2003	20.6	28.5	8.5	16.4	
2002	13.7	10.2	7.4	10.3	**
2001	5.6	5.6	4.4	6.4	
2000	5.4	5.4	4.2	6.3	
1999	5.4	5.4	4.0	6.2	
1998	4.4	4.4	3.8	6.0	
1997	4.4	4.4	3.6	5.8	
1996	4.4	4.4	3.4	5.3	
1995	4.4	4.4	3.2	3.6	
1994	3.6	3.6	3.1	3.5	

* The source of this information is the City Utility Department.

** Increase in capacity due to the development of a 2.5 million gallon reservoir and creation of three new wells.

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTEMS -
 WASTEWATER SYSTEM USAGE*
 LAST TEN FISCAL YEARS**

<u>Fiscal Year Ending June 30</u>	<u>Average Daily Usage MGD's</u>	<u>Peak Usage (MGD's)</u>
2003	3.5	5.8
2002	3.3	3.8
2001	2.9	3.2
2000	2.6	2.8
1999	2.4	2.5
1998	2.3	2.4
1997	2.1	2.2
1996	2.0	2.1
1995	1.7	1.8
1994	1.5	1.7

* The source of information is the City's Utility Department.

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTEMS -
 CUSTOMER BASE - HISTORICAL AND PROJECTED***

	<u>Water and Wastewater Facility Users - Historical</u>					<u>Projected</u>
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Residential	7,093	8,672	10,213	12,398	13,937	15,266
Industrial/Commercial	210	348	363	384	403	596
Municipal and Others	71	90	98	111	122	123
Total	<u>7,374</u>	<u>9,110</u>	<u>10,674</u>	<u>12,893</u>	<u>14,462</u>	<u>15,985</u>

* The source of information is the City's Utility Department.

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTEMS -
 CURRENT WATER RATE STRUCTURE*
 JUNE 30, 2003**

Usage Inside Avondale							
Meter Size	Base Rate (No Usage)	Gallons Used	Amount Per 1000 Gallons	Gallons Used	Amount Per 1000 Gallons	Gallons Used	Amount Per 1000 Gallons
3/4"	\$ 12.02	0-7000	\$ 0.75	7001-20000	\$ 1.21	20001-up	\$ 1.83
1"	12.87	0-7000	0.75	7001-20000	1.21	20001-up	1.83
1 1/2"	21.46	0-7000	0.75	7001-20000	1.21	20001-up	1.83
2"	25.76	0-7000	0.75	7001-20000	1.21	20001-up	1.83
3"	38.63	0-7000	0.75	7001-20000	1.21	20001-up	1.83
4"	42.92	0-7000	0.75	7001-20000	1.21	20001-up	1.83
6"	57.23	0-7000	0.75	7001-20000	1.21	20001-up	1.83

Usage Outside Avondale							
Meter Size	Base Rate (No Usage)	Gallons Used	Amount Per 1000 Gallons	Gallons Used	Amount Per 1000 Gallons	Gallons Used	Amount Per 1000 Gallons
3/4"	\$ 16.82	0-7000	\$ 0.86	7001-20000	\$ 1.47	20001-up	\$ 2.06
1"	18.40	0-7000	0.86	7001-20000	1.47	20001-up	2.06
1 1/2"	30.65	0-7000	0.86	7001-20000	1.47	20001-up	2.06
2"	36.77	0-7000	0.86	7001-20000	1.47	20001-up	2.06
3"	55.17	0-7000	0.86	7001-20000	1.47	20001-up	2.06
4"	61.43	0-7000	0.86	7001-20000	1.47	20001-up	2.06
6"	81.72	0-7000	0.86	7001-20000	1.47	20001-up	2.06

* The source of information is the City records.

**CITY OF AVONDALE, ARIZONA
 AVONDALE AND WATER SEWER SYSTEMS -
 CURRENT SEWER RATE STRUCTURE*
 JUNE 30, 2003**

User Classification	Monthly Fee
Residential	\$ 6.87 + \$ 2.14 per 1,000 gallons of water consumption
Multi-Family/Apt/Motels	6.87 + \$ 2.14 per 1,000 gallons of water consumption
Commercial Users	29.49 (no usage) + \$2.50 per 1,000 gallons of water consumption
Schools	29.49 (no usage) + \$2.50 per 1,000 gallons of water consumption
Churches	6.87(no usage) + \$2.14 per 1,000 gallons of water consumption
Manufacturing and Industry	29.49 (no usage) + \$2.50 per 1,000 gallons of water consumption
Laundries	29.49 (no usage) + \$2.50 per 1,000 gallons of water consumption
Mobile Home Parks	6.87 (no usage) + \$2.14 per 1,000 gallons of water consumption

* The source of information is the City records.

