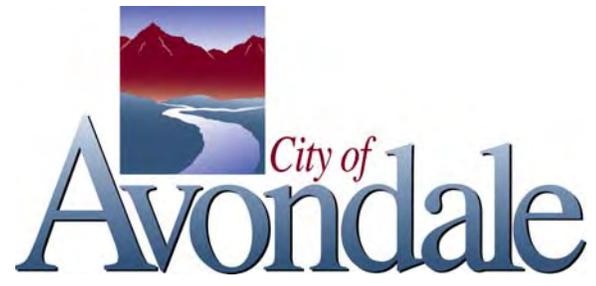
A nighttime photograph of a modern building. The building features a prominent stone wall in the foreground, which is illuminated from below. To the right, a curved concrete walkway or ramp leads away from the building. The building's facade is composed of large, rectangular panels, some of which are lit from within. The sky is a deep blue, and the overall scene is lit with warm, golden light from the building's interior and exterior lighting.

CITY OF AVONDALE, ARIZONA

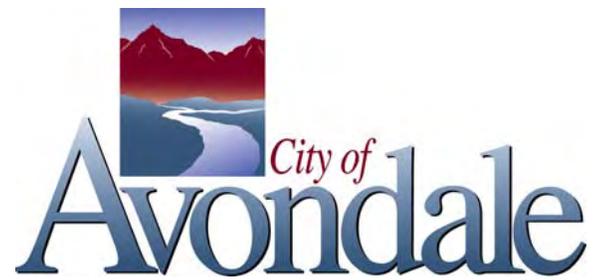
# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

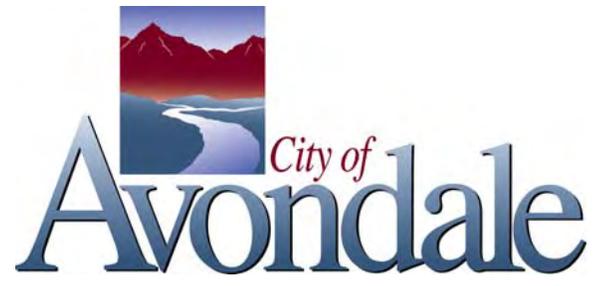


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2005

City of Avondale  
Avondale, Arizona



Prepared by:  
Finance and Budget Department



**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	v
City of Avondale Management	xiii
Organizational Chart	xiv
Certificate of Achievement for Excellence in Financial Reporting	xv
<b>FINANCIAL SECTION</b>	
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
Public Safety Sales Tax Revenue Fund	30
Proprietary Fund Financial Statements	
Statement of Net Assets	31
Statement of Revenues, Expenditures and Changes in Fund Net Assets	32
Statement of Cash Flows	33
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to the Basic Financial Statements	37-60

**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2005**

**TABLE OF CONTENTS**

**Page**

Supplementary Information	
Other Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Other Major Funds	
Development Fees Fund	61
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 Balance - Budget and Actual - Non-major Governmental Funds	
Local Transportation Assistance Fund	72
Senior Programs Fund	73
Judicial Collection Enhancement Fund	74
Grants-in-Aid Fund	75
Other Special Revenue Fund	76
Vehicle Replacement Fund	77
Equipment Replacement Fund	78
Other Capital Projects Fund	79
General Obligation Bond Fund	80
Highway User Revenue Bond Fund	81
Dedicated Sales Tax Bond Fund	82
Other Debt Service Fund	83
Combining Statement of Net Assets - Internal Service Funds	87
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets- Internal Service Funds	88
Combining Statement of Cash Flows - Internal Service Funds	89
Capital Assets Used in the Operation of Governmental Activities	
Schedules by Source	91
Schedule by Function and Activity	92
Schedule of Changes by Function and Activity	93

**STATISTICAL SECTION**

Government-wide information	
Government-wide Expenses by Function	96-97
Government-wide Revenues	98-99
Government-wide information	
Governmental Activities Expenditures by Function – Last Ten Fiscal Years	100-101
Governmental Activities Revenues by Source – Last Ten Fiscal Years	102-103
Property Tax Levies and Collections – Last Ten Fiscal Years	104
Assessed and Estimated Full-cash Value of Taxable Property – Last Ten Fiscal Years	105
Property Tax Rates – Direct and Overlapping Governments – Per \$100 Assessed Valuation – Last Ten Fiscal Years	106-107

**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2005**

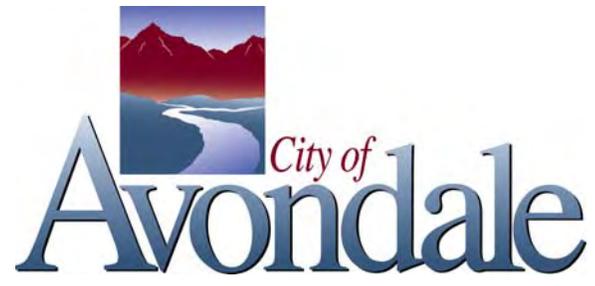
**TABLE OF CONTENTS**

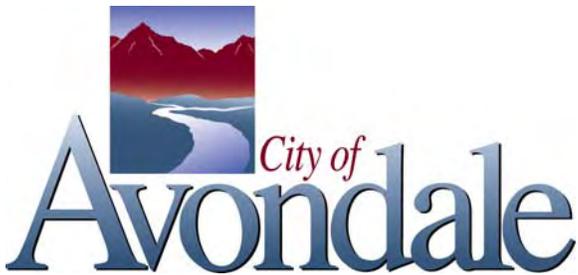
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Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita – Last Ten Fiscal Years	108
Computation of Legal Debt Margin	109
Computation of Direct and Overlapping Bonded Debt – General Obligation Bonds	110
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	111
Demographic Statistics – Last Ten Fiscal Years	112
Principal Taxpayers and Property Classifications	113
Ratio of Assessed Value to Maricopa County – Last Ten Fiscal Years	114
Comparative Assessed Valuation by Classification – Last Ten Fiscal Years	116-117
Statement of Revenues, Expenses and Debt Service Coverage – Last Five Fiscal Years	118
Water System Capacity and Demand – Last Ten Fiscal Years	119
Wastewater System Usage – Last Ten Fiscal Years	120
Water and Sewer Systems Customer Base – Historical and Projected	121
Water and Sewer Systems Current Water Rate Structure	122
Water and Sewer Systems Current Sewer Rate Structure	123
Water and Sewer Systems Rate Increases, Connection Fee Revenues, and Utility Connections – Last Ten Fiscal Years	124
Street and Highway Revenue Receipts – Last Ten Fiscal Years	125
Actual Excise Tax Revenues – Last Five Fiscal Years	126
Municipal Development Corporation Debt Service Coverage	127
Miscellaneous Statistics	128

**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	129
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	131
Schedule of Expenditures of Federal Awards	133
Schedule of Findings and Questioned Costs	135





October 19, 2005

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, 2005. 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, L.L.P., 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, 2005, 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, 2005, 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 one of the fastest growing residential areas of Maricopa County, Arizona. The City's planning area currently occupies 94 square miles and serves a population of over 60,000. Unique to Avondale are the three rivers that traverse the City - the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

Avondale operates under the Council-Manager form of government in accordance with its Charter. Legislative authority is vested in a seven member City Council consisting of a Mayor and six Council members elected at large for a term of four years. The Mayor and Council appoint the City Manager and such other officers deemed necessary and proper for the orderly administration of the 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, and general administration. The City also operates a sanitation, 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 City's operations and data from these units are combined with data of the City, the primary government. Accordingly, the financial reporting entity includes the Avondale Municipal Development Corporation (MDC) as discussed further in Note 1 of the notes to the financial statements.

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

Council meeting in July, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Fund, Local Transportation Assistance Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Other Special Revenue 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**

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

All of the available lots at the Avondale Auto Mall have been developed, totaling 14 new car dealerships, and one new Honda Motorcycle Dealership. Universal Technical Institute opened in mid 2004 bringing 250 new jobs and over 3000 students annually to Avondale. On the east and west borders of the city, two new hospitals opened, leading the way for additional investment in offices dedicated to medical research and healthcare. Overall, more than 300 commercial buildings permits were issued in FY 2004-05.

Land was also a hot commodity. More than 200 acres of agricultural land was purchased by developers for business park projects in the employment area south of the Avondale Auto Mall. This area will rapidly evolve from agriculture to employment, representing hundreds of new jobs which in turn, will support new retail and office investment.

### **Retail**

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

*Gateway Pavilions (99th Avenue and McDowell Road)*

This highly successful center continued to attract quality tenants in FY 2004-05 including Red Robin, MOR Furniture, Johnny Rockets, Village Inn, Paul Lee's Chinese Kitchen and many

smaller shops. These join anchors such as Circuit City, Bed Bath & Beyond, Borders, Sports Authority, Costco, and an 18-plex Harkins Theater, in over 630,000 square feet.

*Coldwater Plaza (Dysart Road south of Van Buren Street)*

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

*Alameda Crossing (northeast corner of Dysart and McDowell)*

Joining Kohl's is Johnny Carino's and a Beauty Brands store. Other tenants in this 313,000 square-foot retail center will include a Sprouts, JoAnnes, and several restaurants.

*Fiesta Plaza (southeast corner of Avondale Boulevard and MC 85)*

Fry's Food and Drug anchors this 125,000 square-foot shopping plaza that also includes Checker Auto Parts, Bank of America, and many others. The Center, opened in April 2004 has leased quickly, responding to the enormous growth in new housing in the immediate area.

*Avondale Auto Mall (99 to 107 avenue, south of I-10)*

All of the original lots have been developed at the Avondale Auto Mall that now boasts 14 new car dealerships. New additions include Toyota, Hyundai, Saturn, and Mazda.

*Hilton Hotels (Avondale Boulevard and Interstate 10)*

Construction is underway on a 43 acre business park, anchored by two Hilton hotels with 246 rooms, conference facilities, restaurants and a lounge.

## **Office and Employment Development**

*Avondale Civic Center (Coldwater Springs and Avondale Boulevard)*

Adjacent to Avondale City Hall, Sundt Construction completed a 32,000 square foot, "Class A" office building. Phoenix International Raceway's corporate headquarters occupies 12,000 square-feet. Maricopa County and performance real estate occupy an additional 8,000 square-feet. This is the first phase of a proposed three phase development on approximately 8 acres at Coldwater and Avondale Boulevard.

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

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

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

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

### *Universal technical Institute (107th Avenue and Pierce)*

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

### *Desert Lakes Professional Plaza (107th and McDowell)*

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

### *Indian School Crossing (east of Dysart on Indian School Road)*

Office users at this 39,000 square foot facility completed in 2004 include the USDA, insurance and real estate firms, and retail clients including a frame shop, a dance studio, crafts, fitness facility and others.

## **Residential Activity**

Avondale's excellent freeway access, attractive suburban lifestyle, along with the new commercial development has continued to attract new housing communities to the City. During fiscal year 2004-05, 1,896 residential building permits were issued and the City experienced a 21.6% increase in secondary assessed valuation going from \$265,228,109 to \$322,675,785 for fiscal year 2004-05.

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 2004-05, the City continued or planned for several significant projects.

Regional Library at Avondale Civic Center – The City completed the design of a 31,000 square-foot regional library to be constructed at the Avondale Civic Center. Construction is scheduled to start in the next fiscal year with completion by September 2006.

Youth Sports Complex at Friendship Park – Located along McDowell Road, this \$5 million, 55 acre facility offers nine multi-purpose fields, two little league baseball fields, a dog park, playgrounds, basketball courts, tennis courts, walking trails, and a Japanese Garden, surrounded by a small lake.

Dysart Road Improvements – Reconstruction of Dysart Road from Van Buren Street to I-10 began in FY 2004-05. The roadway is being widened to six lanes with a landscaped median. In addition, the underpass at Interstate 10 was also widened to six through lanes.

## **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 1.98% for fiscal year 2004-2005.

## **EXPENDITURE LIMITATION**

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

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

## **SINGLE AUDIT**

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

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

## **PENSION BENEFITS**

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

The Public Safety 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 \$243,404 at June 30, 2005, a decrease of \$4,525 from the previous year.

## **RISK MANAGEMENT**

The City is responsible for the supervision and protection of the City's assets by employing various risk management techniques and procedures, which will reduce, minimize or eliminate the potential for risk. The City carried insurance for general liability, property, automobile, and public officials' errors and omissions through the Arizona Municipal Risk Retention Pool (AMRRP). In FY 2004-05, the City became self-insured (see Subsequent event footnote for additional details). City Workers' compensation insurance is carried through the Arizona Municipal Workers' Compensation Pool.

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its comprehensive annual financial report (CAFR) for the year ended June 30, 2004. 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 2004-2005 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.

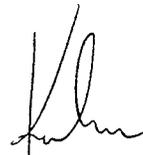
## **ACKNOWLEDGEMENTS**

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 managements of the City of Avondale's finances.

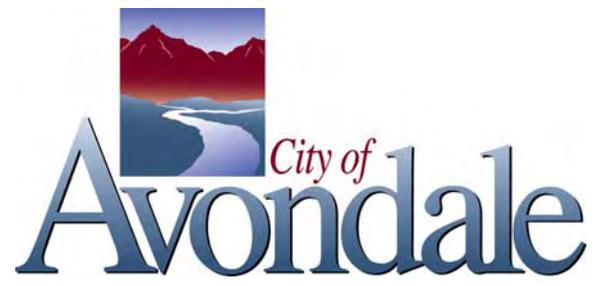
Respectfully submitted,



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 2005**

MAYOR AND COUNCIL

Ron Drake, Mayor

Betty S. Lynch, Vice Mayor

Marie Lopez-Rogers, Councilmember

Gail Leitner, Councilmember

Al Carroll, Councilmember

Jason Earp, Councilmember

Chuck Wolf, Councilmember

MANAGEMENT STAFF

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

DEPARTMENT HEADS

Janet Stewart, Field Operations Director

Kevin Artz, Finance and Budget Director

Rob Emmett, Utilities Director

Dan Davis, Community/Recreation Director

Dean Svoboda, Planning & Building Director

Cherlene Penilla, Human Resources Director

Kevin Kotsur, Police Chief

Linda Farris, City Clerk

Paul Adams, Fire Chief

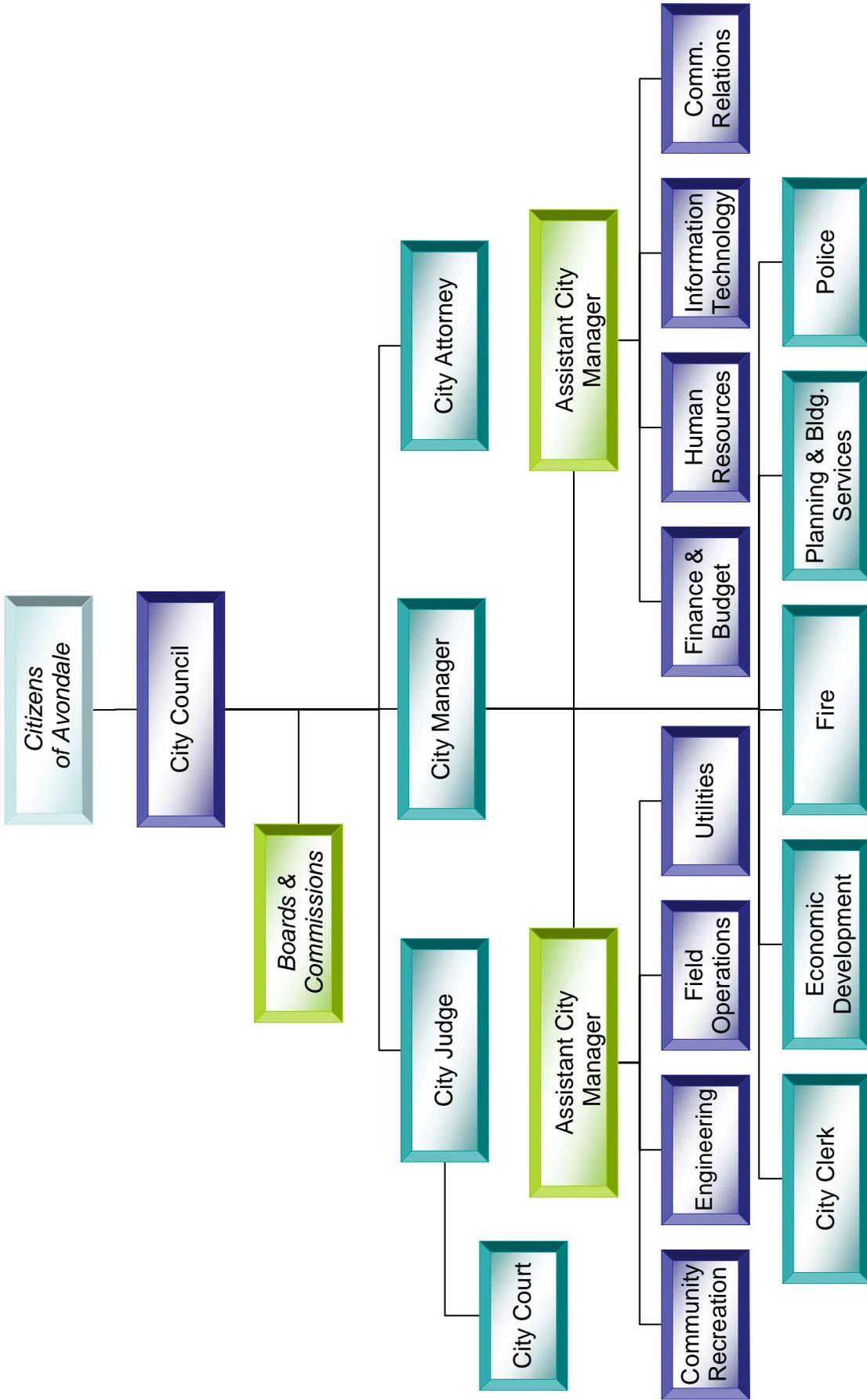
Richard Lynch, City Magistrate

Jeff Fairman, Economic Development Director

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, 2004

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.

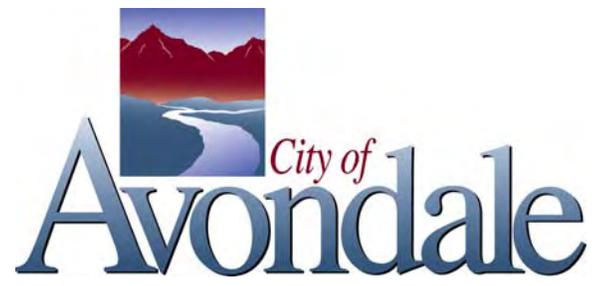


*Nancy L. Zjelke*

President

*Jeffrey R. Emer*

Executive Director





HENRY & HORNE, LLP  
Advisors to Business

## 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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2005, 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 19, 2005, 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.

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711 E. Cottonwood Lane  
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Casa Grande, AZ 85222-2725  
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Post Office Box 527  
Pinetop, AZ 85935-0527  
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Fax (928) 367-3501

1  
www.henryandhorne.com

The Honorable Mayor and Council  
City of Avondale, Arizona

The management's discussion and analysis, budgetary comparison information and other supplementary information on pages 3 through 15, 70 through 81 and 87 through 89, 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 an opinion 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.



October 19, 2005

## **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, 2005.

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, 2005. This analysis focuses on current year activities and should be read in conjunction with the letter of transmittal as well as the City's basic financial statements.

### **Financial Highlights**

#### **Government-wide**

- The City's assets exceeded its liabilities at the close of fiscal year 2005 by \$197.2 million (net assets). Of this amount, \$45.2 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 \$45.3 million (29.8%) in fiscal year 2005, \$12.9 million (a 8.5% increase) in governmental activities and \$32.4 million (a 18.9% increase) in business-type activities.

