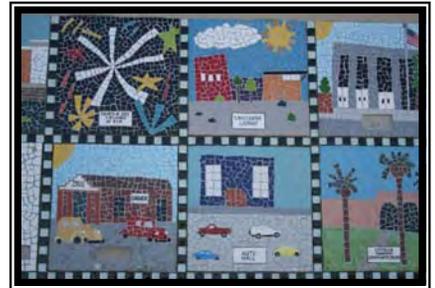
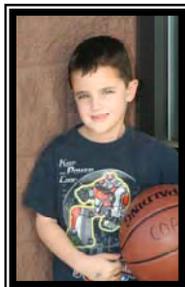


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

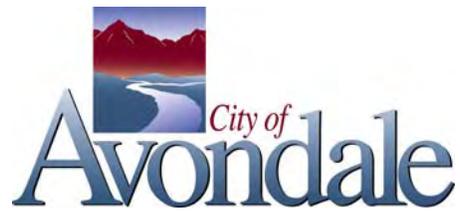


Building Our Community

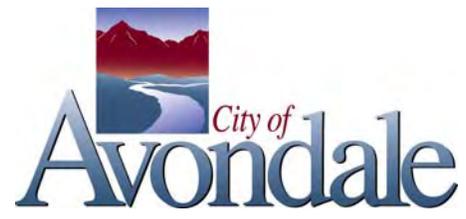


COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

City of Avondale, Arizona



Prepared by:
Finance and Budget Department



**CITY OF AVONDALE, ARIZONA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2009**

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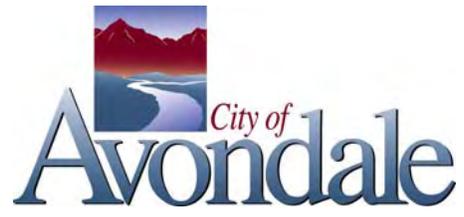
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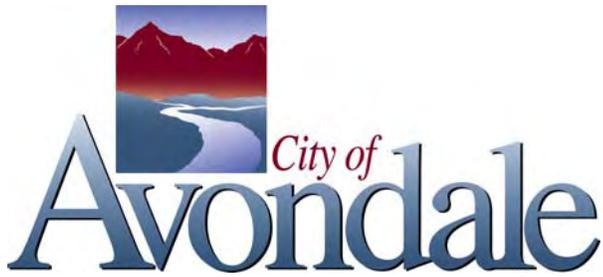
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Finance and Budget Department
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Fax: (623) 333-2011
Website: www.avondale.org

December 28, 2009

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, 2009. This report has been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Henry & Horne, LLP; a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City as of and for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements as of and for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented as the first component of the financial section of this report.

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

City of Avondale Profile

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix Metropolitan Area, and over the past ten years, is one of the fastest growing residential areas of Maricopa County, Arizona. The City’s planning area currently occupies 94 square miles and serves a population of over 77,276. Unique to Avondale are the three rivers that traverse the City; the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

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

The annual budget serves as the foundation for the City of Avondale's financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including a citizen appreciation/budget input meeting and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At a regular Council meeting in June, the City Council formally adopts a final budget and it is then legally enacted through passage of a resolution. The resolution sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Judicial Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund. Budgetary comparison statements and schedules, as appropriate, are provided in this report for each of these individual funds.

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

Factors Affecting Economic Condition and Outlook

The slowdown in the national economy and, in particular, the slowdown in the housing market in Arizona is having a direct impact on the City of Avondale. Revenues from building permits, development fees, state-shared revenues, and sales taxes have slowed significantly and failed to reach budget projections in fiscal year 2008-09. The City has prepared for future growth rates to be significantly less than ten-year historical growth rates. Appropriations in the fiscal year 2009-10 budget have been reduced by over \$6.9 million in the General Fund alone, and the City's multi-year forecasts have been modified to reflect negative revenue growth until the end of fiscal year 2009-10.