**CITY OF AVONDALE, ARIZONA
 AVONDALE WATER AND SEWER SYSTMS - RATE INCREASES,
 CONNECTION FEE REVENUES, AND UTILITY CONNECTIONS*
 LAST TEN FISCAL YEARS**

Historical Percentage Rate Changes				
Fiscal Year	Water		Sewer	
Ending June 30				
2003	0	%	0	%
2002	0		0	
2001	0		0	
2000	0		0	
1999	5		5	
1998	0		0	**
1997	0		5	**
1996	0		5	
1995	0		9	
1994	9		9	

Revenue from Connection Fees			
Fiscal Year	Water	Sewer	
Ending June 30			
2003	\$ 963,083	\$ 485,850	
2002	1,056,078	643,546	
2001	1,052,587	631,050	
2000	946,682	567,750	***
1999	3,334,800	2,068,775	
1998	1,600,200	972,096	**
1997	1,043,573	656,078	
1996	807,450	548,235	
1995	350,000	280,000	
1994	145,830	118,300	

Number of Utility Connections			
Fiscal Year	Water	Sewer	
Ending June 30			
2003	16,500	16,200	
2002	13,210	14,483	
2001	11,454	12,741	
2000	9,269	10,596	
1999	7,728	9,055	**
1998	6,007	7,374	**
1997	4,992	6,346	**
1996	4,505	5,852	
1995	3,834	5,181	
1994	3,372	3,364	

* The source of information is the City's Utility Department.

** Figure includes sewer accounts from East Avondale utility customers which became effective November 1, 1995.

*** FY 2000 amounts only include connection fees not water and sewer sales.

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

<u>Fiscal-Year</u>		<u>Street and Highway Revenue Receipts</u>
2002-03	\$	2,323,982
2001-02		2,227,397
2000-01		1,726,651
1999-00		1,630,701
1998-99		1,573,340
1997-98		1,432,158
1996-97		1,612,147
1995-96		1,434,419
1994-95		1,335,841
1993-94		1,192,318

* The source of this information is City records.

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

Source	1998-99	1999-00	2000-01	2001-02	2002-03
City Sales Tax	\$ 5,185,053	\$ 6,072,476	\$ 7,263,241	\$ 14,342,501	\$ 15,964,921
State Sales Tax	1,819,655	2,000,163	2,147,368	2,765,159	2,806,331
State Revenue Sharing	2,294,618	2,533,854	2,808,533	3,748,916	3,770,461
Utility & Cable Franchise Fees	314,247	366,577	410,371	492,526	558,196
Licenses & Permits	1,825,608	3,141,234	3,276,107	4,194,488	4,049,503
Fines & Forfeitures	320,592	284,784	296,037	297,233	262,032
Totals	\$ 11,759,773	\$ 14,399,088	\$ 16,201,657	\$ 25,840,823	\$ 27,411,443

* The source of this information is City records

**CITY OF AVONDALE, ARIZONA
MUNICIPAL DEVELOPMENT CORPORTION
DEBT SERVICE COVERAGE
JUNE 30,2003**

Debt service payable during year ended June 30	Actual Excise tax Revenues	Total estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 27,411,443	\$ 2,601,893	10.54 %
2004	N/A	4,079,119	6.72
2005	N/A	4,954,707	5.53
2006	N/A	5,037,823	5.44
2007	N/A	5,055,373	5.42
2008	N/A	5,094,147	5.38
2009	N/A	5,109,088	5.37
2010	N/A	5,157,050	5.32
2011	N/A	5,167,030	5.31
2012	N/A	5,165,060	5.31
2013	N/A	4,797,380	5.71
2014	N/A	4,356,350	6.29
2015	N/A	3,249,560	8.44
2016	N/A	3,217,938	8.52
2017	N/A	2,374,438	11.54
2018	N/A	2,347,188	11.68
2019	N/A	2,339,938	11.71
2020	N/A	2,360,500	11.61
2021	N/A	1,800,000	15.23

**CITY OF AVONDALE, ARIZONA
 MISCELLANEOUS STATISTICS*
 JUNE 30, 2003**

Date of Incorporation	12/13/1946
Form of government	Council/Manager
Number of employees:	396
Full-time	332
Part-time	64
Area in square miles	43
Facilities and Services:	
Miles of Streets	213.2
Culture and Recreation:	
Community Centers	2
Parks	11
Park acreage	118
Tennis courts	2
Racquetball Courts	0
Basketball Courts	15
Volleyball Courts	5
Fire Protection:	
Number of stations	2
Number of fire personnel and officers (including reserves)	53
Number of calls answered yearly	4,070
Police Protection:	
Number of stations	2
Number of police personnel and officers (including reserves)	103
Number of patrol units	28
Sewerage Systems:	
Miles of sanitary sewers	307.0
Number of service connections	16,150
Water Systems:	
Miles of water mains	315.4
Number of service connections:	16,200
Avondale	13,150
East Avondale	3,050
Daily average consumption in gallons	8,182,740
Maximum storage capacity of plant in gallons	7,900,000
Facilities and services not included in the reporting entity:	
Education:	
Number of elementary schools	9
Number of secondary schools	5
Number of community colleges	1

* The source of information is the City records.