#### **Fund Level**

- Total revenues for the governmental funds increased by \$9.7 million (a 16.5% increase) over the previous year.
- The total fund balance of the governmental funds was \$58.0 million, an increase of \$13.4 million (30.0%) from the previous year.
- Unreserved fund balance for the General Fund was \$19.8 million, or 68.0% of General Fund expenditures for fiscal year 2005.

### **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 are comprised of 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; health and welfare; economic and community development; and culture and recreation. The business-type activities of the City include a Water Utility, Wastewater Utility and Sanitation 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 five 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, Public Safety 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** – The City maintains two types of proprietary funds. Enterprise funds are used for activities that primarily serve customers outside the governmental unit. 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. Internal Service Funds are the second type of proprietary fund. The City uses internal service funds to account for its risk management and printing services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included in within the governmental activities in the government-wide financial 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**

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole for the year ended June 30, 2005, with comparative information for the previous year.

### **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 \$197.2 million at the close of the most recent fiscal year.

The largest portion of the City's net assets, \$78.2 million or 39.7%, 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 following table reflects the City's condensed Statement of Net Assets.

**City of Avondale, Arizona**  
**Comparative Statement of Net Assets**  
**June 30, 2004 and 2005**

	Governmental Activities		Business-type Activities		Total (Primary Government)	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 69,467,375	\$ 53,068,842	\$ 72,136,069	\$ 50,782,091	\$ 141,603,444	\$ 103,850,933
Capital assets	71,636,759	64,393,151	97,246,584	87,870,202	168,883,343	152,263,353
Total assets	<u>141,104,134</u>	<u>117,461,993</u>	<u>169,382,653</u>	<u>138,652,293</u>	<u>310,486,787</u>	<u>256,114,286</u>
Other liabilities	9,440,534	7,707,012	2,964,785	3,179,613	12,405,319	10,886,625
Long-term liabilities	79,493,284	10,575,087	21,363,675	22,784,135	100,856,959	33,359,222
Total liabilities	<u>88,933,818</u>	<u>18,282,099</u>	<u>24,328,460</u>	<u>25,963,748</u>	<u>113,262,278</u>	<u>44,245,847</u>
Net assets:						
Invested in capital assets, net of related debt	(2,213,511)	(728,546)	76,032,966	65,140,765	73,819,455	64,412,219
Restricted	33,627,735	26,113,620	44,558,842	31,097,385	78,186,577	57,211,005
Unrestricted	20,756,092	13,854,820	24,462,385	16,450,395	45,218,477	30,305,215
Total net assets	<u>\$ 52,170,316</u>	<u>\$ 39,239,894</u>	<u>\$ 145,054,193</u>	<u>\$ 112,688,545</u>	<u>\$ 197,224,509</u>	<u>\$ 151,928,439</u>

The second largest portion of the City's net assets reflects its investment of \$73.9 million, or 36.6%, 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 2005. 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 remaining portion of unrestricted net assets, \$45.2 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, 2005. Therefore, the deficit position of invested in capital assets, net of related debt, in the governmental activities is a result of significant debt financed infrastructure that will be capitalized in future years. The City anticipates retroactively reporting infrastructure assets in fiscal year 2006.

## Changes in Net Assets

The City's total net assets increased by \$45.3 million for the current fiscal year. The following table presents a summary of the changes in net assets for fiscal year ended June 30, 2005.

### City of Avondale, Arizona Comparative Statement of Activities Years ended June 30, 2004 and 2005

	Governmental Activities		Business-type Activities		Total (Primary Government)	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 6,694,841	\$ 8,567,254	\$ 18,283,449	\$ 13,932,601	\$ 24,978,290	\$ 22,499,855
Operating grants and contributions	4,462,062	2,078,204	-	-	4,462,062	2,078,204
Capital grants and contributions	7,924,999	11,151,696	14,686,667	15,536,911	22,611,666	26,688,607
General revenues						
Sales and use taxes	36,525,428	23,177,913	-	-	36,525,428	23,177,913
Property taxes	3,088,824	2,336,907	-	-	3,088,824	2,336,907
Franchise taxes	682,292	640,293	-	-	682,292	640,293
State shared revenues	8,218,495	10,272,674	-	-	8,218,495	10,272,674
Investment income	1,093,019	378,780	1,087,666	440,575	2,180,685	819,355
Gain on sale of assets	286,400	372,845	50,100	-	336,500	372,845
Miscellaneous	407,388	709,802	3,915	17,206	411,303	727,008
<b>Total revenues</b>	<b>69,383,748</b>	<b>59,686,368</b>	<b>34,111,797</b>	<b>29,927,293</b>	<b>103,495,545</b>	<b>89,613,661</b>
<b>Expenses:</b>						
General government	17,652,671	12,773,774	-	-	17,652,671	12,773,774
Public safety	14,797,695	12,309,510	-	-	14,797,695	12,309,510
Highways and streets	3,080,032	2,885,844	-	-	3,080,032	2,885,844
Sanitation	-	3,047,585	-	-	-	3,047,585
Health and welfare	806,332	693,682	-	-	806,332	693,682
Economic and community development	3,356,334	2,718,598	-	-	3,356,334	2,718,598
Culture and recreation	1,157,280	1,013,654	-	-	1,157,280	1,013,654
Interest on long-term debt	2,530,003	2,650,407	-	-	2,530,003	2,650,407
Water Utility	-	-	6,939,975	6,838,555	6,939,975	6,838,555
East Avondale Water Utility	-	-	4,733,439	4,589,305	4,733,439	4,589,305
Wastewater Utility	-	-	3,145,714	-	3,145,714	-
<b>Total expenses</b>	<b>43,380,347</b>	<b>38,093,054</b>	<b>14,819,128</b>	<b>11,427,860</b>	<b>58,199,475</b>	<b>49,520,914</b>
Increase in net assets before transfers	26,003,401	21,593,314	19,292,669	18,499,433	45,296,070	40,092,747
Transfers	(13,072,979)	583,908	13,072,979	(583,908)	-	-
Increase in net assets	12,930,422	22,177,222	32,365,648	17,915,525	45,296,070	40,092,747
Net assets - beginning	39,239,894	17,062,672	112,688,545	94,773,020	151,928,439	111,835,692
<b>Net assets - ending</b>	<b>\$ 52,170,316</b>	<b>\$ 39,239,894</b>	<b>\$ 145,054,193</b>	<b>\$ 112,688,545</b>	<b>\$ 197,224,509</b>	<b>\$ 151,928,439</b>

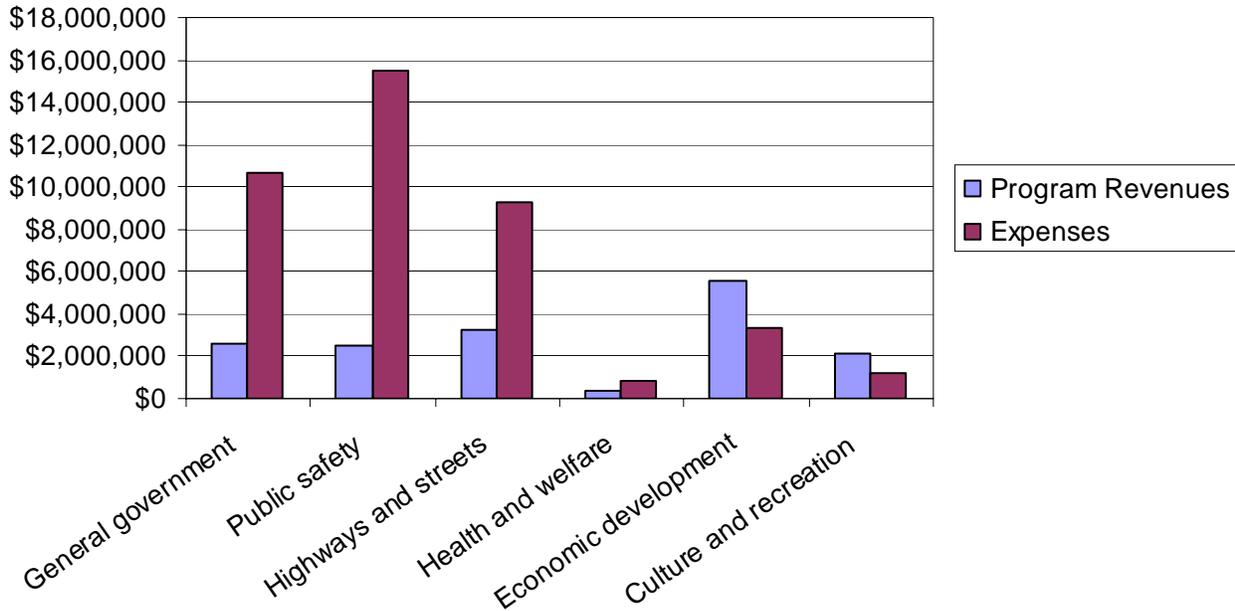
## Governmental Activities

Governmental activities increased the City's net assets by \$12.9 million for fiscal year ended June 30, 2005. The governmental activities accounted for 28.5% of the City's net asset increase in 2005. 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 \$19.1 million and general revenues were \$50.3 million.

### Governmental Program Revenues & Expenses

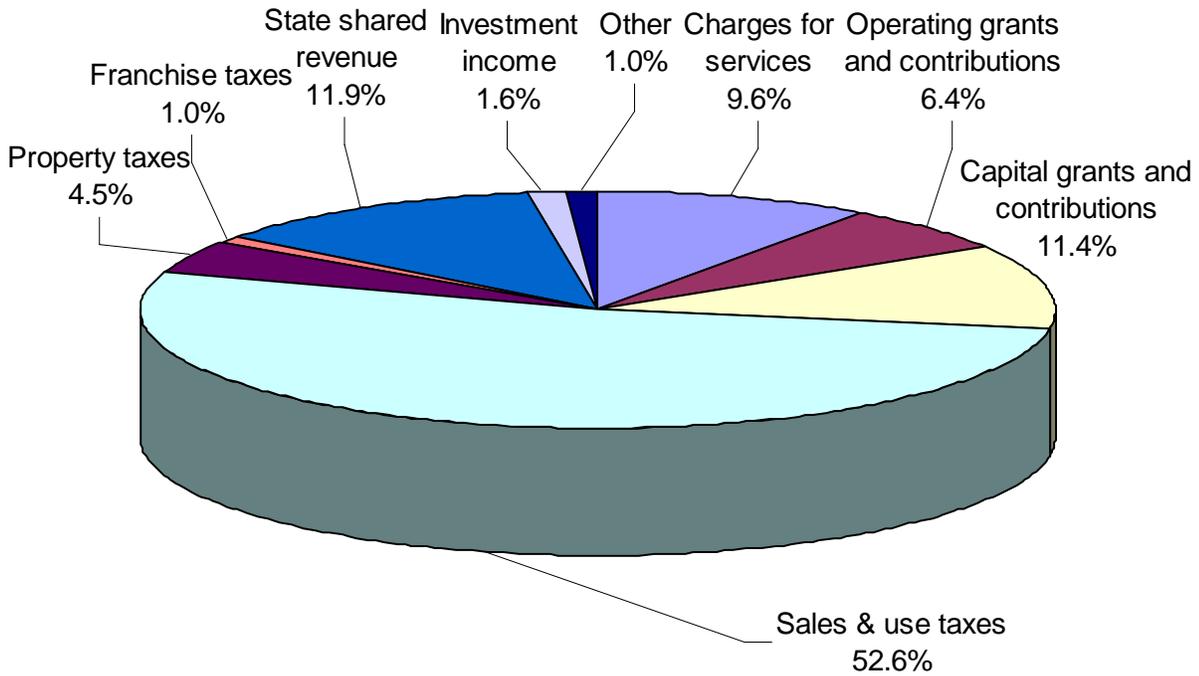


Governmental activities account for 67.0% of the total revenues of the City and 74.5% of the total expenses in fiscal year 2005. The largest revenue increases in 2005 were sales and use taxes of \$13.4 million, or 36.5%. The significant increase in sales and use tax is attributable to the City's increase in retail and restaurant activities combined with a full year of a voter approved ½ cent sales tax increase for public safety that took effect in January 2004. A series of significant automobile dealerships, retail businesses and restaurants opened in 2005. The decrease in charges for services revenue of \$1.9 million and the decrease of capital grants and contributions of \$3.2 million is primarily due to the movement of sanitation services out of the General Fund into the Sanitation Utility Enterprise Fund.

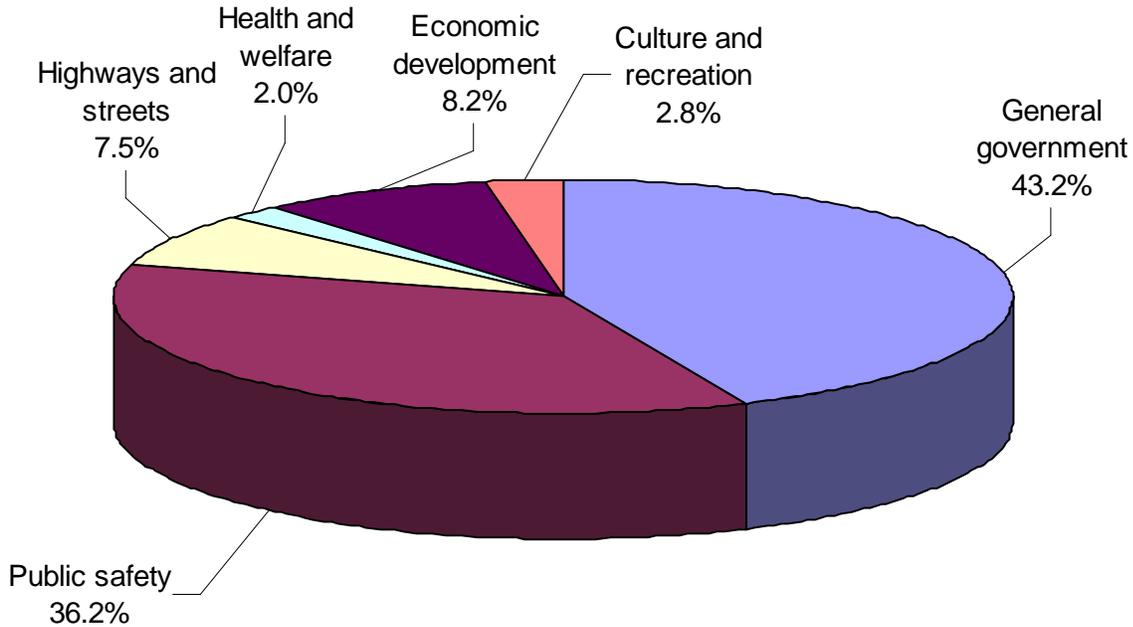
As seen in the following graph, the largest revenue source for the City's governmental activities is sales and use taxes at 52.6%. Capital grants and contributions accounted for 11.4% of the City's total revenues. State shared revenues contributed a significant portion of governmental activity revenues at 11.9% due primarily to development related fees.

Additionally, general government is the City's largest functional expense at 43.2% followed by public safety expenses at 36.2%.

## Governmental Activities - Revenue Sources Fiscal Year 2005



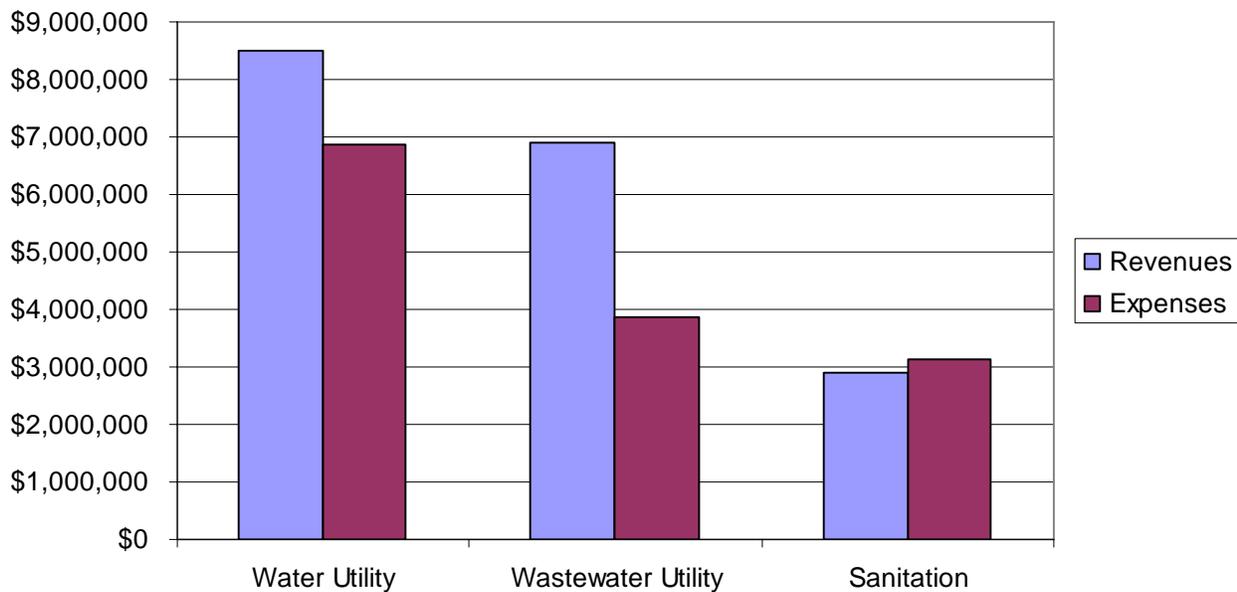
## Governmental Activities - Functional Expenses Fiscal Year 2005



## Business-type Activities

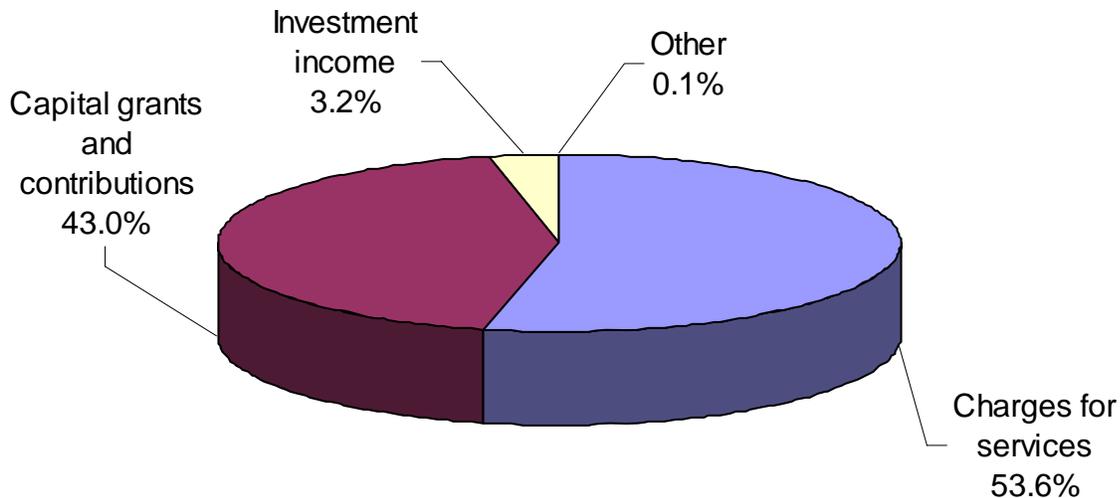
Business-type activities increased the City's net assets by \$32.4 million for fiscal year ended June 30, 2005 accounting for 71.5% of the City's growth. A significant portion of the increase in net assets is associated with an increase in charges for services from a growing customer base combined with increased capital contributions due to increased large commercial development. The following graphs and narrative describe the significant factors resulting in the overall increase in net assets or business-type activities.