Commercial

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

Gateway Pavilions (99th Avenue and McDowell Road)

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

Gateway Crossing (99th Avenue and McDowell Road)

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

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

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

Alameda Crossing (Northeast corner of Dysart and McDowell)

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

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

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

Hilton Hotels (Avondale Boulevard and I-10)

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

Residential Activity

Avondale's 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 2009, 99 residential building permits were issued. Home values have dropped significantly across Arizona, resulting in the County Assessor's Office adjusting assessed valuations. The City experienced a 9% decrease in secondary assessed valuation going from \$704,155,001 to \$641,762,977 for fiscal year 2009.

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 2009, the City continued or planned for several significant projects.

Expansion of the wastewater treatment plant – The City has entered into a contract to expand the wastewater treatment facility from 6.4MGD to 9.0MGD to accommodate future growth in the City of Avondale. The project was substantially completed in fiscal year 2008-09.

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

Cash Management

Cash is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Government Investment Pool. Investment income is allocated to the funds monthly on the basis of the cash provided for investment. The average yield on investments held with the State Treasurer was 0.6471% for fiscal year 2009.

In an effort to increase investment earnings, the City recently has begun a program to invest in U.S. Government Agency securities outside of the Arizona State Treasurer's Pool.

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 November 3, 2009, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative limitation is effective for an additional four years.

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 five pension plans. The Arizona State Retirement System administers a cost-sharing, multiple-employer defined benefit pension plan that covers general employees of the City.

The Public Safety Personnel Retirement System administers an agent, multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State or one of its political subdivisions.

The Correctional Officers Retirement Plan administers an agent, multiple-employer defined benefit pension plan that covers certain full-time state, county, and municipal detention officers.

The Elected Officials' Retirement Plan administers a multiple-employer, cost sharing defined benefit pension plan to provide pension benefits for state and county elected officials, judges, and elected officials of participating cities.

The City administers the Volunteer Firefighters' Relief and Pension Trust Fund. Net assets of the fund totaled \$262,971 at June 30, 2009, a decrease of \$2,733 from the previous year.

Risk Management

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

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, 2008. In order to be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2009-10 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

Acknowledgements

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

Respectfully submitted,



Steven R. Montague, CPA, CGFM
Controller



Kevin H. Artz, CPA
Finance and Budget Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