HENRY & HORNE, P.L.C.
A d v i s o r s t o B u s i n e s s

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

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

We have audited the financial statements of City of Avondale, Arizona as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether City of Avondale, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Avondale, Arizona's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Casa Grande Office

711 East Cottonwood Lane, Suite 123 Casa Grande, Arizona 85222-2725
520-836-8201 Fax 520-426-9432 www.hhcpa.com

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, PLC

Henry & Horne, P.L.C.
Certified Public Accountants

October 31, 2003



HENRY & HORNE, P.L.C.
A D V I S O R S T O B U S I N E S S

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

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

Compliance

We have audited the compliance of City of Avondale, Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. City of Avondale, Arizona's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Avondale, Arizona's management. Our responsibility is to express an opinion on City of Avondale, Arizona'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; 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 City of Avondale, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Avondale, Arizona's compliance with those requirements.

In our opinion, City of Avondale, Arizona complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of City of Avondale, Arizona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Avondale, Arizona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Casa Grande Office

711 East Cottonwood Lane, Suite 125 Casa Grande, Arizona 85222-2725
520-836-8201 Fax 520-426-9432 www.hhcpa.com

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Henry & Horne, P.L.C.".

Henry & Horne, P.L.C.
Certified Public Accountants

October 31, 2003

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

Federal Grantor/Pass- Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Maricopa County Community Development Agency Community Development Block Grant	14.218	DG0101, DG0002, DG0201	<u>935,248</u> *
U.S. Department of Justice			
Local Law Enforcement Block Grant	16.592		21,608
Bulletproof Vest Partnership Program	16.607		5,455
COPS Universal Hiring Fund	16.710		160,725 *
COPS In Schools	16.710		164,000 *
Federal Equitable Sharing Program	16.Unknown		37,691
Passed through Arizona Department of Public Safety Crime Victim Assistance	16.575	2000-916	<u>50,332</u>
Total U.S. Department of Justice			<u>439,811</u>
U.S. Department of Transportation			
Passed through the Maricopa Association of Governments Highway Planning and Construction - Las Ligas Repairs	20.205	N/A	87,902
Passed through the Arizona Governor's Office of Highway Safety State and Community Highway Safety	20.600	2002-163-009	<u>37,174</u>
Total U.S. Department of Transportation			125,076
U.S. Department of Health and Human Services			
Passed through the Arizona department of Economic Security and Area Agency on Aging Support Services and Senior Centers	93.044	2003-08 AVO	17,002
Nutrition Services	93.045	2003-08 AVO	59,537
National Family Caregiver Support	93.052	2003-08 AVO	1,000
Nutrition Services Incentive Program	93.053	2003-08 AVO	11,941
Social Services Block Grant	93.667	2003-08 AVO	6,313
Passed Through Maricopa County Division of Human Services Temporary Assistance for Needy Families (TANF)	95.558	C-22-02-046-2-01	41,667
Community Services Block Grant	93.569	C-22-02-046-2-01	17,917
Social Services Block Grant	93.667	C-22-02-046-2-01	<u>12,875</u>
Total U.S. Department of Health and Human Services			<u>168,252</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,668,387</u></u>

* Denotes major program

**CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 CATATOG OF FEDERAL DOMESTIC ASSTANCE (CFDA) NUMBERS

When the CFDA number is nonexistent or unknown, the first two digits applicable to the federal agency were used followed by the word "unknown".

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the financial statements of the City of Avondale, Arizona.

No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

No instances of noncompliance material to the financial statements of City of Avondale, Arizona, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

The auditor's report on compliance for the major federal award programs for City of Avondale, Arizona expresses an unqualified opinion on all major federal programs.

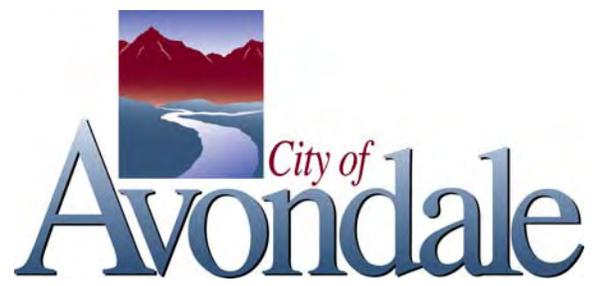
Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

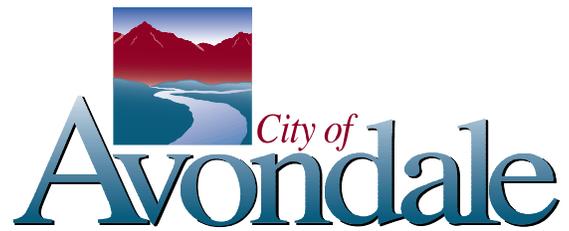
The programs tested as major programs include:

- Community Development Block Grants (CFDA 14.218)
- Community Oriented Policing (CFDA 16.710)

The threshold used for distinguishing between Type A and B programs was \$300,000.

The City of Avondale, Arizona qualified as a low-risk auditee.





**City of Avondale
Finance and Budget Department
11465 W. Civic Center Drive, #250
Avondale, AZ 85323-6807
(623) 925-0018**