### Enterprise Fund Operating Revenues and Expenses Fiscal Year 2005



The City's largest overall business-type activity is the Water Utility with \$8.5 million and \$6.9 million in operating revenues and operating expenses, respectively, in fiscal year 2005, followed by Wastewater Utility with operating revenues of \$6.9 million and operating expenses of \$3.9 million.

## Business-type Activities - Revenues by Source Fiscal year 2005



Charges for services provided the largest share of revenues at \$18.3 million or 53.6%, followed by capital grants and contributions, which are largely development fees, of \$14.7 million or 43.1% 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.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$58.0 million, an increase of \$13.4 million, or 30.0%, from the previous year. The combined ending fund balances for fiscal year 2004 were \$44.6 million. The increase in the current year's fund balance is largely attributable to increases in sales tax revenue.

Of the total ending fund balances, \$48.8 million, or 84.2%, constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$9.2 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 \$69.1 million and \$59.3 million in the fiscal years ended June 30, 2005, and 2004, respectively, which represents an increase of \$9.8 million or 16.5% from the previous year. For fiscal year ended June 30, 2005, expenditures for

governmental functions totaled \$55.4 million, a decrease of \$4.2 million or 7.0% over the fiscal year 2004 total of \$59.6 million. In fiscal years ended June 30, 2005 and 2004, the excess(deficiency) of revenues to expenditures were \$13.7 million and \$(0.3) million, respectively. The majority of the change was due to significant increases in sales tax revenue combined with a significant decrease in capital outlay expenditures.

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 \$19.8 million, while total fund balance was \$20.0 million. The unreserved and total fund balances for the General Fund at the end of fiscal year 2004 were \$12.9 million and \$13.0 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 68.0% of the total General Fund expenditures of \$29.1 million in fiscal year 2005.

The majority of the increase in the General Fund's fund balance in fiscal year 2005 of \$7.9 million was attributable to increases in sales tax. Overall, the General Fund's revenues exceeded expenditures by \$12.8 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 \$5.7 million was \$1.2 million higher than fiscal year 2004. 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.

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, total fund balances of all Capital Projects Funds were \$22.0 million. The fund balance at the end of fiscal year 2004 was \$22.1 million. The decrease in fund balance is primarily due to the utilization of bond proceeds. Remaining portions of bond proceeds will be utilized in fiscal year 2005. Capital improvement expenditures in 2005 and 2004 were \$12.4 million and \$22.0 million, respectively, a decrease of 43.7%. The decrease in capital outlay is largely attributable to the City's new Government Center and Avondale Boulevard road improvements that were completed in fiscal year 2004.

**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 were \$24.5 million and \$16.5 million for fiscal years 2005 and 2004, respectively. The growth in total net assets was \$32.3 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 \$14.7 million in development fees revenue and \$9.0 million in a bond proceeds transfer to be used in future years 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). During the year a \$2.4 million budget amendment moved expenditure authority from the unanticipated revenue/expense line item in the Grants-in-aid Fund to the General Fund's general government line item to cover an unanticipated increase in sales tax incentive rebates. There was no negative impact on the City, as projected revenues associated with those incentive rebates were also \$2.4 million over projections.

## Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2005, and 2004, amount to \$168.9 million and \$152.3 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 majority of the increase in the City's capital assets (net of accumulated depreciation) of \$16.6 million or 10.9% is attributable to the completion of the City's new youth sports complex (Friendship Park) of \$5.8 million, land acquisition for future parks of \$1.7 million, water collection and distribution improvements of \$8.7 million. The changes are shown in the table below:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 9,720,314	\$ 6,960,297	\$ 15,596,661	\$ 15,596,661	\$ 25,316,975	\$ 22,556,958
Buildings and improvements	29,305,907	23,790,978	-	-	29,305,907	23,790,978
Vehicles, furniture and Equipment	5,497,386	7,926,601	1,460,669	270,814	6,958,055	8,197,415
Infrastructure	18,697,977	15,051,562	-	-	18,697,977	15,051,562
Water system	-	-	21,719,593	19,075,141	21,719,593	19,075,141
Sewer system	-	-	18,782,925	18,889,424	18,782,925	18,889,424
Wastewater treatment system	-	-	25,446,334	25,995,385	25,446,334	25,995,385
Construction in progress	8,415,175	10,663,713	14,240,402	8,042,777	22,655,577	18,706,490
	<u>\$ 71,636,759</u>	<u>\$ 64,393,151</u>	<u>\$ 97,246,584</u>	<u>\$ 87,870,202</u>	<u>\$ 168,883,343</u>	<u>\$ 152,263,353</u>

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

## Long-term Debt

At the end of the fiscal years 2005 and 2004 the City had total long-term obligations outstanding of \$100.6 million and \$93.0 million, respectively. Of these amounts, \$18.8 million are general obligation bonds that are backed by the full faith and credit of the City. The remaining debt includes revenue bonds, Municipal Development Corporation bonds, water infrastructure improvement loans, and other obligations. The City's long term debt is shown below:

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 18,775,000	\$ 19,620,000	\$ -	\$ -	\$ 18,775,000	\$ 19,620,000
Revenue bonds	4,065,000	4,390,000	1,585,000	1,665,000	5,650,000	6,055,000
Municipal Development Corporation Bonds	51,743,638	41,608,115	9,296,360	10,031,885	61,039,998	51,640,000
Waster infrastructure improvement loans	-	-	10,332,258	11,032,552	10,332,258	11,032,552
Compensated absences	1,365,807	1,035,761	150,057	54,698	1,515,864	1,090,459
Claims payable	305,724	-	-	-	305,724	-
Capital leases payable	2,507,621	2,997,430	-	-	2,507,621	2,997,430
Contractual obligation	428,000	535,000	-	-	428,000	535,000
Total	<u>\$ 79,190,790</u>	<u>\$ 70,186,306</u>	<u>\$ 21,363,675</u>	<u>\$ 22,784,135</u>	<u>\$ 100,554,465</u>	<u>\$ 92,970,441</u>

Additional information on the City's long-term debt can be found within the notes to the financial statements.

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, 2005, and 2004 is \$10.2 million and \$6.6 million, respectively, in the 6% capacity and \$55.0 million and \$42.8 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

Although the City of Avondale, like other Arizona cities, continues to remain dependent on sales taxes and other economically sensitive tax revenues, the City has made significant strides in diversifying its residential and commercial tax base. As a result, the City was poised to take advantage of the improved economic market in fiscal year 2005. Due to the improved economic condition of the valley, the City's sales and use tax revenues increased by \$13.4 million or 30.0% in fiscal year 2005. Of this increase, \$7.7 million was recorded in the General Fund, \$1.6 million in the Dedicated Sales Tax Revenue Fund and \$4.1 in the Public Safety Sales Tax Revenue Fund (first full year of collection).

The City continues to attract new homeowners, retail businesses and restaurants. 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 \$265.2 million in fiscal year 2004 to \$322.7 million in fiscal year 2005. This represents a valuation increase of \$57.5 million or 21.7%.

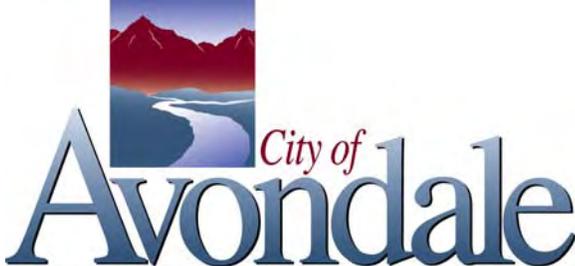
With the City's increase in commercial activity, the City is cautiously optimistic for a stronger economy in 2005. The City has budgeted for moderate increases in sales and use tax revenues for fiscal year 2006. However, the increases in revenues are likely to be largely offset by the rising costs of provided services to a growing community. With continued growth and diversification of its residential and commercial base, the City is poised to take advantage of the future economic environment.

## **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, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 4,451,215	\$ 2,899,277	\$ 7,350,492
Investments	50,764,348	50,055,124	100,819,472
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	3,540,607	128,755	3,669,362
Accounts	131,632	4,273,786	4,405,418
Interest	286,433	232,644	519,077
Due from other governments	1,258,720	-	1,258,720
Internal balances	(841,917)	841,917	-
Inventories	172,020	431,435	603,455
Prepaid assets	2,420,598	897,139	3,317,737
Restricted cash with fiscal agent	7,283,719	12,375,992	19,659,711
Capital assets, non-depreciable	18,135,489	29,837,063	47,972,552
Capital assets, depreciable (net)	53,501,270	67,409,521	120,910,791
<b>Total assets</b>	<b>141,104,134</b>	<b>169,382,653</b>	<b>310,486,787</b>
<b>LIABILITIES</b>			
Accounts payable	1,513,789	1,218,808	2,732,597
Accrued payroll	833,387	122,342	955,729
Accrued liabilities	3,704,153	904,194	4,608,347
Construction contracts payable	225,634	350,851	576,485
Sales tax payable	581	126,228	126,809
Deposits held for others	2,453,597	229,163	2,682,760
Unearned revenue	709,393	13,199	722,592
Non-current liabilities:			
Due within one year			
Claims payable	49,256	-	49,256
Compensated absences	781,338	91,583	872,921
Contractual obligations	107,000	-	107,000
Capital leases payable	373,290	-	373,290
Water infrastructure obligations	-	728,014	728,014
Bonds payable	4,541,451	858,549	5,400,000
Due in more than one year			
Claims payable	256,468	-	256,468
Compensated absences	584,469	58,474	642,943
Contractual obligations	321,000	-	321,000
Capital leases payable	2,134,331	-	2,134,331
Water infrastructure obligations	-	9,604,244	9,604,244
Bonds payable	70,042,187	10,022,811	80,064,998
Bond premium	302,494	-	302,494
<b>Total liabilities</b>	<b>88,933,818</b>	<b>24,328,460</b>	<b>113,262,278</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(2,213,511)	76,032,966	73,819,455
Restricted for:			
Highways and streets	2,446,789	-	2,446,789
Grants	618,179	-	618,179
Public safety	3,134,384	-	3,134,384
Debt service	5,418,510	-	5,418,510
Capital improvements	22,009,873	44,558,842	66,568,715
Unrestricted	20,756,092	24,462,385	45,218,477
<b>Total net assets</b>	<b>\$ 52,170,316</b>	<b>\$ 145,054,193</b>	<b>\$ 197,224,509</b>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 17,652,671	\$ 918,596	\$ 74,661	\$ 1,624,377
Public safety	14,797,695	50,474	827,875	1,642,297
Highways and streets	3,080,032	-	3,126,855	2,703,691
Health and welfare	806,332	-	396,910	-
Economic and community development	3,356,334	5,589,855	-	-
Culture and recreation	1,157,280	135,916	35,761	1,954,634
Interest on long-term debt	2,530,003	-	-	-
Total governmental activities	<u>43,380,347</u>	<u>6,694,841</u>	<u>4,462,062</u>	<u>7,924,999</u>
Business-type activities:				
Water utility	6,939,975	8,485,789	-	7,329,335
Wastewater utility	4,733,439	6,907,659	-	6,871,988
Sanitation	3,145,714	2,890,001	-	485,344
Total business-type activities	<u>14,819,128</u>	<u>18,283,449</u>	<u>-</u>	<u>14,686,667</u>
Total primary government	<u>\$ 58,199,475</u>	<u>\$ 24,978,290</u>	<u>\$ 4,462,062</u>	<u>\$ 22,611,666</u>

General revenues:

Taxes:

Sales and use taxes  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Franchise taxes  
State shared revenues, unrestricted  
Investment income  
Gain on sale of capital assets  
Miscellaneous

Transfers

Total general revenues and transfers  
Change in net assets

Net assets - beginning

Net assets - ending

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

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

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ (15,035,037)	\$ -	\$ (15,035,037)
(12,277,049)	-	(12,277,049)
2,750,514	-	2,750,514
(409,422)	-	(409,422)
2,233,521	-	2,233,521
969,031	-	969,031
(2,530,003)	-	(2,530,003)
<u>(24,298,445)</u>	<u>-</u>	<u>(24,298,445)</u>
-	8,875,149	8,875,149
-	9,046,208	9,046,208
-	229,631	229,631
-	<u>18,150,988</u>	<u>18,150,988</u>
<u>(24,298,445)</u>	<u>18,150,988</u>	<u>(6,147,457)</u>
36,525,428	-	36,525,428
1,147,443	-	1,147,443
1,941,381	-	1,941,381
682,292	-	682,292
8,218,495	-	8,218,495
1,093,019	1,087,666	2,180,685
286,400	50,100	336,500
407,388	3,915	411,303
(13,072,979)	13,072,979	-
<u>37,228,867</u>	<u>14,214,660</u>	<u>51,443,527</u>
<u>12,930,422</u>	<u>32,365,648</u>	<u>45,296,070</u>
39,239,894	112,688,545	151,928,439
<u>\$ 52,170,316</u>	<u>\$ 145,054,193</u>	<u>\$ 197,224,509</u>

**CITY OF AVONDALE, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
<b>ASSETS</b>			
Cash	\$ 89,274	\$ 37,499	\$ 635,996
Investments	21,881,385	1,390,973	4,274,789
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	2,349,838	-	550,701
Accounts	84,211	-	-
Interest	96,100	6,040	19,853
Due from other funds	125,000	-	-
Due from other governments	784,985	264,711	-
Inventories	148,314	23,706	-
Prepaid items	64,022	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Total assets	<u>\$ 25,623,129</u>	<u>\$ 1,722,929</u>	<u>\$ 5,481,339</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 658,049	\$ 143,774	\$ -
Accrued payroll and employee benefits	795,750	40,684	-
Accrued liabilities	2,719,049	-	-
Construction contracts payable	-	-	-
Deposits held for others	1,374,660	-	-
Sales tax payable	409	56	-
Due to other funds	-	-	-
Deferred revenue	81,087	14,512	-
Total liabilities	<u>5,629,004</u>	<u>199,026</u>	<u>-</u>
Fund balances (deficit):			
Reserved for:			
Inventory	148,314	23,706	-
Prepaid items	64,022	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved reported in:			
General Fund	19,781,789	-	-
Special Revenue Funds	-	1,500,197	5,481,339
Capital Projects Funds	-	-	-
Total fund balances	<u>19,994,125</u>	<u>1,523,903</u>	<u>5,481,339</u>
Total liabilities and fund balances	<u>\$ 25,623,129</u>	<u>\$ 1,722,929</u>	<u>\$ 5,481,339</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 584,300	\$ 1,297,475	\$ 1,299,893	\$ 3,944,437
2,326,596	16,641,313	3,846,977	50,362,033
548,307	-	91,761	3,540,607
428	-	46,544	131,183
10,972	74,742	76,180	283,887
-	-	-	125,000
-	-	209,024	1,258,720
-	-	-	172,020
-	-	1,535,000	1,599,022
-	3,240,989	4,042,730	7,283,719
<u>\$ 3,470,603</u>	<u>\$ 21,254,519</u>	<u>\$ 11,148,109</u>	<u>\$ 68,700,628</u>

\$ 103,783	\$ 488,001	\$ 98,516	\$ 1,492,123
164,797	-	27,634	1,028,865
-	-	985,104	3,704,153
-	207,525	18,109	225,634
-	1,068,486	10,451	2,453,597
98	-	18	581
-	-	1,009,554	1,009,554
-	470,086	243,353	809,038
<u>268,678</u>	<u>2,234,098</u>	<u>2,392,739</u>	<u>10,723,545</u>

-	-	-	172,020
-	-	1,423,924	1,487,946
-	-	97,265	97,265
-	-	554,895	554,895
-	3,240,989	3,624,586	6,865,575
-	-	-	19,781,789
3,201,925	-	647,566	10,831,027
-	15,779,432	2,407,134	18,186,566
<u>3,201,925</u>	<u>19,020,421</u>	<u>8,755,370</u>	<u>57,977,083</u>
<u>\$ 3,470,603</u>	<u>\$ 21,254,519</u>	<u>\$ 11,148,109</u>	<u>\$ 68,700,628</u>

**CITY OF AVONDALE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS-  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

Fund balances - total governmental funds balance sheet \$ 57,977,083

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	\$ 88,922,207	
Less accumulated depreciation	<u>(17,285,448)</u>	71,636,759

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	(74,583,638)	
Long-term leases payable	(2,507,621)	
Compensated absences	(1,155,382)	
Contractual obligations	<u>(428,000)</u>	(78,674,641)

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	(302,494)	
Bond discount	43,115	
Bond issue costs	<u>778,461</u>	519,082

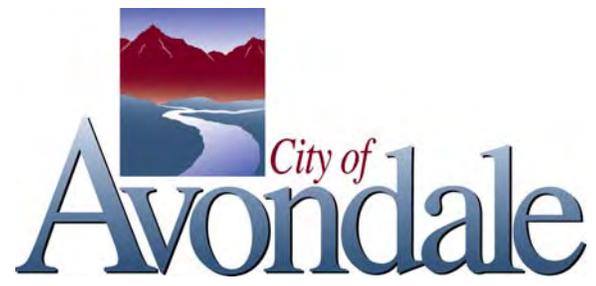
Internal service funds are used by management to charge the costs of risk management and printing services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 612,389

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		<u>99,645</u>
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Net assets of governmental activities - statement of net assets		<u><u>\$ 52,170,316</u></u>
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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, 2005**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 26,155,411	\$ -	\$ 6,111,199
Licenses and permits	5,086,681	-	-
Intergovernmental	8,374,559	2,608,891	-
Charges for services	882,541	-	-
Fines, forfeitures, and penalties	660,602	-	-
Interest	356,730	26,943	78,259
Contributions	231,075	-	-
Miscellaneous revenues	150,173	497	-
Total revenues	<u>41,897,772</u>	<u>2,636,331</u>	<u>6,189,458</u>
Expenditures			
Current:			
General government	15,347,982	-	3,686
Public safety	9,844,827	-	-
Highways and streets	-	1,902,554	-
Health and welfare	314,981	-	-
Economic and community development	2,072,346	297,707	-
Culture and recreation	958,512	-	-
Debt service:			
Principal	286,074	-	-
Interest	92,444	-	-
Capital outlay	157,499	48,959	-
Total expenditures	<u>29,074,665</u>	<u>2,249,220</u>	<u>3,686</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,823,107</u>	<u>387,111</u>	<u>6,185,772</u>
Other financing sources (uses)			
Proceeds from bond issuance	-	-	-
Bond discount	-	-	-
Proceeds from sale of capital assets	436,574	-	-
Transfers in	-	-	-
Transfers out	(6,299,708)	(674,700)	(4,200,000)
Total other financing sources (uses)	<u>(5,863,134)</u>	<u>(674,700)</u>	<u>(4,200,000)</u>
Net change in fund balances	6,959,973	(287,589)	1,985,772
Fund balances at beginning of year	<u>13,034,152</u>	<u>1,811,492</u>	<u>3,495,567</u>
Fund balances at end of year	<u>\$ 19,994,125</u>	<u>\$ 1,523,903</u>	<u>\$ 5,481,339</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 6,052,826	\$ -	\$ 1,877,463	\$ 40,196,899
-	6,889,604	-	11,976,285
-	320,637	1,695,521	12,999,608
-	-	61,078	943,619
-	-	-	660,602
40,483	387,256	203,348	1,093,019
-	-	593,552	824,627
503	270,689	3,907	425,769
<u>6,093,812</u>	<u>7,868,186</u>	<u>4,434,869</u>	<u>69,120,428</u>
190,444	-	196,814	15,738,926
3,494,214	-	520,856	13,859,897
-	-	237,536	2,140,090
-	-	478,881	793,862
-	-	-	2,370,053
-	-	10,955	969,467
-	157,580	3,438,807	3,882,461
-	27,474	2,837,996	2,957,914
56,590	11,341,380	1,100,144	12,704,572
<u>3,741,248</u>	<u>11,526,434</u>	<u>8,821,989</u>	<u>55,417,242</u>
<u>2,352,564</u>	<u>(3,658,248)</u>	<u>(4,387,120)</u>	<u>13,703,186</u>
-	-	12,400,000	12,400,000
-	-	(45,989)	(45,989)
-	-	-	436,574
-	6,175,000	7,376,582	13,551,582
(217,820)	(1,531,200)	(13,749,280)	(26,672,708)
<u>(217,820)</u>	<u>4,643,800</u>	<u>5,981,313</u>	<u>(330,541)</u>
2,134,744	985,552	1,594,193	13,372,645
<u>1,067,181</u>	<u>18,034,869</u>	<u>7,161,177</u>	<u>44,604,438</u>
<u>\$ 3,201,925</u>	<u>\$ 19,020,421</u>	<u>\$ 8,755,370</u>	<u>\$ 57,977,083</u>

**CITY OF AVONDALE, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ 13,372,645

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

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

Expenditures for capital assets	\$ 12,324,061	
Less current year depreciation	<u>(3,912,583)</u>	8,411,478

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.