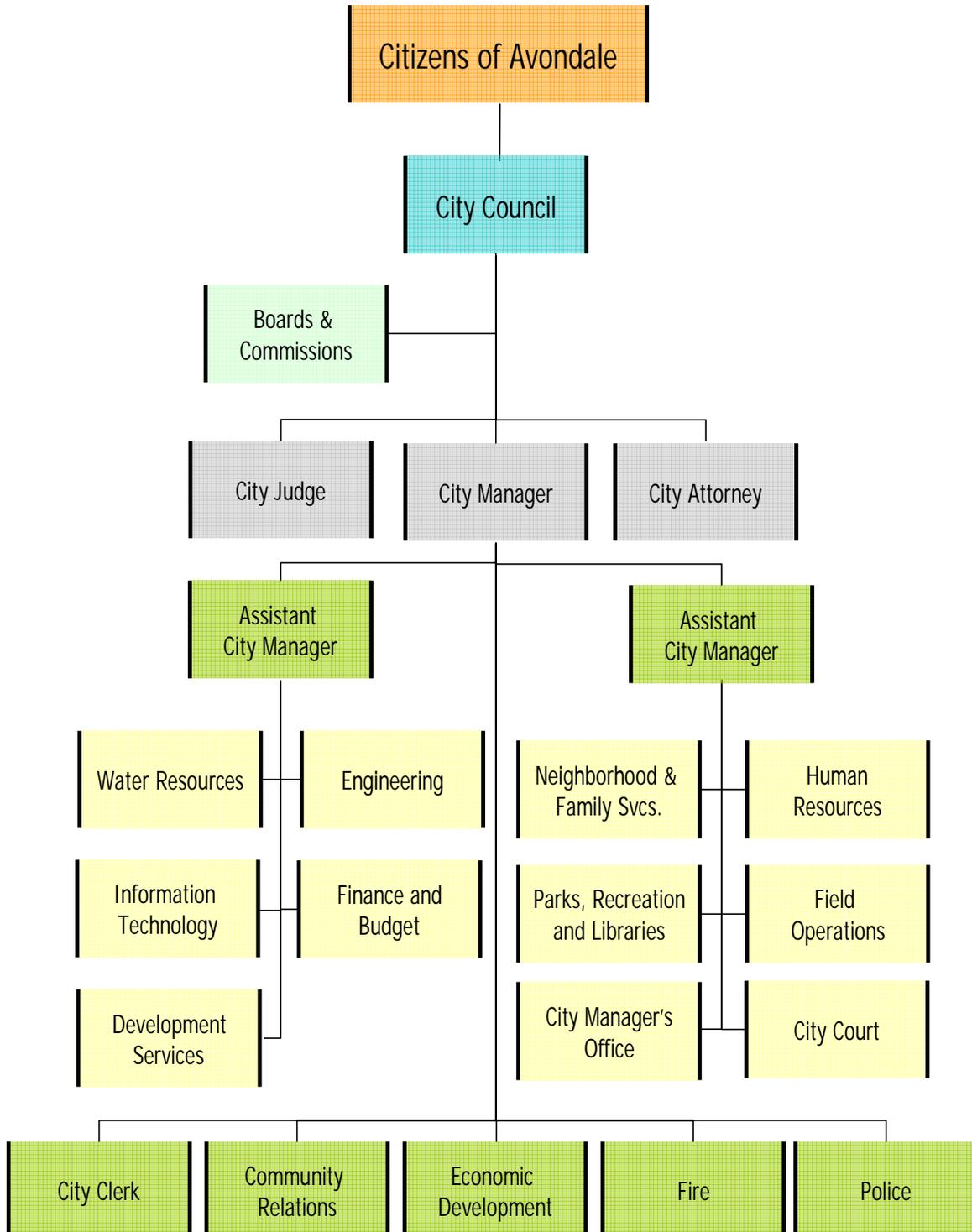
A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**CITY OF AVONDALE, ARIZONA
ORGANIZATIONAL CHART
YEAR ENDED JUNE 30, 2009**



**CITY OF AVONDALE, ARIZONA
PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2009**

Marie Lopez-Rogers, Mayor

Ken Weise, Vice Mayor

Jason Earp, Councilmember

Frank Scott, Councilmember



Jim Buster, Councilmember

Stephanie Karlin, Councilmember

Jim McDonald, Councilmember

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Rogene Hill, Assistant City Manager

Richard Lynch, City Judge

Wayne Janis, Water Resources Director

Cherlene Penilla, Human Resources Director

Kevin Artz, Finance and Budget Director

Janet Stewart, Field Operations Director

Carmen Martinez, City Clerk

Paul Adams, Fire Chief

Sue McDermott, City Engineer

Kevin Hinderleider, Information Technology Director

Dan Davis, Parks, Recreation and Libraries Director

Brian Berndt, Development Services Director

Pier Simeri, Community Relations Director

Kevin Kotsur, Police Chief

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

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



Independent Auditors' Report

The Honorable Mayor and Council
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona, as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

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

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

The Honorable Mayor and Council
City of Avondale, Arizona

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Casa Grande, Arizona
December 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Avondale, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2009. This discussion and analysis (MD&A) is designed to assist the user in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the City's financial plan (e.g., the approved budget), and identify individual fund issues and concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

The MD&A has a different focus and purpose than the Letter of Transmittal presented on pages v-xi of this report and is designed to be read in conjunction with the Letter of Transmittal, as well as the basic financial statements on pages 19-37 and the accompanying notes to the financial statements on pages 39-67.