Amortization of bond premium	26,287	
Amortization of debt issuance costs	(50,847)	
Deferred recognition of debt issuance costs	175,652	
Amortization of bond discount	43,115	
Proceeds from sale of capital assets	(150,174)	
Principal payments on long-term debt	4,031,286	
Proceeds from issuance of debt	<u>(12,400,000)</u>	(8,324,681)

Internal service funds are used by management to charge the costs of risk management and printing services provided to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (405,307)

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.

Accrual of current year property tax revenue	99,645	
Reversal of prior year accruals	(103,736)	
Recognition of vested sick benefits	(67,997)	
Recognition of employee benefits	<u>(51,625)</u>	<u>(123,713)</u>

Change in net assets of governmental activities \$ 12,930,422

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

**CITY OF AVONDALE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2005**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 19,973,880	\$ 22,360,108	\$ 26,155,411	\$ 3,795,303
Licenses and permits	3,200,830	3,200,830	5,086,681	1,885,851
Intergovernmental	8,153,350	8,153,350	8,374,559	221,209
Charges for services	759,970	759,970	882,541	122,571
Fines, forfeitures, and penalties	291,840	291,840	660,602	368,762
Interest	100,000	100,000	356,730	256,730
Contributions	155,000	155,000	231,075	76,075
Miscellaneous revenues	40,000	40,000	150,173	110,173
Total revenues	<u>32,674,870</u>	<u>35,061,098</u>	<u>41,897,772</u>	<u>6,836,674</u>
Expenditures				
General government	13,609,320	15,979,287	15,347,982	631,305
Public safety	10,336,410	10,335,796	9,844,827	490,969
Health and welfare	339,570	354,417	314,981	39,436
Economic and community development	2,661,440	2,654,089	2,072,346	581,743
Culture and recreation	1,021,030	1,020,724	958,512	62,212
Debt service				
Principal	286,320	286,320	286,074	246
Interest	92,500	92,500	92,444	56
Capital outlay	160,000	169,685	157,499	12,186
Total expenditures	<u>28,506,590</u>	<u>30,892,818</u>	<u>29,074,665</u>	<u>1,818,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,168,280</u>	<u>4,168,280</u>	<u>12,823,107</u>	<u>8,654,827</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	436,574	436,574
Transfers out	(6,770,040)	(6,770,040)	(6,299,708)	470,332
Total other financing sources (uses)	<u>(6,770,040)</u>	<u>(6,770,040)</u>	<u>(5,863,134)</u>	<u>906,906</u>
Net change in fund balance	(2,601,760)	(2,601,760)	6,959,973	9,561,733
Fund balance at beginning of year	<u>8,845,280</u>	<u>8,845,280</u>	<u>13,034,152</u>	<u>4,188,872</u>
Fund balance at end of year	<u>\$ 6,243,520</u>	<u>\$ 6,243,520</u>	<u>\$ 19,994,125</u>	<u>\$ 13,750,605</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
HIGHWAY USER REVENUE FUND  
YEAR ENDED JUNE 30, 2005**

	Highway User Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 2,466,580	\$ 2,466,580	\$ 2,608,891	\$ 142,311
Interest	12,000	12,000	26,943	14,943
Miscellaneous revenues	-	-	497	497
Total revenues	<u>2,478,580</u>	<u>2,478,580</u>	<u>2,636,331</u>	<u>157,751</u>
Expenditures				
Highways and streets	1,956,260	1,947,616	1,902,554	45,062
Economic and community development	322,830	322,830	297,707	25,123
Capital outlay	36,500	45,144	48,959	(3,815)
Total expenditures	<u>2,315,590</u>	<u>2,315,590</u>	<u>2,249,220</u>	<u>66,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,990</u>	<u>162,990</u>	<u>387,111</u>	<u>224,121</u>
Other financing sources (uses)				
Transfers out	(734,700)	(734,700)	(674,700)	60,000
Total other financing sources (uses)	<u>(734,700)</u>	<u>(734,700)</u>	<u>(674,700)</u>	<u>60,000</u>
Net change in fund balance	(571,710)	(571,710)	(287,589)	284,121
Fund balance at beginning of year	<u>1,817,246</u>	<u>1,817,246</u>	<u>1,811,492</u>	<u>(5,754)</u>
Fund balance at end of year	<u>\$ 1,245,536</u>	<u>\$ 1,245,536</u>	<u>\$ 1,523,903</u>	<u>\$ 278,367</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEDICATED SALES TAX REVENUE FUND  
YEAR ENDED JUNE 30, 2005**

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 4,126,290	\$ 4,126,290	\$ 6,111,199	\$ 1,984,909
Interest	-	-	78,259	78,259
Total revenues	<u>4,126,290</u>	<u>4,126,290</u>	<u>6,189,458</u>	<u>2,063,168</u>
Expenditures				
General government	-	-	3,686	(3,686)
Total expenditures	<u>-</u>	<u>-</u>	<u>3,686</u>	<u>(3,686)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,126,290</u>	<u>4,126,290</u>	<u>6,185,772</u>	<u>2,059,482</u>
Other financing sources (uses)				
Transfers out	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>-</u>
Net change in fund balance	(73,710)	(73,710)	1,985,772	2,059,482
Fund balance at beginning of year	<u>2,332,052</u>	<u>2,332,052</u>	<u>3,495,567</u>	<u>1,163,515</u>
Fund balance at end of year	<u>\$ 2,258,342</u>	<u>\$ 2,258,342</u>	<u>\$ 5,481,339</u>	<u>\$ 3,222,997</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
PUBLIC SAFETY SALES TAX REVENUE FUND  
YEAR ENDED JUNE 30, 2005**

	Public Safety Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 4,078,360	\$ 4,078,360	\$ 6,052,826	\$ 1,974,466
Interest	-	-	40,483	40,483
Miscellaneous	-	-	503	503
Total revenues	<u>4,078,360</u>	<u>4,078,360</u>	<u>6,093,812</u>	<u>2,015,452</u>
Expenditures				
General government	211,160	211,160	190,444	20,716
Public safety	3,655,910	3,623,910	3,494,214	129,696
Capital outlay	-	32,000	56,590	(24,590)
Total expenditures	<u>3,867,070</u>	<u>3,867,070</u>	<u>3,741,248</u>	<u>125,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>211,290</u>	<u>211,290</u>	<u>2,352,564</u>	<u>2,141,274</u>
Other financing sources (uses)				
Transfers out	(217,820)	(217,820)	(217,820)	-
Total other financing sources (uses)	<u>(217,820)</u>	<u>(217,820)</u>	<u>(217,820)</u>	<u>-</u>
Net change in fund balance	(6,530)	(6,530)	2,134,744	2,141,274
Fund balance at beginning of year	<u>450,000</u>	<u>450,000</u>	<u>1,067,181</u>	<u>617,181</u>
Fund balance at end of year	<u>\$ 443,470</u>	<u>\$ 443,470</u>	<u>\$ 3,201,925</u>	<u>\$ 2,758,455</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005**

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1,322,201	\$ 621,448	\$ 955,628	\$ 2,899,277	\$ 506,778
Investments	25,819,115	22,629,059	1,606,950	50,055,124	402,315
Receivables					
Accounts, net	2,124,645	1,443,634	705,507	4,273,786	449
Miscellaneous state and county taxes receivable	128,755	-	-	128,755	-
Interest	124,802	100,421	7,421	232,644	2,546
Due from other funds	884,554	-	-	884,554	-
Inventories	387,766	9,441	34,228	431,435	-
Prepaid items	84,125	813,014	-	897,139	-
Total current assets	<u>30,875,963</u>	<u>25,617,017</u>	<u>3,309,734</u>	<u>59,802,714</u>	<u>912,088</u>
Non-current assets:					
Restricted assets					
Cash and cash equivalents with fiscal agent	11,524,756	851,236	-	12,375,992	-
Capital assets:					
Capital assets, non-depreciable	26,318,298	3,518,767	-	29,837,063	-
Capital assets, depreciable (net)	22,014,650	44,501,399	893,470	67,409,521	249,544
Total non-current assets	<u>59,857,704</u>	<u>48,871,402</u>	<u>893,470</u>	<u>109,622,576</u>	<u>249,544</u>
Total assets	<u>90,733,667</u>	<u>74,488,419</u>	<u>4,203,204</u>	<u>169,425,290</u>	<u>1,161,632</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	862,910	259,402	96,496	1,218,808	21,666
Accrued payroll and employee benefits	50,621	34,684	37,037	122,342	6,357
Accrued liabilities	431,453	472,741	-	904,194	-
Construction contracts payable	327,766	23,085	-	350,851	-
Claims payable	-	-	-	-	49,256
Sales tax payable	126,118	110	-	126,228	-
Deposits held in custody for others	229,163	-	-	229,163	-
Unearned revenue	13,199	-	-	13,199	-
Compensated absences	34,558	20,458	36,567	91,583	6,871
Water infrastructure obligations - current	-	728,014	-	728,014	-
Revenue bonds payable - current	115,000	743,549	-	858,549	-
Total current liabilities	<u>2,190,788</u>	<u>2,282,043</u>	<u>170,100</u>	<u>4,642,931</u>	<u>84,150</u>
Non-current liabilities:					
Claims payable	-	-	-	-	256,468
Compensated absences	20,995	7,236	30,243	58,474	1,718
Water infrastructure obligations	-	9,604,244	-	9,604,244	-
Revenue bonds payable	1,212,100	8,810,711	-	10,022,811	-
Total long term liabilities	<u>1,233,095</u>	<u>18,422,191</u>	<u>30,243</u>	<u>19,685,529</u>	<u>258,186</u>
Total liabilities	<u>3,423,883</u>	<u>20,704,234</u>	<u>200,343</u>	<u>24,328,460</u>	<u>342,336</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	47,005,848	28,133,648	893,470	76,032,966	249,544
Restricted					
Capital improvements	15,435,637	16,747,213	-	32,182,850	-
Cash with fiscal agent	11,524,756	851,236	-	12,375,992	-
Unrestricted	13,343,543	8,052,088	3,109,391	24,505,022	569,752
Total net assets	<u>\$ 87,309,784</u>	<u>\$53,784,185</u>	<u>\$ 4,002,861</u>	<u>145,096,830</u>	<u>\$ 819,296</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>(42,637)</u>	
Net assets of business-type activities				<u>\$ 145,054,193</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, 2005**

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating Revenues					
Charges for services	\$ 8,485,789	\$ 6,907,659	\$ 2,890,001	\$ 18,283,449	\$ 1,223,146
Miscellaneous	2,998	262	655	3,915	1,844
Total operating revenue	<u>8,488,787</u>	<u>6,907,921</u>	<u>2,890,656</u>	<u>18,287,364</u>	<u>1,224,990</u>
Operating Expenses					
Personal services	1,190,214	845,582	1,186,489	3,222,285	157,752
Contractual services	2,695,033	1,531,396	650,524	4,876,953	38,404
Repairs and maintenance	79,550	191,455	215,211	486,216	24,041
Materials and supplies	2,155,432	163,298	824,698	3,143,428	-
Insurance claims and expenses	-	-	-	-	1,442,688
Depreciation	730,602	1,118,766	268,780	2,118,148	65,842
Total operating expenses	<u>6,850,831</u>	<u>3,850,497</u>	<u>3,145,702</u>	<u>13,847,030</u>	<u>1,728,727</u>
Operating income (loss)	<u>1,637,956</u>	<u>3,057,424</u>	<u>(255,046)</u>	<u>4,440,334</u>	<u>(503,737)</u>
Non-operating revenues (expenses)					
Gain on sale of asset	7,390	7,696	35,014	50,100	-
Interest income	664,035	408,644	14,987	1,087,666	7,646
Interest expense	(66,381)	(863,080)	-	(929,461)	-
Total non-operating revenues (expenses)	<u>605,044</u>	<u>(446,740)</u>	<u>50,001</u>	<u>208,305</u>	<u>7,646</u>
Income before development fees and transfers	2,243,000	2,610,684	(205,045)	4,648,639	(496,091)
Capital contributions	54,920	-	897,872	952,792	314,448
Development fees	7,329,335	6,871,988	485,344	14,686,667	-
Transfers in	9,281,443	34,993	2,824,690	12,141,126	1,000,939
Transfers out	(10,939)	(10,000)	-	(20,939)	-
Change in net assets	<u>18,897,759</u>	<u>9,507,665</u>	<u>4,002,861</u>	<u>32,408,285</u>	<u>819,296</u>
Net assets - beginning	<u>68,412,025</u>	<u>44,276,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - ending	<u>\$ 87,309,784</u>	<u>\$ 53,784,185</u>	<u>\$ 4,002,861</u>	<u>\$ -</u>	<u>\$ 819,296</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>(42,637)</u>	
Change in net assets of business-type activities				<u>\$ 32,365,648</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, 2005**

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 7,948,331	\$ 6,614,905	\$ 2,854,545	\$ 17,417,781	\$ 1,224,541
Payments to suppliers	(4,770,297)	(1,794,471)	(1,539,578)	(8,104,346)	(1,177,743)
Payments to employees	(1,160,326)	(819,413)	(1,082,642)	(3,062,381)	(142,806)
Net cash provided (used) by operating activities	<u>2,017,708</u>	<u>4,001,021</u>	<u>232,325</u>	<u>6,251,054</u>	<u>(96,008)</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers in	9,281,443	34,993	2,066,481	11,382,917	1,000,000
Transfers out	(10,939)	(10,000)	-	(20,939)	-
Net cash provided (used) for non-capital financing activities	<u>9,270,504</u>	<u>24,993</u>	<u>2,066,481</u>	<u>11,361,978</u>	<u>1,000,000</u>
<b>Cash flows from capital and related financing activities:</b>					
Proceeds from sale of assets	7,390	7,696	387,965	403,051	-
Development fees received	7,329,335	6,871,988	485,344	14,686,667	-
Acquisition and construction of capital assets	(9,285,213)	(993,086)	(617,329)	(10,895,628)	-
Principal payments on long-term debt	(109,520)	(1,406,569)	-	(1,516,089)	-
Interest paid on long-term debt	(68,839)	(876,520)	-	(945,359)	-
Net cash provided (used) for capital and related financing activities	<u>(2,126,847)</u>	<u>3,603,509</u>	<u>255,980</u>	<u>1,732,642</u>	<u>-</u>
<b>Cash flows from investing activities:</b>					
Interest received on investments	603,074	335,345	7,792	946,211	5,101
Net cash provided by investing activities	<u>603,074</u>	<u>335,345</u>	<u>7,792</u>	<u>946,211</u>	<u>5,101</u>
Net increase in cash and cash equivalents	9,764,439	7,964,868	2,562,578	20,291,885	909,093
Cash and cash equivalents, beginning of period	<u>28,901,633</u>	<u>16,136,875</u>	<u>-</u>	<u>45,038,508</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>\$ 38,666,072</u>	<u>\$24,101,743</u>	<u>\$ 2,562,578</u>	<u>\$ 65,330,393</u>	<u>\$ 909,093</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,637,956	\$ 3,057,424	\$ (255,046)	\$ 4,440,334	\$ (503,737)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	730,602	1,118,766	268,780	2,118,148	65,842
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(610,972)	(293,016)	(36,111)	(940,099)	(449)
(Increase) decrease in inventories	(203,859)	(783)	54,359	(150,283)	-
(Increase) decrease in prepaid items	56,289	(31,469)	-	24,820	-
(Increase) decrease in due from other funds	790,626	71,080	-	861,706	-
Increase (decrease) in accounts payable	(370,107)	39,681	96,496	(233,930)	21,666
Increase (decrease) in accrued payroll and employee benefits	29,888	26,169	103,847	159,904	14,946
Increase (decrease) in accrued liabilities	24,823	17,247	-	42,070	305,724
Increase (decrease) in construction contracts payable	(173,939)	(4,040)	-	(177,979)	-
Increase (decrease) in sales tax payable	35,885	(38)	-	35,847	-
Increase (decrease) in deposits held in custody for others	67,914	-	-	67,914	-
Increase (decrease) in unearned revenue	2,602	-	-	2,602	-
Net cash provided (used) by operating activities	<u>\$ 2,017,708</u>	<u>\$ 4,001,021</u>	<u>\$ 232,325</u>	<u>\$ 6,251,054</u>	<u>\$ (96,008)</u>
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:					
Cash	\$ 1,322,201	\$ 621,448	\$ 955,628	2,899,277	\$ 506,778
Investments	25,819,115	22,629,059	1,606,950	50,055,124	402,315
Restricted cash	11,524,756	851,236	-	12,375,992	-
Total cash and cash equivalents	<u>\$ 38,666,072</u>	<u>\$24,101,743</u>	<u>\$ 2,562,578</u>	<u>\$ 65,330,393</u>	<u>\$ 909,093</u>

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

**CITY OF AVONDALE, ARIZONA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2005**

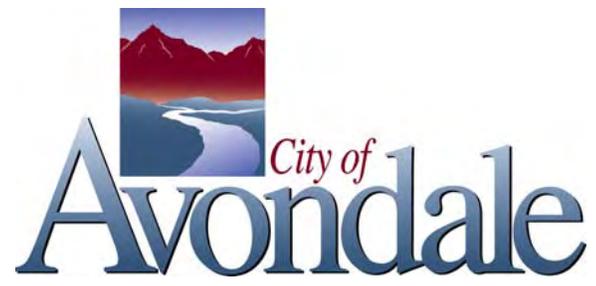
	Volunteer Firefighters' Relief and Pension Trust Fund
	<u>                    </u>
Assets	
Cash	\$ 1,508
Investments (at fair value)	240,836
Receivables	
Interest	<u>1,060</u>
Total assets	<u>243,404</u>
Liabilities	
Accounts payable	<u>-</u>
Net assets	
Held in trust for pension benefits	<u>243,404</u>
Total net assets	<u><u>\$ 243,404</u></u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2005**

	Volunteer Firefighters' Relief and Pension Trust Fund
<u>Additions:</u>	
Contributions:	
Employer	\$      58
Employee	58
Interest	4,665
Total additions	<u>4,781</u>
<u>Deductions:</u>	
Benefits paid to plan members	<u>9,306</u>
Total deductions	<u>9,306</u>
Change in net assets	(4,525)
Total net assets, beginning of year	247,929
Total net assets, end of year	<u>\$ 243,404</u>

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



**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 Standards Board (GASB). The GASB is the recognized standard-setting body for establishing governmental accounting and reporting principles.

**A. Reporting Entity**

The City is a municipal entity governed by an elected mayor and a six-member council and provides a wide range of services including fire and police protection, 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, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

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 funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Wastewater Utility, Sanitation Utility and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *Dedicated Sales Tax Revenue Fund* – is used to account for monies received from the voter-approved 0.5-cent sales tax increase dedicated for the purpose of acquiring or constructing capital assets.

The *Public Safety Sales Tax Revenue Fund* – is used to account for monies received from the voter-approved 0.5-cent sales tax increase for the purpose of funding additional police, fire and court activities.

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

The *Internal Service Funds* – account for the risk management and printing services provided to other departments of the City on a cost reimbursement basis.

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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. 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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Local Transportation Assistance Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Other Special Revenue, 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. During the year, City Council approved budgetary transfers of \$2.4 million from the unanticipated revenue/expenditure line item in the Grants-in-aid Fund to the General Fund's general government line item to cover an unanticipated increase in sales tax incentive rebates. There was no negative impact on the City, as tax revenues associated with those incentive rebates were also \$2.4 million over projections.
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 June 30, 2005 in a legally permissible manner. Budget-to-actual comparisons are provided in this report for each of the governmental funds.
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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 first-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, 2005, 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, 2005, 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, 2005. The City anticipates retroactively reporting infrastructure assets that were purchased prior to 2003 in fiscal year 2006.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

<u>Asset</u>	<u>Useful Life (Years)</u>
Buildings and improvements	20-40
Water and sewer improvements	50
Storm drainage systems	50
Street system	20
Machinery and equipment	5-7
Furniture and fixtures	7
Vehicles	3-10
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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

**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, 2005, were cash in bank, certificates of deposit, cash and investments held by the State Treasurer, and cash held by paying agent.

**M. Use of Estimates**

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

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.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The City's carrying amount of deposits at June 30, 2005 was \$7,350,492 and the bank balance was \$7,661,185. The difference between the book and bank balance was due to outstanding checks, deposits and other reconciling items. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining deposits were collateralized with securities held by the pledging institution or by its trust department or agent but not in the City's name.

Restricted cash and cash equivalents with fiscal agent - At June 30, 2005, the City had restricted cash with fiscal agent of \$19,659,711. Of this balance, \$14,580,328 (fair value) of restricted construction bond proceeds was invested with the State Treasurer's Local Government Investment Pool. The remaining cash balance of \$5,079,383 reflects cash temporarily held by fiscal agent for the City's July 1, 2005, debt service payments and was collateralized with securities held by the pledging institution or by its trust department or agent but not in the City's name.

Fiduciary cash – At June 30, 2005, the Volunteer Firefighters' Relief and Pension Fund had deposits of \$1,508 and the bank balance was \$3,334. The difference between the book and bank balance was due to outstanding checks and other reconciling items. The entire balance

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 2 CASH AND INVESTMENTS (Concluded)**

was collateralized with securities held by the pledging institution or by its trust department or agent but not in the City's name.

Investments

Arizona Revised Statutes and the City Charter authorize the City to invest public monies in obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; 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 invests in the State Treasurer's Local Government Investment Pool (LGIP) – Government Pool (GOV). The *LGIP-GOV* invests solely in securities that are backed by the full faith and credit of the U.S. Government. The pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The Activity and performance of the pool is monitored monthly by the State Board of Investment in accordance with A.R.S. § 35-311. The maximum weighted average maturity for the *LGIP-GOV* is 0.50 years.

Interest Rate Risk

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

This investment is stated at fair value, which approximates the value of the investment upon withdrawal. At year end, the City's investment balances in the Local Government Investment Pool were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
State Treasury Pool		
Primary government	\$ 100,819,472	0.42
Fiduciary activities	240,636	0.42
Total Treasury Pool	<u>101,060,108</u>	
 TOTAL INVESTMENTS	 <u>\$ 101,060,108</u>	 0.42

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 4 RECEIVABLES**

Receivables in the General Fund, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the Water Utility, Wastewater Utility and Sanitation Utility at June 30, 2005, are \$227,022, \$188,519, and \$84,508, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water Utility, Wastewater Utility and Sanitation Utility are \$77,522, \$73,019, and \$23,258, 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, 2005, follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental activities:				
Non-depreciable assets:				
Land	\$ 6,960,297	\$ 2,885,068	\$ (125,051)	\$ 9,720,314
Construction in progress	10,663,713	5,028,117	(7,276,655)	8,415,175
Total non-depreciable capital assets	<u>17,624,010</u>	<u>7,913,185</u>	<u>(7,401,706)</u>	<u>18,135,489</u>
Depreciable assets:				
Buildings and improvements	28,945,827	6,376,672	(84,933)	35,237,566
Vehicles, furniture and equipment	18,231,635	1,090,099	(3,689,850)	15,631,884
Infrastructure	15,531,157	4,386,111	-	19,917,268
Total depreciable capital assets	<u>62,708,619</u>	<u>11,852,882</u>	<u>(3,774,783)</u>	<u>70,786,718</u>
Less accumulated depreciation for:				
Buildings and improvements	5,154,849	835,279	(58,469)	5,931,659
Vehicles, furniture and equipment	10,305,034	2,404,112	(2,574,648)	10,134,498
Infrastructure	479,595	739,696	-	1,219,291
Total accumulated depreciation	<u>15,939,478</u>	<u>3,979,087</u>	<u>(2,633,117)</u>	<u>17,285,448</u>
Total capital assets being depreciated, net	<u>46,769,141</u>	<u>7,873,795</u>	<u>(1,141,666)</u>	<u>53,501,270</u>
Total governmental activities capital assets, net	<u>\$ 64,393,151</u>	<u>\$ 15,786,980</u>	<u>\$ (8,543,372)</u>	<u>\$ 71,636,759</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 5 CAPITAL ASSETS (Concluded)**

A summary of capital asset activity for the business-type activities on the government-wide financial statements for the year ended June 30, 2005, follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Non-depreciable assets:				
Land	\$ 15,596,661	\$ -	\$ -	\$ 15,596,661
Construction in progress	8,042,777	8,373,233	(2,175,608)	14,240,402
Total non-depreciable capital assets	<u>23,639,438</u>	<u>8,373,233</u>	<u>(2,175,608)</u>	<u>29,837,063</u>
Depreciable assets:				
Water system	25,469,647	3,240,549	-	28,710,196
Sewer system	22,599,868	339,475	-	22,939,343
Wastewater treatment system	31,725,523	50,092	-	31,775,615
Vehicles, furniture and equipment	1,097,521	2,020,679	(485,013)	2,633,187
Total depreciable capital assets	<u>80,892,559</u>	<u>5,650,795</u>	<u>(485,013)</u>	<u>86,058,341</u>
Less accumulated depreciation for:				
Water system	6,394,506	596,097	-	6,990,603
Sewer system	3,710,444	445,974	-	4,156,418
Wastewater treatment system	5,730,138	599,143	-	6,329,281
Vehicles, furniture and equipment	826,707	476,934	(131,123)	1,172,518
Total accumulated depreciation	<u>16,661,795</u>	<u>2,118,148</u>	<u>(131,123)</u>	<u>18,648,820</u>
Total business-type activities capital assets being depreciated, net	<u>64,230,764</u>	<u>3,532,647</u>	<u>(353,890)</u>	<u>67,409,521</u>
Business-type activities capital assets, net	<u>\$ 87,870,202</u>	<u>\$ 11,905,880</u>	<u>\$ (2,529,498)</u>	<u>\$ 97,246,584</u>

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

Governmental activities:	
General government	\$ 1,538,761
Public safety	1,218,394
Highways and streets	887,711
Health and welfare	20,757
Economic and community development	33,365
Culture and recreation	280,099
Total depreciation expenses - governmental activities	<u>\$ 3,979,087</u>
Business-type activities:	
Avondale Water utility	\$ 730,602
Wastewater utility	1,118,766
Sanitation utility	268,780
Total depreciation expense - business-type activities	<u>\$ 2,118,148</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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, 2005, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 5.7 percent (4.1 percent retirement, 1.1 percent health benefit services and 0.5 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2005, 2004 and 2003 were \$692,189, \$589,327, and \$243,888, 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 statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 E. Missouri Avenue, Phoenix, Arizona 85014-2613.

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, 2005, 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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 6 RETIREMENT PLANS (Continued)**

determined rate of 10.42 percent for police and 8.96 percent for fire. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2005, the date of the most recent actuarial valuation, and related information follow.

	PSPRS - Police	PSPRS - Fire
Contribution rates:		
City	10.42%	8.96%
Plan members	7.65%	7.65%
Annual pension cost	442,882	179,635
Contributions made	442,882	179,635
Actuarial valuation date	6/30/05	6/30/05
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	6.00% - 9.00%	6.00% - 9.00%
Includes inflation at cost-of-living adjustments	5.00%	5.00%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level Percentage Open	Level Percentage Open
Remaining amortization period from 7/1/03	Open 20 Years	Open 20 Years
Asset valuation method	4-Year Smoothed Market	4-Year Smoothed Market

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2005	\$442,882	100%	-
	2004	\$457,387	100%	-
	2003	\$372,656	100%	-
PSPRS – Fire	2005	\$179,635	100%	-
	2004	\$103,684	100%	-
	2003	\$146,084	100%	-

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2005, follows:

**PSPRS – Police**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding Liability (Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ((b-a)/c)
6/30/05	\$ 7,261,452	\$9,620,454	\$2,359,002	75.5%	\$4,287,267	55.0%
6/30/04	\$ 6,041,344	\$7,190,837	\$1,149,493	84.0%	\$4,111,058	28.0%
6/30/03	\$ 5,539,272	\$6,748,559	\$1,209,287	82.1%	\$4,020,877	30.1%

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 6 RETIREMENT PLANS (Concluded)**

**PSPRS – 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)
6/30/05	\$4,584,992	\$5,404,123	\$819,131	84.8%	\$ 2,919,910	28.1%
6/30/04	\$3,858,915	\$4,302,835	\$443,920	89.7%	\$ 2,751,694	16.1%
6/30/03	\$3,590,655	\$3,821,193	\$230,538	94.0%	\$ 2,313,642	10.0%

**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, 2005, was \$61,200. Contributions to the plan were 13.49% for the City and 7.00% for covered employees. The City's contribution to EORP for the years ended June 30, 2005, 2004 and 2003 were \$8,256, \$8,256 and \$4,224, 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 \$400. If an employee resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the State, or earnings on any of the contributions.

The payroll for employees covered by VFRPF for the year ended June 30, 2005, was \$1,168. Both the City and the employees made the required 5 percent contribution, amounting to \$58 each.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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, 2005, is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,035,761	\$ 1,039,681	\$ 709,635	\$ 1,365,807	\$ 781,338
Capital leases payable	2,997,430	-	489,809	2,507,621	373,290
Contractual obligations	535,000	-	107,000	428,000	107,000
Claims payable	-	305,724	-	305,724	49,256
Municipal Development					
Corporation Bonds	41,608,115	12,400,000	2,264,477	51,743,638	3,006,451
General Obligation Bonds	19,620,000	-	845,000	18,775,000	1,185,000
Highway User Revenue Bond	4,390,000	-	325,000	4,065,000	350,000
	<u>\$ 70,186,306</u>	<u>\$ 13,745,405</u>	<u>\$ 4,740,921</u>	<u>\$ 79,190,790</u>	<u>\$ 5,852,335</u>

Internal Service Funds predominantly serve governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year end \$8,589 of Internal Service Funds compensated absences are included in the above amounts.

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. Compensated absences are generally liquidated by the General Fund.

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

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

The assets acquired through capital lease are as follows:

Asset:	
Buildings and Improvements	\$ 2,762,460
Vehicles	1,512,706
Less: accumulated depreciation	<u>(1,465,621)</u>
Total	<u>\$ 2,809,545</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$373,290	\$99,006
2007	349,244	82,699
2008	332,878	68,595
2009	284,865	54,798
2010	265,252	43,257
2011-2015	902,092	68,656
Total	<u>\$2,507,621</u>	<u>\$417,011</u>

Contractual Obligations - The contractual obligations line item reflects the City's required financial contribution toward bridge repairs that occurred in an earlier year. The City was required to make equal payments of \$107,000. There is no interest. Four payments remain at the end of fiscal year 2004-05.

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 original amount of MDC bonds issued in prior years was \$55,605,000. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2005</u>
1999 series bonds	3.6-5.0%	2019	\$ 5,948,638
2002 series bonds	3.0-5.0%	2020	21,150,000
2003 series bonds	2.0-3.75%	2015	12,245,000
2004 series bonds	2.5-4.3%	2020	12,400,000
			<u>\$ 51,743,638</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 7 LONG-TERM OBLIGATIONS (Continued)**

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,006,452	\$ 1,874,348
2007	3,098,425	1,788,720
2008	3,237,260	1,696,197
2009	3,357,373	1,593,868
2010	3,537,486	1,462,019
2011-2015	17,881,496	5,327,853
2016-2020	14,780,145	2,016,700
2021-2025	2,845,000	-
Total	<u>\$ 51,743,638</u>	<u>\$ 15,759,705</u>

General Obligation Bonds - General obligation bonds are issued for the purpose of constructing capital assets and related improvements. General obligation bonds are backed by the taxing power of the city and are approved by the voters. Principal and interest payments are due semi-annually. The original amount of general obligation bonds issued in prior years was \$20,840,000. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2005</u>
1997 series bonds	4.6 - 7.1%	2016	\$ 4,935,000
1998 series bonds	4.1 - 5.8%	2018	4,095,000
2003 series A bonds	2.0 - 4.0%	2014	2,835,000
2003 series B bonds	2.0 - 2.75%	2010	6,910,000
			<u>\$ 18,775,000</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>
2006	\$ 1,185,000	\$ 639,369
2007	1,525,000	588,664
2008	1,910,000	521,030
2009	2,365,000	458,413
2010	2,885,000	371,828
2011-2015	6,145,000	1,097,458
2016-2020	2,760,000	147,845
Total	<u>\$ 18,775,000</u>	<u>\$ 3,824,607</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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 original amount of highway user revenue bonds issued in prior years was \$6,560,000. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2005</u>
1991 series bonds	7.0 – 9.5%	2006	\$ 525,000
1998 series bonds	4.4 – 6.9%	2017	3,540,000
			<u>\$ 4,065,000</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>
2006	\$ 350,000	\$ 187,951
2007	370,000	161,071
2008	105,000	156,451
2009	260,000	144,881
2010	270,000	132,731
2011-2015	1,570,000	446,520
2016-2020	1,140,000	59,000
Total	<u>\$ 4,065,000</u>	<u>\$ 1,288,605</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, 2005, amounted to \$189,745. The following issue is refunded.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2005</u>
1985A series bonds	9.3 – 9.4%	2006	\$ 185,000
			<u>\$ 185,000</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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, 2005 is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Business-type activities:					
Compensated absences	\$ 54,698	\$ 158,255	\$ 62,896	\$ 150,057	\$ 91,583
Water and Sewer					
Revenue Bonds	1,665,000	-	80,000	1,585,000	85,000
Municipal Development					
Corporation Bonds	10,031,885	-	735,525	9,296,360	773,549
Water Infrastructure					
Financing Loans	11,032,552	-	700,294	10,332,258	728,014
	<u>\$ 22,784,135</u>	<u>\$ 158,255</u>	<u>\$ 1,578,715</u>	<u>\$ 21,363,675</u>	<u>\$ 1,678,146</u>

Water and Sewer Revenue Bonds - The revenue produced by the water and sewer facilities secures water and sewer revenue bonds. The voters must approve these bonds. Principal and interest payments are due semi-annually. The original amount of water and sewer revenue bonds issued in prior years was \$2,000,000. The following issues are currently outstanding.

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2005
1998 series bonds	4.1 – 5.95%	2018	\$ 1,585,000
			<u>\$ 1,585,000</u>

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

Year Ending June 30	Principal	Interest
2006	\$ 85,000	\$ 68,053
2007	90,000	64,363
2008	90,000	60,673
2009	95,000	56,730
2010	100,000	52,480
2011-2015	575,000	187,640
2016-2020	550,000	41,090
Total	<u>\$ 1,585,000</u>	<u>\$ 531,029</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 7 LONG-TERM OBLIGATIONS (Continued)**

Municipal Development Corporation (MDC) – MDC bonds are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The original amount of MDC issued in prior years was \$13,140,000. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2005
1996 series bonds	3.45 – 5.2%	2013	\$ 5,770,000
1999 series (37% of total issue)	3.6 – 5.0%	2019	3,526,360
			<u>\$ 9,296,360</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>
2006	\$ 773,549	\$ 417,290
2007	816,575	380,344
2008	847,740	341,141
2009	887,627	299,211
2010	932,514	254,223
2011-2015	4,113,503	548,920
2016-2020	924,852	97,138
Total	<u>\$ 9,296,360</u>	<u>\$ 2,338,267</u>

Water Infrastructure Financing Loan (WIFA) – WIFA agreements are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The original amount of WIFA issued in prior years was \$13,625,000. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2005
1992 series	3.40%	2012	\$ 4,901,871
1999 series	3.94%	2021	5,430,387
			<u>\$ 10,332,258</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**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>
2006	\$ 728,014	\$ 354,607
2007	759,631	327,366
2008	790,247	299,029
2009	819,829	269,628
2010	848,345	239,197
2011-2015	3,949,213	711,243
2016-2020	1,990,593	250,855
2021-2025	446,386	-
Total	<u>\$ 10,332,258</u>	<u>\$ 2,451,925</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, RECEIVABLES, AND TRANSFERS**

Interfund balances as of June 30, 2005 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Avondale Water Utility	Non-major Governmental Funds	\$ 884,554
General Fund	Non-major Governmental Funds	125,000
		<u>\$ 1,009,554</u>

The \$884,554 receivable in the Water Utility Fund and the \$125,000 receivable in the General Fund are due to temporary borrowings to offset a cash position in one of the non-major governmental funds.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 9 INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS (Concluded)**

During the year, transfers between funds were routine in nature and consistent with the fund making the transfer. Transfers were as follows:

Fund	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ -	\$ 6,299,708
Highway User Revenue Fund	-	674,700
Dedicated Sales Tax Revenue Fund	-	4,200,000
Public Safety Sales Tax Revenue Fund	-	217,820
Development Fees Fund	6,175,000	1,531,200
Non-major Governmental Funds	7,376,582	13,749,280
Total governmental funds	<u>13,551,582</u>	<u>26,672,708</u>
Enterprise funds:		
Water Utility Fund	9,281,443	10,939
Wastewater Utility Fund	34,993	10,000
Sanitation Utility Fund	2,824,690	-
Total enterprise funds	<u>12,141,126</u>	<u>20,939</u>
Internal service funds	1,000,939	-
Grand total	<u>\$ 26,693,647</u>	<u>\$ 26,693,647</u>

**NOTE 10 RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for Property Insurance, Public Employee Fidelity Bonds, Crime Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance and other coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs. Fiscal year ended June 30, 2005 was the first year of the City's self insurance program.

All risk management activities are accounted for in the Risk Management Fund, an Internal Service Fund. There have not been any settlements in excess of the insurance coverage provided by this fund.

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**NOTE 10 RISK MANAGEMENT (Concluded)**

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

Changes in the Risk Management Fund's aggregate claims liability for the fiscal year ended June 30, 2005 were as follows:

	<u>2005</u>
Beginning balance at July 1	\$ -
Current year claims and changes in estimates (including IBNR's)	492,886
Claim payments	<u>187,162</u>
Ending balance at June 30	<u><u>\$ 305,724</u></u>

**NOTE 11 DEFICIT FUND BLANCES**

The following fund had an accumulated fund deficit at June 30, 2005:

<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Special Revenue	Other Special Revenue	\$ 884,554

The deficit in the Other Special Revenue Fund is largely due to 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.