Financial Highlights

- The City's assets exceeded its liabilities at the close of the most recent fiscal year by \$1.1 billion (net assets). Of this amount, \$77.4 million was unrestricted, down \$4.0 million (4.8%) from last year's \$81.4 million and may be used to meet the City's ongoing obligations to its citizens and creditors.
- Total net assets increased \$13.8 million (1.3%) in fiscal year 2009; \$5.4 million decrease (0.9%) in governmental activities and \$19.2 million increase (3.6%) in business-type activities. The change in net assets between years was largely attributable to transfers between the City's governmental activities and business-type activities.
- Governmental activities program revenues decreased by \$18.9 million (47.3%) and general revenues decreased by \$6.9 million (10.2%) from the previous year, while expenses decreased by \$4.4 million (6.0%) during the same period.
- Business-type activities program revenues decreased by \$7.2 million (19.1%) and general revenues decreased by \$2.1 million (71.6%) from the previous year, while expenses increased by \$1.2 million (4.2%) during the same period.
- City transfers from governmental activities to business-type activities increased by \$15.2 million (541.5%) over the previous year. The increase was primarily due to an increase in transfers of bond proceeds to finance the construction of a reservoir and other improvements to the City's water system.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$76.8 million, a decrease of \$12.1 million (13.6%) from the previous year. Of this amount, \$60.3 million was unreserved and available for spending at the City's discretion.
- Total combined governmental fund revenues and expenditures of \$75.7 million and \$85.0 million, respectively, decreased \$14.2 million (15.8%) and increased \$3.2 million (4.0%) between years.
- Unreserved fund balance of the General Fund was \$32.3 million at June 30, 2009, or 74.5% of General Fund expenditures for the same year ended.
- The City's total liabilities, including long-term debt, increased by \$6.3 million, or 5.3%, during the fiscal year. The key factors contributing to this increase was the issuance of \$15.0 million of Avondale Municipal Development Corporation (MDC) excise tax revenue bonds, offset by the retirement of about \$9.5 million of bond and loan principal on outstanding debt.

- General fund revenues (on a budgetary basis) fell short of budgeted revenues by \$6.2 million for fiscal year 2009, while budgetary basis expenditures were only 83.2% of the final budget. The result was a net budgetary savings of \$2.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-wide Financial Statements

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

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

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

The Statement of Net Assets presents information on all of the City's assets and liabilities, both current and non-current, with the difference between assets and liabilities reported as net assets. The focus on net assets is important because increases and decreases in net assets may serve as a useful indicator of how the financial position of the City may be changing. Increases in net assets may indicate an improved financial position. However, decreases in net assets may not necessarily indicate the City's financial position is deteriorating. Instead, it may reflect a situation where the City may have used previously accumulated funds (e.g., cash funding of capital projects). Therefore, in order to effectively assess the City's overall financial health, other financial and nonfinancial indicators must be evaluated and considered.

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

designed to show the extent to which the various functions are dependent on general taxes and revenues for support.

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

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

Fund Financial Statements

Also presented are the financial statements for governmental funds, proprietary funds, and fiduciary funds. The fund financial statements focus on the City's major funds. A fund is a self-balancing set of related accounts that are used to maintain control over cash and other resources that have been segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

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

Since the governmental funds financial statements focus on near-term spendable resources, while the governmental activities in the government-wide financial statements have a longer-term focus, it may be useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances and government-wide Statement of Net Assets and Statement of Activities are provided immediately following the respective governmental funds statements.

The City maintains several individual governmental funds organized according to their type (general, special revenue, capital projects, and debt service). Information is presented separately in the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, and the Development Fees Fund, which are considered major funds of the City. The remaining governmental funds account balances and related activity are combined into a single, aggregated presentation (Non-Major Governmental Funds). Individual fund information for each of these non-major funds is provided in the form of combining financial statements. These statements are included as supplementary information after the basic financial statements on pages 73-79.