The City plans to eliminate this deficit during fiscal year 2006 with increased transfers from the General Fund.

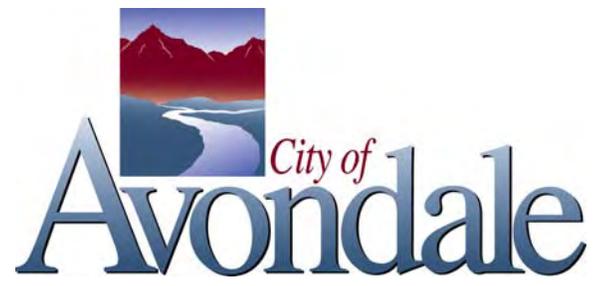
**NOTE 12 SUBSEQUENT EVENTS**

On August 11, 2005, the City issued \$4,145,000 of General Obligation Refunding Bonds and \$3,185,000 of Street & Highway User Revenue Refunding Bonds. The bonds were issued for the purpose of refunding existing debt, which resulted in a lower interest cost to the City. Interest rates range from 3.0% to 5.0%, with terms of 11 and 12 years respectively.

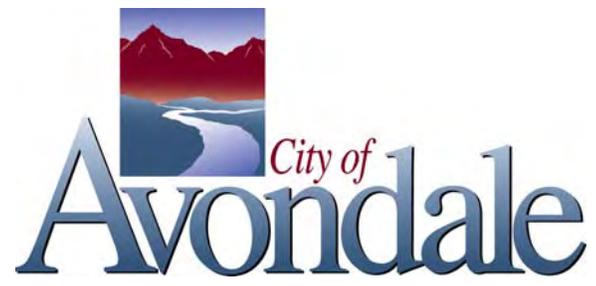
On September 20, 2005, the city issued \$12,850,000 of Municipal Development Corporation Excise Tax Revenue Refunding Bonds. The bonds were issued for the purpose of refunding existing debt, which resulted in a lower interest cost to the City. Interest rates range from 3.0% to 4.0%, with a term of 15 years.

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEVELOPMENT FEES FUND  
YEAR ENDED JUNE 30, 2005**

	Development Fees Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 4,145,700	\$ 4,145,700	\$ 6,889,604	\$ 2,743,904
Intergovernmental	1,291,000	1,291,000	320,637	(970,363)
Interest	13,820	13,820	387,256	373,436
Miscellaneous revenues	-	-	270,689	270,689
Total revenues	<u>5,450,520</u>	<u>5,450,520</u>	<u>7,868,186</u>	<u>2,417,666</u>
Expenditures				
Debt service				
Principal	185,070	185,070	157,580	27,490
Interest	-	-	27,474	(27,474)
Capital outlay	<u>22,319,070</u>	<u>22,319,070</u>	<u>11,341,380</u>	<u>10,977,690</u>
Total expenditures	<u>22,504,140</u>	<u>22,504,140</u>	<u>11,526,434</u>	<u>10,977,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,053,620)</u>	<u>(17,053,620)</u>	<u>(3,658,248)</u>	<u>13,395,372</u>
Other financing sources (uses)				
Proceeds from capital leases	1,100,000	1,100,000	-	(1,100,000)
Transfers in	3,075,000	3,075,000	6,175,000	3,100,000
Transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(1,531,200)</u>	<u>(631,200)</u>
Total other financing sources (uses)	<u>3,275,000</u>	<u>3,275,000</u>	<u>4,643,800</u>	<u>1,368,800</u>
Net change in fund balance	(13,778,620)	(13,778,620)	985,552	14,764,172
Fund balance at beginning of year	<u>13,931,213</u>	<u>13,931,213</u>	<u>18,034,869</u>	<u>4,103,656</u>
Fund balance at end of year	<u>\$ 152,593</u>	<u>\$ 152,593</u>	<u>\$ 19,020,421</u>	<u>\$ 18,867,828</u>



**COMBINING STATEMENTS - NON-MAJOR GOVERNMENTAL FUNDS**



**CITY OF AVONDALE, ARIZONA  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2005**

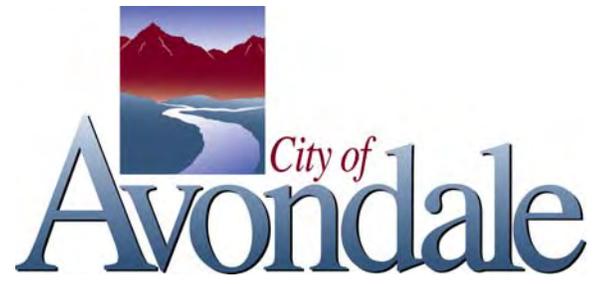
	Special Revenue Funds		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
<b>ASSETS</b>			
Cash	\$ 212,338	\$ 75,828	\$ 100,280
Investments	725,965	-	-
Receivables			
Taxes	-	-	-
Accounts	-	32,871	-
Interest	3,610	-	235
Due from other governments	11,181	13,199	-
Prepaid items	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-
Total assets	<u>\$ 953,094</u>	<u>\$ 121,898</u>	<u>\$ 100,515</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 39,153	\$ 9,485	\$ 5,595
Accrued payroll and employee benefits	-	9,292	-
Accrued liabilities	-	-	-
Construction contracts payable			
Deposits held for others	-	-	-
Sales tax payable			
Due to other funds	-	-	-
Deferred revenues	-	870	-
Total liabilities	<u>39,153</u>	<u>19,647</u>	<u>5,595</u>
Fund balances (deficit):			
Reserved for:			
Prepaid items	-	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved	913,941	102,251	94,920
Total fund balances (deficit)	<u>913,941</u>	<u>102,251</u>	<u>94,920</u>
Total liabilities and fund balances	<u>\$ 953,094</u>	<u>\$ 121,898</u>	<u>\$ 100,515</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA  
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Other Special Revenue	Vehicle Replacement	Equipment Replacement
<b>ASSETS</b>				
Cash	\$ 289,764	\$ -	\$ 4,695	\$ 59,911
Investments	-	-	2,307,914	44,281
Receivables				
Taxes	-	-	-	-
Accounts	6,750	-	-	-
Interest	864	-	10,049	322
Due from other governments	184,644	-	-	-
Prepaid items	-	-	-	-
Cash and cash equivalents with fiscal agent	-	-	-	-
Total assets	<u>\$ 482,022</u>	<u>\$ -</u>	<u>\$ 2,322,658</u>	<u>\$ 104,514</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 23,359	\$ -	\$ 10,214	\$ 9,824
Accrued payroll and employee benefits	18,342	-	-	-
Accrued liabilities	6,657	-	-	-
Construction contracts payable	-	-	-	-
Deposits held for others	10,451	-	-	-
Sales tax payable	18	-	-	-
Due to other funds	-	884,554	-	-
Deferred revenues	2,187	-	-	-
Total liabilities	<u>61,014</u>	<u>884,554</u>	<u>10,214</u>	<u>9,824</u>
Fund balances (deficit):				
Reserved for:				
Prepaid items	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Cash with fiscal agent	-	-	-	-
Unreserved	421,008	(884,554)	2,312,444	94,690
Total fund balances (deficit)	<u>421,008</u>	<u>(884,554)</u>	<u>2,312,444</u>	<u>94,690</u>
Total liabilities and fund balances	<u>\$ 482,022</u>	<u>\$ -</u>	<u>\$ 2,322,658</u>	<u>\$ 104,514</u>

Debt Service Funds					Total Non-Major Governmental Funds
Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	
\$ 305,983	\$ 7,054	\$ 12,682	\$ 94,698	\$ 136,660	\$ 1,299,893
258,335	59,540	1,382	417,476	32,084	3,846,977
-	91,761	-	-	-	91,761
6,923	-	-	-	-	46,544
1,763	3,165	570	55,602	-	76,180
-	-	-	-	-	209,024
-	1,185,000	350,000	-	-	1,535,000
-	-	-	2,289,365	1,753,365	4,042,730
<u>\$ 573,004</u>	<u>\$ 1,346,520</u>	<u>\$ 364,634</u>	<u>\$ 2,857,141</u>	<u>\$ 1,922,109</u>	<u>\$ 11,148,109</u>
\$ -	\$ -	\$ 710	\$ -	\$ 176	\$ 98,516
-	-	-	-	-	27,634
-	-	-	672,696	305,751	985,104
18,109	-	-	-	-	18,109
-	-	-	-	-	10,451
-	-	-	-	-	18
-	-	125,000	-	-	1,009,554
-	64,255.00	-	-	176,041	243,353
<u>18,109</u>	<u>64,255</u>	<u>125,710</u>	<u>672,696</u>	<u>481,968</u>	<u>2,392,739</u>
-	1,185,000	238,924	-	-	1,423,924
-	97,265	-	-	-	97,265
554,895	-	-	-	-	554,895
-	-	-	2,184,445	1,440,141	3,624,586
-	-	-	-	-	3,054,700
<u>554,895</u>	<u>1,282,265</u>	<u>238,924</u>	<u>2,184,445</u>	<u>1,440,141</u>	<u>8,755,370</u>
<u>\$ 573,004</u>	<u>\$ 1,346,520</u>	<u>\$ 364,634</u>	<u>\$ 2,857,141</u>	<u>\$ 1,922,109</u>	<u>\$ 11,148,109</u>



**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue Funds</u>		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	517,964	229,102	-
Charges for services	-	-	61,078
Interest	15,363	-	1,297
Contributions	-	45,712	-
Miscellaneous revenue	-	20	-
Total revenue	<u>533,327</u>	<u>274,834</u>	<u>62,375</u>
Expenditures			
Current:			
General government	-	-	11,032
Public safety	-	-	-
Highway and streets	237,536	-	-
Health and welfare	-	365,520	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>237,536</u>	<u>365,520</u>	<u>11,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>295,791</u>	<u>(90,686)</u>	<u>51,343</u>
Other financing sources (uses)			
Proceeds from bond issuance	-	-	-
Bond discount	-	-	-
Transfers in	130,000	94,020	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>130,000</u>	<u>94,020</u>	<u>-</u>
Net change in fund balances	425,791	3,334	51,343
Fund balances at beginning of year	<u>488,150</u>	<u>98,917</u>	<u>43,577</u>
Fund balances at end of year	<u>\$ 913,941</u>	<u>\$ 102,251</u>	<u>\$ 94,920</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2005**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Other Special Revenue</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	948,455	-	-	-
Charges for services	-	-	-	-
Interest	4,347	8,155	60,474	183
Contributions	149,147	-	-	-
Miscellaneous revenue	2,667	1,220	-	-
Total revenue	<u>1,104,616</u>	<u>9,375</u>	<u>60,474</u>	<u>183</u>
Expenditures				
Current:				
General government	1,620	-	-	-
Public safety	520,856	-	-	-
Highway and streets	-	-	-	-
Health and welfare	113,361	-	-	-
Economic and community development	-	-	-	-
Culture and recreation	10,955	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	409,351	-	411,572	98,134
Total expenditures	<u>1,056,143</u>	<u>-</u>	<u>411,572</u>	<u>98,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,473</u>	<u>9,375</u>	<u>(351,098)</u>	<u>(97,951)</u>
Other financing sources (uses)				
Proceeds from bond issuance	-	-	-	-
Bond discount	-	-	-	-
Transfers in	165,602	700,000	950,200	100,000
Transfers out	-	-	(1,613,961)	-
Total other financing sources (uses)	<u>165,602</u>	<u>700,000</u>	<u>(663,761)</u>	<u>100,000</u>
Net change in fund balances	214,075	709,375	(1,014,859)	2,049
Fund balances at beginning of year	<u>206,933</u>	<u>(1,593,929)</u>	<u>3,327,303</u>	<u>92,641</u>
Fund balances at end of year	<u>\$ 421,008</u>	<u>\$ (884,554)</u>	<u>\$ 2,312,444</u>	<u>\$ 94,690</u>

Debt Service Funds

Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	Total Non- Major Governmental Funds
\$ -	\$ 1,877,463	\$ -	\$ -	\$ -	\$ 1,877,463
-	-	-	-	-	1,695,521
-	-	-	-	-	61,078
11,665	12,660	2,632	72,666	13,906	203,348
71,610	-	-	-	327,083	593,552
-	-	-	-	-	3,907
<u>83,275</u>	<u>1,890,123</u>	<u>2,632</u>	<u>72,666</u>	<u>340,989</u>	<u>4,434,869</u>
184,162	-	-	-	-	196,814
-	-	-	-	-	520,856
-	-	-	-	-	237,536
-	-	-	-	-	478,881
-	-	-	-	-	-
-	-	-	-	-	10,955
-	845,000	325,000	950,000	1,318,807	3,438,807
-	686,675	214,780	1,325,038	611,503	2,837,996
181,087	-	-	-	-	1,100,144
<u>365,249</u>	<u>1,531,675</u>	<u>539,780</u>	<u>2,275,038</u>	<u>1,930,310</u>	<u>8,821,989</u>
<u>(281,974)</u>	<u>358,448</u>	<u>(537,148)</u>	<u>(2,202,372)</u>	<u>(1,589,321)</u>	<u>(4,387,120)</u>
12,400,000	-	-	-	-	12,400,000
(45,989)	-	-	-	-	(45,989)
-	-	540,000	2,947,500	1,749,260	7,376,582
(12,135,319)	-	-	-	-	(13,749,280)
<u>218,692</u>	<u>-</u>	<u>540,000</u>	<u>2,947,500</u>	<u>1,749,260</u>	<u>5,981,313</u>
(63,282)	358,448	2,852	745,128	159,939	1,594,193
<u>618,177</u>	<u>923,817</u>	<u>236,072</u>	<u>1,439,317</u>	<u>1,280,202</u>	<u>7,161,177</u>
<u>\$ 554,895</u>	<u>\$ 1,282,265</u>	<u>\$ 238,924</u>	<u>\$ 2,184,445</u>	<u>\$ 1,440,141</u>	<u>\$ 8,755,370</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
LOCAL TRANSPORTATION ASSISTANCE FUND  
YEAR ENDED JUNE 30, 2005**

	Local Transportation Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 386,180	\$ 386,180	\$ 517,964	\$ 131,784
Interest	-	-	15,363	15,363
Total revenues	<u>386,180</u>	<u>386,180</u>	<u>533,327</u>	<u>147,147</u>
Expenditures				
Highways and streets	<u>516,180</u>	<u>516,180</u>	<u>237,536</u>	<u>278,644</u>
Total expenditures	<u>516,180</u>	<u>516,180</u>	<u>237,536</u>	<u>278,644</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,000)</u>	<u>(130,000)</u>	<u>295,791</u>	<u>425,791</u>
Other financing sources (uses)				
Transfers in	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Total other financing sources (uses)	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Net change in fund balance	-	-	425,791	425,791
Fund balance at beginning of year	<u>361,498</u>	<u>361,498</u>	<u>488,150</u>	<u>126,652</u>
Fund balance at end of year	<u>\$ 361,498</u>	<u>\$ 361,498</u>	<u>\$ 913,941</u>	<u>\$ 552,443</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SENIOR PROGRAMS FUND  
YEAR ENDED JUNE 30, 2005**

	Senior Programs Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 249,420	\$ 243,920	\$ 229,102	\$ (14,818)
Contributions	7,000	12,500	45,712	33,212
Miscellaneous revenues	12,180	12,180	20	(12,160)
Total revenues	<u>268,600</u>	<u>268,600</u>	<u>274,834</u>	<u>6,234</u>
Expenditures				
Health and welfare	<u>389,050</u>	<u>389,050</u>	<u>365,520</u>	<u>23,530</u>
Total expenditures	<u>389,050</u>	<u>389,050</u>	<u>365,520</u>	<u>23,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,450)</u>	<u>(120,450)</u>	<u>(90,686)</u>	<u>29,764</u>
Other financing sources (uses)				
Transfers in	<u>113,020</u>	<u>113,020</u>	<u>94,020</u>	<u>(19,000)</u>
Total other financing sources (uses)	<u>113,020</u>	<u>113,020</u>	<u>94,020</u>	<u>(19,000)</u>
Net change in fund balance	(7,430)	(7,430)	3,334	10,764
Fund balance at beginning of year	<u>82,490</u>	<u>82,490</u>	<u>98,917</u>	<u>16,427</u>
Fund balance at end of year	<u>\$ 75,060</u>	<u>\$ 75,060</u>	<u>\$ 102,251</u>	<u>\$ 27,191</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
JUDICIAL COLLECTION ENHANCEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Judicial Collection Enhancement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ 29,350	\$ 29,350	\$ 61,078	\$ 31,728
Interest	-	-	1,297	1,297
Total revenues	<u>29,350</u>	<u>29,350</u>	<u>62,375</u>	<u>33,025</u>
Expenditures				
General government	<u>48,300</u>	<u>48,300</u>	<u>11,032</u>	<u>37,268</u>
Total expenditures	<u>48,300</u>	<u>48,300</u>	<u>11,032</u>	<u>37,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,950)</u>	<u>(18,950)</u>	<u>51,343</u>	<u>70,293</u>
Fund balance at beginning of year	<u>28,250</u>	<u>28,250</u>	<u>43,577</u>	<u>15,327</u>
Fund balance at end of year	<u>\$ 9,300</u>	<u>\$ 9,300</u>	<u>\$ 94,920</u>	<u>\$ 85,620</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
GRANTS-IN-AID FUND  
YEAR ENDED JUNE 30, 2005**

	Grants-in-Aid Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 1,598,170	\$ 2,035,846	\$ 948,455	\$ (1,087,391)
Interest	-	-	4,347	4,347
Contributions	-	135,520	149,147	13,627
Miscellaneous revenues	4,987,800	2,028,376	2,667	(2,025,709)
Total revenues	<u>6,585,970</u>	<u>4,199,742</u>	<u>1,104,616</u>	<u>(3,095,126)</u>
Expenditures				
General government	4,956,500	1,976,392	1,620	1,974,772
Public safety	1,800,770	1,439,311	520,856	918,455
Health and welfare	-	151,070	113,361	37,709
Culture and recreation	-	6,336	10,955	(4,619)
Capital outlay	-	797,933	409,351	388,582
Total expenditures	<u>6,757,270</u>	<u>4,371,042</u>	<u>1,056,143</u>	<u>3,314,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,300)</u>	<u>(171,300)</u>	<u>48,473</u>	<u>219,773</u>
Other financing sources (uses)				
Transfers in	255,080	255,080	165,602	(89,478)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>255,080</u>	<u>255,080</u>	<u>165,602</u>	<u>(89,478)</u>
Net change in fund balance	83,780	83,780	214,075	130,295
Fund balance at beginning of year	<u>27,327</u>	<u>27,327</u>	<u>206,933</u>	<u>179,606</u>
Fund balance at end of year	<u>\$ 111,107</u>	<u>\$ 111,107</u>	<u>\$ 421,008</u>	<u>\$ 309,901</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
OTHER SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2005**