The City adopts an annual budget and legally allocates (or appropriates) available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Development Fees Fund, and other non-major governmental funds. Budgetary comparison statements have been presented for the City's major funds, except for the Development Fees Fund (pages 29-32), and budgetary comparisons schedules have been presented for the City's other governmental funds (pages 70 and 82-93) to demonstrate compliance with the annual budget.

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

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

- **Enterprise funds** are used to account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements, but provide more detailed information such as cash flows. The City's enterprise funds include the Water, Wastewater and Sanitation Utility Funds. All of the enterprise funds are considered to be major funds of the City. The proprietary funds financial statements can be found on pages 33-35.
- **Internal service funds** are used to account for activities where the primary customer is the City itself. Because the internal service funds primarily provide services for governmental activities, the assets and liabilities of these funds are included in the governmental activities column of the government-wide Statement of Net Assets. The internal service funds account balances and related activity are combined into a single column on the proprietary funds financial statements. The operating income/loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the net income/loss of the internal service funds is partially allocated to business-type activities on the government-wide financial statements, a reconciliation is provided on the face of the proprietary funds financial statements to reconcile total enterprise funds net assets and changes in net assets on the fund financial statements to the business-type activities column on the government-wide financial statements. The City's internal service funds include the Risk Management, Printing Services, and Fleet Management Funds. Additional information on the internal service funds is provided in the combining statements. These statements are included as supplementary information after the basic financial statements on pages 96-98.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support city programs. The fiduciary fund financial statements are prepared on the same basis as the government-wide and proprietary funds financial statements. The fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes to the financial statements can be found on pages 39-67 of this report.

Required supplementary information other than MD&A – Governments have the option of including budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes to the financial statements. The City has elected to present these budgetary comparison statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in the notes to the financial statements rather than separately presenting the information as required supplementary information (see Note 7 Retirement Plans, page 54).

Government-wide Financial Analysis

The following tables, graphs, and analysis discuss the financial position and changes in the financial position of the City, as a whole, as of and for the year ended June 30, 2009, with comparative information for the previous year.

Net Assets

Over time net assets may serve as a useful indicator of a government's financial position. The following table reflects the City's condensed Statement of Net Assets for June 30, 2009, compared to the previous year.