	Other Special Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 8,155	\$ 7,155
Miscellaneous revenues	-	-	1,220	1,220
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>9,375</u>	<u>8,375</u>
Expenditures				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,000</u>	<u>1,000</u>	<u>9,375</u>	<u>8,375</u>
Other financing sources (uses)				
Transfers in	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Total other financing sources (uses)	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Net change in fund balance	701,000	701,000	709,375	8,375
Fund balance at beginning of year	<u>(1,563,158)</u>	<u>(1,563,158)</u>	<u>(1,593,929)</u>	<u>(30,771)</u>
Fund balance at end of year	<u>\$ (862,158)</u>	<u>\$ (862,158)</u>	<u>\$ (884,554)</u>	<u>\$ (22,396)</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Vehicle Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 60,474	\$ 59,474
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>60,474</u>	<u>59,474</u>
Expenditures				
Capital outlay	1,630,890	1,630,890	411,572	1,219,318
Total expenditures	<u>1,630,890</u>	<u>1,630,890</u>	<u>411,572</u>	<u>1,219,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,629,890)</u>	<u>(1,629,890)</u>	<u>(351,098)</u>	<u>1,278,792</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	1,077,900	1,077,900	950,200	(127,700)
Transfers out	-	-	(1,613,961)	(1,613,961)
Total other financing sources (uses)	<u>1,077,900</u>	<u>1,077,900</u>	<u>(663,761)</u>	<u>(1,741,661)</u>
Net change in fund balance	(551,990)	(551,990)	(1,014,859)	(462,869)
Fund balance at beginning of year	<u>2,766,909</u>	<u>2,766,909</u>	<u>3,327,303</u>	<u>560,394</u>
Fund balance at end of year	<u>\$ 2,214,919</u>	<u>\$ 2,214,919</u>	<u>\$ 2,312,444</u>	<u>\$ 97,525</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2005**

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 1,000	\$ 1,000	\$ 183	\$ (817)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>183</u>	<u>(817)</u>
Expenditures				
Capital outlay	100,000	100,000	98,134	1,866
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>98,134</u>	<u>1,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(99,000)</u>	<u>(99,000)</u>	<u>(97,951)</u>	<u>1,049</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	1,000	1,000	2,049	1,049
Fund balance at beginning of year	<u>93,069</u>	<u>93,069</u>	<u>92,641</u>	<u>(428)</u>
Fund balance at end of year	<u>\$ 94,069</u>	<u>\$ 94,069</u>	<u>\$ 94,690</u>	<u>\$ 621</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
OTHER CAPITAL PROJECTS FUND  
YEAR ENDED JUNE 30, 2005**

	Other Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 11,665	\$ 11,665
Contributions	-	-	71,610	71,610
Total revenues	<u>-</u>	<u>-</u>	<u>83,275</u>	<u>83,275</u>
Expenditures				
General government	-	-	184,162	(184,162)
Capital outlay	12,308,130	12,308,130	181,087	12,127,043
Total expenditures	<u>12,308,130</u>	<u>12,308,130</u>	<u>365,249</u>	<u>11,942,881</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,308,130)</u>	<u>(12,308,130)</u>	<u>(281,974)</u>	<u>12,026,156</u>
Other financing sources (uses)				
Proceeds from bond issuance	12,000,000	12,000,000	12,400,000	400,000
Bond discount	-	-	(45,989)	(45,989)
Transfers out	-	-	(12,135,319)	(12,135,319)
Total other financing sources (uses)	<u>12,000,000</u>	<u>12,000,000</u>	<u>218,692</u>	<u>(11,781,308)</u>
Net change in fund balance	(308,130)	(308,130)	(63,282)	244,848
Fund balance at beginning of year	<u>308,130</u>	<u>308,130</u>	<u>618,177</u>	<u>310,047</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,895</u>	<u>\$ 554,895</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
GENERAL OBLIGATION BOND FUND  
YEAR ENDED JUNE 30, 2005**

	General Obligation Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 1,875,000	\$ 1,875,000	\$ 1,877,463	\$ 2,463
Interest	3,000	3,000	12,660	9,660
Total revenues	<u>1,878,000</u>	<u>1,878,000</u>	<u>1,890,123</u>	<u>12,123</u>
Expenditures				
Debt service				
Principal	849,000	849,000	845,000	4,000
Interest	689,860	689,860	686,675	3,185
Total expenditures	<u>1,538,860</u>	<u>1,538,860</u>	<u>1,531,675</u>	<u>7,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>339,140</u>	<u>339,140</u>	<u>358,448</u>	<u>19,308</u>
Fund balance at beginning of year	<u>657,756</u>	<u>657,756</u>	<u>923,817</u>	<u>266,061</u>
Fund balance at end of year	<u>\$ 996,896</u>	<u>\$ 996,896</u>	<u>\$ 1,282,265</u>	<u>\$ 285,369</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
HIGHWAY USER REVENUE BOND FUND  
YEAR ENDED JUNE 30, 2005**

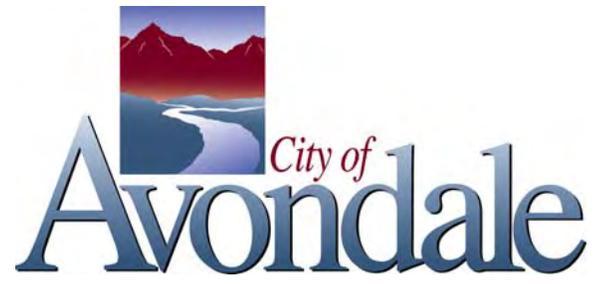
	Highway User Revenue Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 2,632	\$ 2,632
Total revenues	<u>-</u>	<u>-</u>	<u>2,632</u>	<u>2,632</u>
Expenditures				
Debt service				
Principal	325,000	325,000	325,000	-
Interest	214,250	214,250	214,780	(530)
Total expenditures	<u>539,250</u>	<u>539,250</u>	<u>539,780</u>	<u>(530)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(539,250)</u>	<u>(539,250)</u>	<u>(537,148)</u>	<u>2,102</u>
Other financing sources (uses)				
Transfers in	540,000	540,000	540,000	-
Total other financing sources (uses)	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Net change in fund balance	750	750	2,852	2,102
Fund balance at beginning of year	<u>237,684</u>	<u>237,684</u>	<u>236,072</u>	<u>(1,612)</u>
Fund balance at end of year	<u>\$ 238,434</u>	<u>\$ 238,434</u>	<u>\$ 238,924</u>	<u>\$ 490</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEDICATED SALES TAX BOND FUND  
YEAR ENDED JUNE 30, 2005**

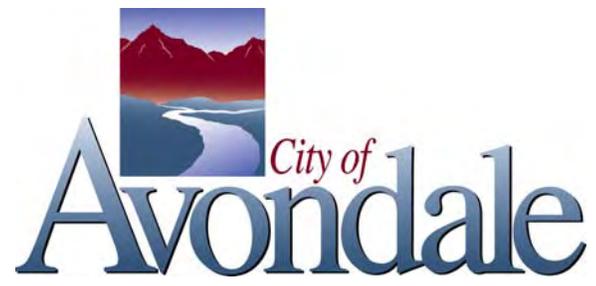
	Dedicated Sales Tax Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 72,666	\$ 72,666
Total revenues	<u>-</u>	<u>-</u>	<u>72,666</u>	<u>72,666</u>
Expenditures				
Debt service				
Principal	1,479,250	1,479,250	950,000	529,250
Interest	1,363,450	1,363,450	1,325,038	38,412
Total expenditures	<u>2,842,700</u>	<u>2,842,700</u>	<u>2,275,038</u>	<u>567,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,842,700)</u>	<u>(2,842,700)</u>	<u>(2,202,372)</u>	<u>640,328</u>
Other financing sources (uses)				
Transfers in	2,900,000	2,900,000	2,947,500	47,500
Total other financing sources (uses)	<u>2,900,000</u>	<u>2,900,000</u>	<u>2,947,500</u>	<u>47,500</u>
Net change in fund balance	57,300	57,300	745,128	687,828
Fund balance at beginning of year	<u>1,316,708</u>	<u>1,316,708</u>	<u>1,439,317</u>	<u>122,609</u>
Fund balance at end of year	<u>\$ 1,374,008</u>	<u>\$ 1,374,008</u>	<u>\$ 2,184,445</u>	<u>\$ 810,437</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
OTHER DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2005**

	Other Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 13,906	\$ 13,906
Contributions	-	-	327,083	327,083
Total revenues	<u>-</u>	<u>-</u>	<u>340,989</u>	<u>340,989</u>
Expenditures				
Debt service				
Principal	1,314,480	1,314,480	1,318,807	(4,327)
Interest	611,500	611,500	611,503	(3)
Total expenditures	<u>1,925,980</u>	<u>1,925,980</u>	<u>1,930,310</u>	<u>(4,330)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,925,980)</u>	<u>(1,925,980)</u>	<u>(1,589,321)</u>	<u>336,659</u>
Other financing sources (uses)				
Transfers in	1,749,260	1,749,260	1,749,260	-
Total other financing sources (uses)	<u>1,749,260</u>	<u>1,749,260</u>	<u>1,749,260</u>	<u>-</u>
Net change in fund balance	(176,720)	(176,720)	159,939	336,659
Fund balance at beginning of year	<u>958,121</u>	<u>958,121</u>	<u>1,280,202</u>	<u>322,081</u>
Fund balance at end of year	<u>\$ 781,401</u>	<u>\$ 781,401</u>	<u>\$ 1,440,141</u>	<u>\$ 658,740</u>



**COMBINING STATEMENTS - INTERNAL SERVICE FUNDS**



**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF NET ASSETS -  
INTERNAL SERVICE FUNDS  
JUNE 30, 2005**

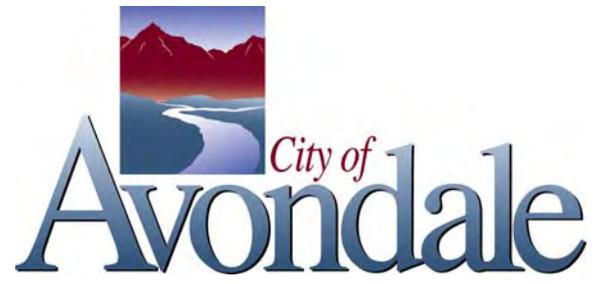
	Governmental Activities- Internal Service Funds		
	Risk		
	Management	Printing Services	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 423,889	\$ 82,889	\$ 506,778
Investments	402,315	-	402,315
Receivables			
Accounts, net	-	449	449
Interest	2,388	158	2,546
Total current assets	<u>828,592</u>	<u>83,496</u>	<u>912,088</u>
Non-current assets:			
Capital assets:			
Capital assets, depreciable (net)	-	249,544	249,544
Total non-current assets	<u>-</u>	<u>249,544</u>	<u>249,544</u>
Total assets	<u>828,592</u>	<u>333,040</u>	<u>1,161,632</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	3,429	18,237	21,666
Compensated absences	6,871	-	6,871
Accrued payroll and employee benefits	6,357	-	6,357
Claims payable	49,256	-	49,256
Total current liabilities	<u>65,913</u>	<u>18,237</u>	<u>84,150</u>
Non-current liabilities:			
Claims payable	256,468	-	256,468
Compensated absences	1,718	-	1,718
Total long term liabilities	<u>258,186</u>	<u>-</u>	<u>258,186</u>
Total liabilities	<u>324,099</u>	<u>18,237</u>	<u>342,336</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	249,544	249,544
Unrestricted	504,493	65,259	569,752
Total net assets	<u>\$ 504,493</u>	<u>\$ 314,803</u>	<u>\$ 819,296</u>

**CITY OF AVONDALE, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
 INTERNAL SERVICE FUNDS  
 YEAR ENDED JUNE 30, 2005**

	Governmental Activities- Internal Service Funds		
	Risk Management	Printing Services	Total
Operating Revenues			
Charges for services	\$ 1,125,380	\$ 97,766	\$ 1,223,146
Miscellaneous	1,844	-	1,844
Total operating revenues	<u>1,127,224</u>	<u>97,766</u>	<u>1,224,990</u>
Operating Expenses			
Personal services	157,752	-	157,752
Contractual services	16,441	21,963	38,404
Materials and supplies	13,073	10,968	24,041
Insurance claims and expenses	1,442,688	-	1,442,688
Depreciation	-	65,842	65,842
Total operating expenses	<u>1,629,954</u>	<u>98,773</u>	<u>1,728,727</u>
Operating income (loss)	<u>(502,730)</u>	<u>(1,007)</u>	<u>(503,737)</u>
Non-operating revenues (expenses)			
Interest income	7,223	423	7,646
Total non-operating revenues (expenses)	<u>7,223</u>	<u>423</u>	<u>7,646</u>
Income before development fees and transfers	(495,507)	(584)	(496,091)
Capital contributions	-	314,448	314,448
Transfers in	1,000,000	939	1,000,939
Change in net assets	<u>504,493</u>	<u>314,803</u>	<u>819,296</u>
Net assets - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Net assets - ending	<u>\$ 504,493</u>	<u>\$ 314,803</u>	<u>\$ 819,296</u>

**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF CASH FLOWS -  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2005**

	Governmental Activities- Internal Service Funds		
	Risk Management	Printing Services	Total
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,127,224	\$ 97,317	\$ 1,224,541
Payments to suppliers	(1,163,049)	(14,694)	(1,177,743)
Payments to employees	(142,806)	-	(142,806)
Net cash provided (used) by operating activities	(178,631)	82,623	(96,008)
<b>Cash flows from non-capital financing activities:</b>			
Transfers in	1,000,000	-	1,000,000
Net cash provided (used) for non-capital financing activities	1,000,000	-	1,000,000
<b>Cash flows from capital and related financing activities:</b>			
Net cash provided (used) for capital and related financing activities	-	-	-
<b>Cash flows from investing activities:</b>			
Interest received on investments	4,835	266	5,101
Net cash provided by investing activities	4,835	266	5,101
Net increase in cash and cash equivalents	826,204	82,889	909,093
Cash and cash equivalents, beginning of period	-	-	-
Cash and cash equivalents, end of period	\$ 826,204	\$ 82,889	\$ 909,093
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (502,730)	\$ (1,007)	\$ (503,737)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	65,842	65,842
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(449)	(449)
Increase (decrease) in accounts payable	3,429	18,237	21,666
Increase (decrease) in accrued payroll and employee benefits	14,946	-	14,946
Increase (decrease) in claims payable	305,724	-	305,724
Net cash provided (used) by operating activities	\$ (178,631)	\$ 82,623	\$ (96,008)
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:			
Cash	\$ 423,889	\$ 82,889	\$ 506,778
Investments	402,315	-	402,315
Total cash and cash equivalents	\$ 826,204	\$ 82,889	\$ 909,093



**CITY OF AVONDALE, ARIZONA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
 SCHEDULE BY SOURCE  
 JUNE 30, 2005**

Governmental funds capital assets:	
Land and improvements	\$ 9,720,314
Buildings and improvements	35,237,566
Vehicles, furniture and equipment	15,631,884
Infrastructure	19,917,268
Construction in progress	8,415,175
Total	<u>\$ 88,922,207</u>

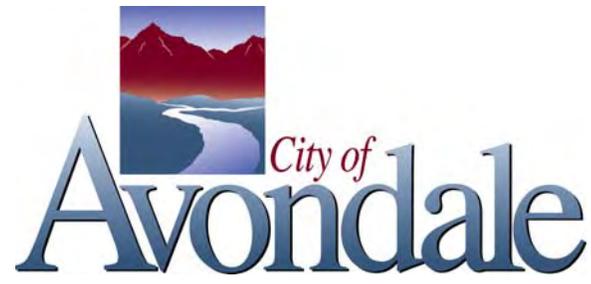
Investments in governmental activities capital assets by source:	
General Fund	\$ 14,236,504
Special Revenue Funds	3,417,620
Capital Projects Funds	71,268,083
Total	<u>\$ 88,922,207</u>

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2005**

Function and Activity	Asset Classification					Total
	Land and Improvements	Buildings and Improvements	Vehicles, Furniture and Equipment	Infrastructure	Construction in Progress	
General government	\$ 2,673,819	\$ 16,488,918	\$ 6,540,547	\$ -	\$ 20,180	\$ 25,723,464
Public safety	307,003	7,863,495	6,635,010	-	2,252,623	17,058,131
Highways and streets	1,245,468	139,731	1,687,466	19,863,905	3,539,331	26,475,901
Health and welfare	215,948	965,458	83,982	-	-	1,265,388
Economic Development	51,711	395,878	57,889	53,363	189,012	747,853
Culture and recreation	5,226,365	9,384,086	626,990	-	2,414,029	17,651,470
<b>Total</b>	<b>\$ 9,720,314</b>	<b>\$ 35,237,566</b>	<b>\$ 15,631,884</b>	<b>\$ 19,917,268</b>	<b>\$ 8,415,175</b>	<b>\$ 88,922,207</b>

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Function and Activity</u>	<u>Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2005</u>
General government	\$ 26,703,853	\$ 386,265	\$ 827,993	\$ 26,262,125
Public safety	14,404,168	635,038	233,698	14,805,508
Highways and streets	17,432,493	5,504,077	-	22,936,570
Sanitation	2,838,143	-	2,838,143	-
Health and welfare	1,265,388	-	-	1,265,388
Culture and recreation	7,024,871	8,212,570	-	15,237,441
Construction in Progress	<u>10,663,713</u>	<u>5,028,117</u>	<u>7,276,655</u>	<u>8,415,175</u>
Totals	<u>\$ 80,332,629</u>	<u>\$ 19,766,067</u>	<u>\$ 11,176,489</u>	<u>\$ 88,922,207</u>



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**CITY OF AVONDALE, ARIZONA  
GOVERNMENT-WIDE REVENUES  
YEAR ENDED JUNE 30, 2005**

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Sales and Use taxes</b>
2004-05	\$ 24,978,290	\$ 4,462,062	\$ 22,611,666	\$ 36,525,428
2003-04	\$ 22,499,855	\$ 2,078,204	\$ 26,688,607	\$ 23,177,913
2002-03	\$ 20,160,008	\$ 1,860,947	\$ 19,250,500	\$ 16,167,320

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

**Table 1**

<b>Property Taxes</b>	<b>Franchise Taxes</b>	<b>State Shared Revenues</b>	<b>Investment Income</b>	<b>Other/ Miscellaneous</b>	<b>Total</b>
\$ 3,088,824	\$ 682,292	\$ 8,218,495	\$ 2,180,685	\$ 747,803	\$ 103,495,545
\$ 2,336,907	\$ 640,293	\$ 10,272,674	\$ 819,355	\$ 1,099,853	\$ 89,613,661
\$ 2,023,456	\$ 558,196	\$ 10,323,804	\$ 1,111,669	\$ 893,840	\$ 72,349,740

**CITY OF AVONDALE, ARIZONA  
GOVERNMENT-WIDE EXPENSES BY FUNCTION  
YEAR ENDED JUNE 30, 2005**

**Governmental Activities**

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Sanitation*</b>	<b>Health and Welfare</b>	<b>Economic and Community Development</b>
2004-05	\$ 17,652,671	\$ 14,797,695	\$ 3,080,032	\$ -	\$ 806,332	\$ 3,356,334
2003-04	\$ 12,773,774	\$ 12,309,510	\$ 2,885,844	\$ 3,047,585	\$ 693,682	\$ 2,718,598
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 three years are shown. The source of this information is City records.

\* During 2004 - 2005 activity associated with Sanitation Services was reclassified to business type activity.

**Table 2**

<b>Governmental Activities</b>		<b>Business-type Activities</b>			
<b>Culture and Recreation</b>	<b>Interest on Long-term Debt</b>	<b>Water Utility</b>	<b>Wastewater Utility</b>	<b>Sanitation Utility*</b>	<b>Total</b>
\$ 1,157,280	\$ 2,530,003	\$ 6,939,975	\$ 4,733,439	\$ 3,145,714	\$ 58,199,475
\$ 1,013,654	\$ 2,650,407	\$ 6,838,555	\$ 4,589,305	\$ -	\$ 49,520,914
\$ 945,473	\$ 2,386,274	\$ 5,866,258	\$ 5,054,347	\$ -	\$ 43,326,693

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

<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Sanitation</b>	<b>Health and Welfare</b>
2004-05	\$ 15,554,764	\$ 13,859,897	\$ 2,140,090	\$ -	*** \$ 793,862
2003-04	11,644,262	10,995,415	2,266,810	2,406,162	1,033,165
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

\* 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).