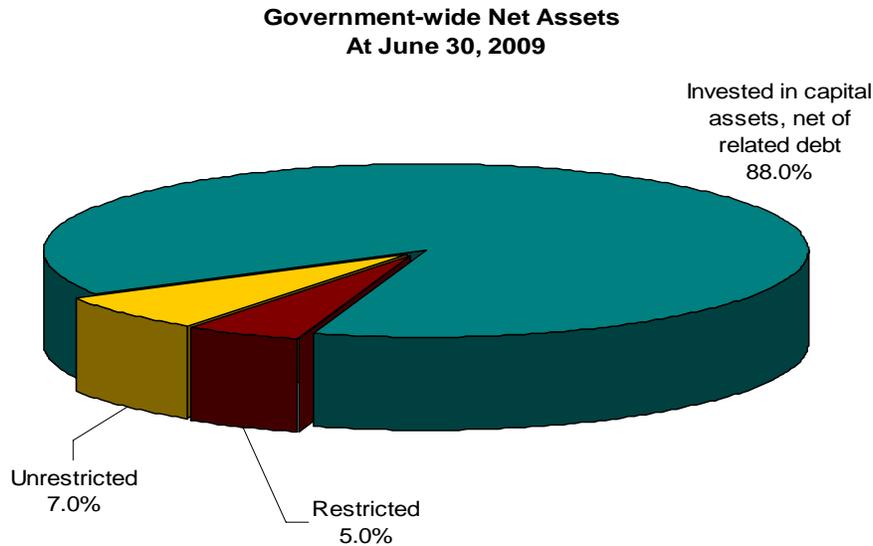
	Net Assets At June 30						Percent Change
	Governmental Activities		Business-type Activities		Total (Primary Government)		
	2009	2008	2009	2008	2009	2008	
Current and other assets	\$ 89,174,020	\$ 103,618,518	\$ 62,784,247	\$ 79,882,923	\$ 151,958,267	\$ 183,501,441	(17.2) %
Capital assets	578,318,940	564,581,288	508,850,891	470,937,897	1,087,169,831	1,035,519,185	5.0
Total assets	<u>667,492,960</u>	<u>668,199,806</u>	<u>571,635,138</u>	<u>550,820,820</u>	<u>1,239,128,098</u>	<u>1,219,020,626</u>	1.6
Other liabilities	6,848,126	19,726,387	8,071,895	6,766,939	14,920,021	26,493,326	(43.7)
Long-term liabilities	94,722,116	77,141,219	14,836,306	14,545,745	109,558,422	91,686,964	19.5
Total liabilities	<u>101,570,242</u>	<u>96,867,606</u>	<u>22,908,201</u>	<u>21,312,684</u>	<u>124,478,443</u>	<u>118,180,290</u>	5.3
Net assets:							
Invested in capital assets, net of related debt	486,881,869	480,355,653	494,353,666	454,628,362	981,235,535	934,984,015	4.9
Restricted	39,386,916	48,127,562	16,598,095	36,367,868	55,985,011	84,495,430	(33.7)
Unrestricted	39,653,933	42,848,985	37,775,176	38,511,906	77,429,109	81,360,891	(4.8)
Total net assets	<u>\$ 565,922,718</u>	<u>\$ 571,332,200</u>	<u>\$ 548,726,937</u>	<u>\$ 529,508,136</u>	<u>\$ 1,114,649,655</u>	<u>\$ 1,100,840,336</u>	1.3

At the end of fiscal year 2009, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

The net assets of the City increased \$13.8 million (1.3%) in fiscal year 2009. The largest portion of net assets (\$981.2 million or 88.0%) reflects the City's investment in capital assets, net of accumulated depreciation and related debt incurred to acquire those assets. The City uses these capital assets to provide services to its citizens. Consequently, the City does not intend to sell these assets so they are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves are not intended to be used to liquidate these liabilities. This category of net assets increased \$46.3 million (4.9%) primarily as the result of the acquisition and construction of capital assets such as street construction and improvements (\$9.2 million), land acquisition and improvements (\$8.3 million), completion of the City's Sam Garcia Western Avenue Library (\$0.9 million), substantial completion of the City's wastewater treatment facility expansion to accommodate future city growth (\$37.6 million), and the 6-mile reclamation water line (\$6.8 million) to move reclaimed water to a recharge facility in order to augment the City's ground and surface water supplies during the year.

The second portion of the City's net assets (\$56.0 million or 5.0%) represents resources that are subject to external restrictions on how they may be used. The decrease of \$28.5 million (33.7%) is due primarily to a \$43.6 million decrease in net assets restricted for various capital projects that were completed or substantially completed during the year (projects are outlined in previous paragraph), as well as a \$1.7 million reduction in fund balance of the Public Safety Sales Tax Fund from the prior year. These decreases in restricted net assets were offset by a \$16.8 million increase in debt service restrictions that were primarily the result of the \$15.0 million MDC excise tax revenue bond issue in September 2008. Of the \$56.0 million in restricted net assets, \$19.7 million is restricted by enabling legislation.

The third portion consists of unrestricted net assets (\$77.4 million or 7.0%). The unreserved net assets balance consists of net assets remaining after calculating the other two categories discussed previously. These net assets may be used to meet the City's ongoing obligations to its citizens and creditors. This category decreased \$3.9 million (4.8%) in fiscal year 2009.



Changes in Net Assets

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2009.