\*\*\* During 2004 - 2005 activity associated with Sanitation Services was reclassified to business type activity.

**Table 3**

<b>Culture and Recreation</b>	<b>Public Services</b>	<b>Economic &amp; Community Development</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total</b>
\$ 969,467	\$ -	\$ 2,370,053	\$ 672,399	\$ 6,655,321	\$ 43,015,853
777,778	-	2,177,974	620,494	4,845,837	36,767,897
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

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

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses &amp; Permits</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>
2004-05	\$ 40,196,899	\$ 5,086,681	\$ 12,678,971	\$ 943,619	** \$ 660,602
2003-04	26,225,061	4,222,868	11,606,715	4,003,862	334,376
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

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

\*\* During 2004 - 2005 activity associated with Sanitation Services was reclassified to business type activity.

**Table 4**

<u>Interest</u>	<u>Contributions</u>	<u>Total</u>
\$ 633,441	\$ 753,017	\$ 60,953,230
172,161	553,942	47,118,985
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

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

**Table 5**

<b>Fiscal Year</b>	<b>Original Property Tax Levy</b>	<b>Collected to June 30th End of Tax Fiscal Year</b>		<b>Collected to June 30, 2004</b>	
		<b>Amount</b>	<b>Percent of Levy</b>	<b>Amount</b>	<b>Percent of Levy</b>
2004-05	\$ 2,977,361	\$ 2,906,636	97.62 %	\$ 2,933,181	98.52 %
2003-04	2,406,999	2,374,955	98.67	2,396,960	99.58
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

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\* 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**

**Table 6**

<b>Fiscal Year</b>	<b>Net Secondary Assessed Value</b>	<b>Estimated Full-Cash Value</b>	<b>Ratio of Net Secondary Assessed to Estimated Full-Cash Value</b>	
2004-05	\$ 322,675,785	\$ 2,920,329,986	11.05	%
2003-04	265,228,109	2,430,772,423	10.91	
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	

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\* 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>		
2004-05 Primary	-0-	1.21	0.92	4.01	3.15
Secondary	-0-	0.00	0.12	2.73	1.14
2003-04 Primary	-0-	1.21	0.94	3.30	3.24
Secondary	-0-	0.07	0.14	2.31	1.03
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

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\* 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.

**Table 7**

<b>Pendergast Elementary School District No. 92</b>	<b>Litchfield Elementary School District No. 79</b>	<b>Avondale Elementary School District No. 44</b>	<b>Agua Fria Union High School District No. 216</b>	<b>City of Avondale, Arizona</b>	<b>Littleton Elementary School District No. 65</b>
2.35	2.50	2.61	3.38	0.46	2.12
4.02	1.61	1.85	1.37	0.71	1.72
2.39	2.38	3.45	2.42	0.48	3.90
3.98	1.89	0.79	1.37	0.69	2.02
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

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

**Table 8**

<b>Fiscal Year</b>	<b>Population</b>	<b>Net Secondary Assessed Value</b>	<b>Net General Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Secondary Assessed Value</b>	<b>Bonded Debt Per Capita</b>
2004-05	60,255	\$ 322,675,785	\$ 18,775,000	5.82 %	\$ 312
2003-04	53,925	265,228,109	19,620,000	7.40	364
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

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

**CITY OF AVONDALE, ARIZONA  
COMPUTATION OF LEGAL DEBT MARGIN\*  
JUNE 30, 2005**

**Table 9**

Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for water, sewer, light, open space preserves, parks, playgrounds and recreational facilities may not exceed 20% of the City's net secondary assessed valuation, nor may general obligation bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation.

	<b>Water, Sewer, Lights Preserves, Parks, Playgrounds Recreational Facilities Bonds</b>	<b>All Other General Obligation Bonds</b>
Net assessed value	<u>\$ 322,675,785</u>	<u>\$ 322,675,785</u>
Debt limit	64,535,157	19,360,547
Net Bonds Outstanding	<u>9,565,000</u>	<u>9,210,000</u>
Legal debt margin	<u>\$ 54,970,157</u>	<u>\$ 10,150,547</u>

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\* The source of this information is City records.

**CITY OF AVONDALE, ARIZONA  
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT -  
 GENERAL OBLIGATION BONDS  
 JUNE 30, 2005**

**Table 10**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
State of Arizona	\$ NONE	0.60 %	\$ NONE
Maricopa County	NONE	0.88	NONE
Maricopa County Community College District	399,805,000	0.88	3,518,284
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	11,200,000	22.99	2,574,880
Litchfield Elementary School District No. 79	17,040,000	14.73	2,509,992
Littleton Elementary School District No. 65	1,310,000	48.41	634,171
Pendergast Elementary School District No. 92	18,330,000	37.35	6,846,255
Tolleson Elementary School District No. 17	5,615,000	7.18	403,157
Liberty Elementary School District No. 25	7,120,000	0.05	3,560
Agua Fria Union High School District No. 216	36,025,000	17.74	6,390,835
Tolleson Union High School District No. 214	44,320,000	24.87	11,022,384
City of Avondale	<u>17,705,000</u>	100.00	<u>17,705,000</u>
 Total Direct and Overlapping General Obligation Bonded Debt	 <u>\$ 558,470,000</u>		 <u>\$ 51,608,518</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

Table 11

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION  
BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES\*  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total Expenditures*</u>	<u>Ratio of Debt Service To Total Expenditures</u>
2004-05	\$ 845,000	\$ 685,486	\$ 1,530,486	\$ 39,270,919	3.90 %
2003-04	476,000	748,076	1,224,076	35,844,150	3.41
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

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\* 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**

**Table 12**

<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>
2004	60,255	\$ 31,232	9,689	7.6 %
2003	53,925	30,111	9,040	9.4
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

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\* Information is County-wide, since it is not available at the City level. The source of this information is the Economic Outlook 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, 2005**

**Table 13**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>As Percent of City's Total Secondary Assessed Valuation</u>
Phoenix Speedway Corp.	Race Tracks	3,502,590	1.09 %
Gateway Pavilions LLC	Shopping Center	2,981,421	0.92
Harkins Phoenix Cinemas LLC	Movie Theaters	2,581,626	0.80
Smiths Food And Drug Centers Inc.	Shopping Center	2,577,605	0.80
Aventura Apartments LLC	Apartments	2,411,000	0.75
Arizona Public Service Company	Gas & Electricity Utility	2,374,892	0.74
Crystal Springs 200 Apartments LP	Apartments 100	2,192,327	0.68
Weingarten Nastat Inc.	Shopping Center	2,109,806	0.65
Costco Wholesale Corporation	Warehouse	1,993,880	0.62
Moreland Properties LLC	Auto Dealership	1,966,247	0.61
Total		<u>\$ 24,691,394</u>	<u>7.64 %</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>
2005	25 %	10 %	16 %
2004	25	10	16
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

\* 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.

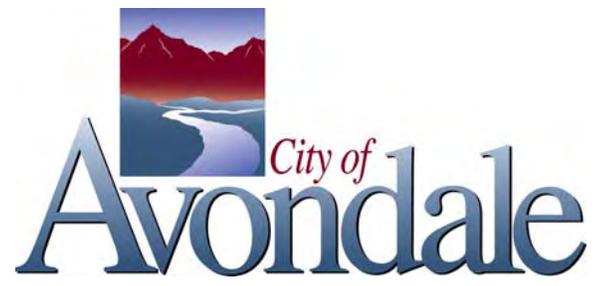
**CITY OF AVONDALE, ARIZONA  
 RATIO OF ASSESSED VALUE TO MARICOPA COUNTY\*  
 LAST TEN FISCAL YEARS**

**Table 14**

<b>Fiscal Year</b>	<b>City of Avondale</b>	<b>Maricopa County</b>	<b>Percent of Primary Assessed Value to Maricopa</b>	
2004-05	\$ 301,445,126	\$ 31,000,571,899	0.97	%
2003-04	243,152,268	28,070,870,432	0.87	
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	

---

\* 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**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Secured Personal</b>	<b>Unsecured Personal</b>	<b>Utilities</b>	<b>Gross Valuation</b>
2004-05	\$ 326,241,441	\$ -	\$ 6,403,137	\$ 14,379,664	\$ 347,024,242
2003-04	263,163,054	-	5,753,659	12,073,255	280,989,968
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

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

**Table 15**

<b>Less Exemption</b>	<b>Net Valuation</b>
\$ (45,579,116)	\$ 301,445,126
(37,837,700)	243,152,268
(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

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

**Table 16**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Operating Revenues ***	\$ 9,624,392	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 18,287,364
Total Operating Expenses *****	<u>5,917,381</u>	<u>7,109,672</u>	<u>6,655,346</u>	<u>7,247,442</u>	<u>11,728,882</u>
Net Operating Income	<u>3,707,011</u>	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>	<u>6,558,482</u>
Other Revenues	<u>\$ 1,382,408</u>	<u>\$ 571,524</u>	<u>\$ 740,400</u>	<u>\$ 420,466</u>	<u>\$ 1,137,766</u>
Net Revenues Before Debt Service	<u>\$ 5,089,419</u>	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,696,248</u>
Debt Service ****	\$ 1,938,090	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448
Debt Service Coverage	2.63	1.89	2.23	1.76	3.13

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\* 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**

**Table 17**

<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>	
2005	18.1	29.1	10.5	18.3	
2004	21.9	29.1	10.2	15.7	
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	

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\* 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**

**Table 18**

<u>Fiscal Year Ending June 30</u>	<u>Average Daily Usage MGD's</u>	<u>Peak Usage (MGD's)</u>
2005	3.8	4.7
2004	3.5	4.3
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

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

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

**Table 19**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential	10,213	12,398	13,937	15,266	17,430	19,250
Industrial/Commercial	363	384	403	596	800	1,125
Municipal and Others	98	111	122	123	82	170
Total	<u>10,674</u>	<u>12,893</u>	<u>14,462</u>	<u>15,985</u>	<u>18,312</u>	<u>20,545</u>

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\* 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, 2005**

**Table 20**

<b><u>Meter Size - Base Fee all users** - per bill admin fee</u></b>	\$	1.67
3/4" Meter	\$	7.05
1" Meter		15.12
1 1/2" Meter		28.57
2" Meter		44.70
3" Meter		82.36
4" Meter		136.15
6" Meter		270.64
 <b><u>Residential Usage Charge** per 1,000 gallons</u></b>		
0-4,000 gal	\$	0.84
5,000-8,000 gal		1.12
9,000-12,000 gal		1.67
13,000 + gal		2.79
 <b><u>Non-Residential Usage Charge per 1,000 gallons</u></b>		
0-4,000 gal	\$	1.12
5,000-8,000 gal		1.12
9,000-12,000 gal		1.67
13,000 + gal		2.79

---

\* The source of information is the City records.

\*\* Multi-family rates are adjusted by an equivalency factor of 47% of residential rates multiplied by the number of units.

**CITY OF AVONDALE, ARIZONA  
 AVONDALE AND WATER SEWER SYSTEMS -  
 CURRENT SEWER RATE STRUCTURE\*  
 JUNE 30, 2005**

**Table 21**

	<u>Residential**</u>	<u>Multi-family</u>	<u>Non-Residential***</u>
Per bill admin fee all users	\$ 1.42	\$ 1.42	\$ 1.42
Base Charge all users	\$ 5.23	\$ 5.23	\$ 5.23
Volume charge per 1,000 gal of water usage	\$ 2.93	\$ 2.93	\$ 3.35
Assumed Return Factor	80%	100%	80%

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\* The source of information is the City records.

\*\*Residential charges are calculated using the average water usage for the months of December, January and February, adjusted by the assumed return factor.

\*\*\*Non-residential return factor is as listed for most businesses. Laundry and car washes are assumed at a 70% return factor.

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

**Table 22**

<b>Historical Percentage Rate Changes</b>				
<b>Fiscal Year Ending June 30</b>	<b>Water</b>		<b>Sewer</b>	
2005	0	%	0	%
2004	0		0	
2003	0		0	
2002	0		0	
2001	0		0	
2000	0		0	
1999	5		5	
1998	0		0	**
1997	0		5	**
1996	0		5	

<b>Revenue from Connection Fees</b>		
<b>Fiscal Year Ending June 30</b>	<b>Water</b>	<b>Sewer</b>
2005	\$ 1,184,650	\$ 583,593
2004	1,200,655	753,750
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

<b>Number of Utility Connections</b>		
<b>Fiscal Year Ending June 30</b>	<b>Water</b>	<b>Sewer</b>
2005	20,545	20,100
2004	18,052	17,765
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

\* 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**

**Table 23**

<u>Fiscal-Year</u>	<u>Street and Highway Revenue Receipts</u>
2004-05	\$ 2,608,891
2003-04	2,484,542
2002-03	2,323,982
2001-02	2,227,397
2000-01	1,726,651
1999-00	1,630,701
1998-99	1,573,340
1997-98	1,432,158
1996-97	1,612,147
1995-96	1,434,419

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\* The source of this information is City records.

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

**Table 24**

<b>Source</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>
City Sales Tax	\$ 7,263,241	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607
State Sales Tax	2,147,368	2,765,159	2,806,331	3,018,844	3,324,212
State Revenue Sharing	2,808,533	3,748,916	3,770,461	3,240,789	3,336,656
Utility & Cable Franchise Fees	410,371	492,526	558,196	640,293	682,292
Licenses & Permits	3,276,107	4,194,488	4,049,503	4,862,956	5,518,886
Fines & Forfeitures	296,037	297,233	262,032	334,392	660,601
<b>Totals</b>	<b>\$ 16,201,657</b>	<b>\$ 25,840,823</b>	<b>\$ 27,411,443</b>	<b>\$ 34,972,840</b>	<b>\$ 49,478,255</b>

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\* The source of this information is City records

**CITY OF AVONDALE, ARIZONA  
MUNICIPAL DEVELOPMENT CORPORATION  
DEBT SERVICE COVERAGE  
JUNE 30,2005**

**Table 25**

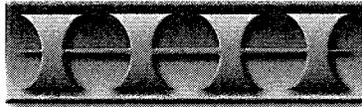
<b>Debt service payable during year ended June 30</b>	<b>Actual Excise tax Revenues</b>	<b>Total estimated Annual Debt Service Requirements</b>	<b>Debt Service Coverage Ratio</b>
2005	\$ 49,478,255	4,954,707	9.99 %
2006	N/A	5,037,823	9.82
2007	N/A	5,055,373	9.79
2008	N/A	5,094,147	9.71
2009	N/A	5,109,088	9.68
2010	N/A	5,157,050	9.59
2011	N/A	5,167,030	9.58
2012	N/A	5,165,060	9.58
2013	N/A	4,797,380	10.31
2014	N/A	4,356,350	11.36
2015	N/A	3,249,560	15.23
2016	N/A	3,217,938	15.38
2017	N/A	2,374,438	20.84
2018	N/A	2,347,188	21.08
2019	N/A	2,339,938	21.15
2020	N/A	2,360,500	20.96
2021	N/A	1,800,000	27.49

**CITY OF AVONDALE, ARIZONA  
MISCELLANEOUS STATISTICS\*  
JUNE 30, 2005**

**Table 26**

Date of Incorporation	12/13/1946
Form of government	Council/Manager
Number of employees:	432
Full-time	380
Part-time	52
Planning area in square miles	94
Facilities and Services:	
Miles of Streets	263
Culture and Recreation:	
Community Centers	2
Parks	12
Park acreage	130
Tennis courts	2
Basketball Courts	10
Volleyball Courts	4
Baseball Fields	4
Softball Fields	3
Soccer Fields	10
Dog park	1
Fire Protection:	
Number of stations	2
Number of fire personnel and officers (including reserves)	58
Number of calls answered yearly	6,971
Police Protection:	
Number of stations	2
Number of police personnel and officers (including reserves)	134
Number of patrol units	53
Sewerage Systems:	
Miles of sanitary sewers	329.0
Number of service connections	20,100
Water Systems:	
Miles of water mains	335.2
Number of service connections	20,545
Daily average consumption in gallons	10,500,000
Maximum storage capacity of plant in gallons	11,010,000
Facilities and services not included in the reporting entity:	
Education:	
Number of elementary schools	10
Number of secondary schools	4
Number of community colleges	1

\* The source of information is the City records.



HENRY & HORNE, LLP  
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INDEPENDENT AUDITORS' 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 Honorable Mayor and Council  
City of Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2005. 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 the City'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 the City'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 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.

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129  
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The Honorable Mayor and Council  
City of Avondale, Arizona

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.

*Hang Hone, LP*

October 19, 2005



HENRY & HORNE, LLP  
Advisors to Business

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

The Honorable Mayor and Council  
City of Avondale, Arizona

Compliance

We have audited the compliance of the City of Avondale (the City), Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Avondale, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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The Honorable Mayor and Council  
City of Avondale, Arizona

Internal Control Over Compliance

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

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.



October 19, 2005

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Maricopa County Community Development Agency Community Development Block Grant	14.218	DG0301,DG0401	<u>\$ 346,852 *</u>
<b>U.S. Department of Justice</b>			
Local Law Enforcement Block Grant	16.592		14,501
COPS Technology	16.710		529,268
COPS Universal Hiring Fund	16.710		68,833
COPS In Schools	16.710		87,749
Passed through Arizona Department of Public Safety Crime Victim Assistance	16.575	2005-355	<u>32,981</u>
Total U.S. Department of Justice			<u>733,332</u>
<b>National Endowment for the Humanities</b>			
Passed through the Arizona State Library, Archives and Public Records State Library Program	45.310	241-3-1-(4), 231-3-2-(1) 231-3-1-(1)	17,117
<b>U.S. Department of Health and Human Services</b>			
Passed through the Arizona department of Economic Security and Area Agency on Aging			
Support Services and Senior Centers	93.044	2005-10-AVO	24,848
Nutrition Services	93.045	2005-10-AVO	44,759
National Family Caregiver Support	93.052	2005-10-AVO	968
Nutritional Services Incentive Program	93.053	2005-10-AVO	13,884
Social Services Block Grant	93.667	2005-10-AVO	2,112
Medical Assistance Program	94.778	2005-10-AVO	-
Passed Through Maricopa County Division of Human Services			
Temporary Assistance for Needy Families	95.558	C-22-05-033-2	25,932
Community Services Block Grant	93.569	C-22-05-033-2	17,917
Social Services Block Grant	93.667	C-22-05-033-2	<u>28,610</u>
Total U.S. Department of Health and Human Services			<u>159,030</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,256,331</u></u>

\* Denotes major program

**CITY OF AVONDALE, ARIZONA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2005**

**NOTE 1 BASIS OF ACCOUNTING**

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

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

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



HENRY & HORNE, LLP  
Advisors to Business

CITY OF AVONDALE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2005

**Summary of Auditors' Results**

We have audited the financial statements of the City of Avondale (the City), Arizona, as of and for the year ended June 30, 2005, and have issued an unqualified opinion thereon dated October 19, 2005. 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.

Our audit did not disclose any noncompliance which is considered material to the financial statements of the City, nor did our audit disclose any material weaknesses in internal controls.

We have also issued an unqualified opinion dated October 19, 2005, based on our consideration of the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to its major Federal program for the year ended June 30, 2005. The results of our auditing procedures disclosed no findings relating to these requirements that are required to be reported in accordance with *OMB Circular A-133*.

For the June 30, 2005, Single Audit, the threshold used to distinguish between Type A and Type B programs was \$300,000. The City's U.S. Department of Housing was audited as the major program. The City of Avondale qualified as a low risk auditee.

There were no prior year findings.

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