Changes in Net Assets As of June 30

	Governmental Activities		Business-type Activities		Total (Primary Government)		Percent Change
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program revenues							
Charges for services	\$ 3,751,628	\$ 5,397,445	\$ 22,441,688	\$ 23,756,605	\$ 26,193,316	\$ 29,154,050	(10.2) %
Operating grants and contributions	8,386,128	9,004,224	-	-	8,386,128	9,004,224	(6.9)
Capital grants and contributions	8,855,743	25,442,212	8,216,300	14,128,878	17,072,043	39,571,090	(56.9)
General revenues							
Sales and use taxes	33,021,053	38,291,070	-	-	33,021,053	38,291,070	(13.8)
Property taxes	6,978,062	5,951,173	-	-	6,978,062	5,951,173	17.3
Franchise taxes	1,033,993	1,001,905	-	-	1,033,993	1,001,905	3.2
State shared revenues	18,249,722	18,983,659	-	-	18,249,722	18,983,659	(3.9)
Investment income	592,542	2,984,483	574,400	2,658,608	1,166,942	5,643,091	(79.3)
Gain on sale of assets	217,001	140,504	77,747	51,442	294,748	191,946	53.6
Miscellaneous	934,675	610,011	162,046	158,707	1,096,721	768,718	42.7
Total revenues	82,020,547	107,806,686	31,472,181	40,754,240	113,492,728	148,560,926	(23.6)
Expenses:							
General government	14,968,809	17,792,047	-	-	14,968,809	17,792,047	(15.9)
Public safety	26,634,975	25,841,680	-	-	26,634,975	25,841,680	3.1
Highways and streets	11,069,079	10,898,173	-	-	11,069,079	10,898,173	1.6
Health and welfare	2,545,061	2,404,144	-	-	2,545,061	2,404,144	5.9
Economic and community development	6,808,330	8,665,232	-	-	6,808,330	8,665,232	(21.4)
Culture and recreation	3,327,765	2,665,257	-	-	3,327,765	2,665,257	24.9
Transportation	867,173	2,701,817	-	-	867,173	2,701,817	(67.9)
Interest on long-term debt	3,246,602	2,921,420	-	-	3,246,602	2,921,420	11.1
Water utility	-	-	15,542,394	14,797,982	15,542,394	14,797,982	5.0
Wastewater utility	-	-	10,555,903	9,850,598	10,555,903	9,850,598	7.2
Sanitation utility	-	-	4,117,318	4,361,538	4,117,318	4,361,538	(5.6)
Total expenses	69,467,794	73,889,770	30,215,615	29,010,118	99,683,409	102,899,888	(3.1)
Increase in net assets before transfers	12,552,753	33,916,916	1,256,566	11,744,122	13,809,319	45,661,038	(69.8)
Transfers	(17,962,235)	(2,800,000)	17,962,235	2,800,000	-	-	-
Increase in net assets	\$ (5,409,482)	\$ 31,116,916	\$ 19,218,801	\$ 14,544,122	\$ 13,809,319	\$ 45,661,038	(69.8)

For fiscal year 2009, total governmental activities revenues decreased by \$25.8 million (23.9%) and total business-type revenues decreased by \$9.3 million (22.8%), while expenses decreased \$4.4 million (6.0%) and increased \$1.2 million (4.2%) for governmental and business-type activities, respectively, during the same period.

Governmental Activities

Governmental activities decreased the City's net assets by \$5.4 million during the fiscal year ended June 30, 2009. This decrease between years was largely due to decreases in program revenues and general revenues by \$18.9 million (47.3%) and \$6.9 million (10.2%), respectively, from the previous year, offset by a \$4.4 million decrease in expenses during the same period. Governmental activities net assets also decreased due to increases in transfers to business-type activities over the prior year by \$15.2 million. Adjusted for transfers, net assets decreased \$21.4 million or 63.0% between years.

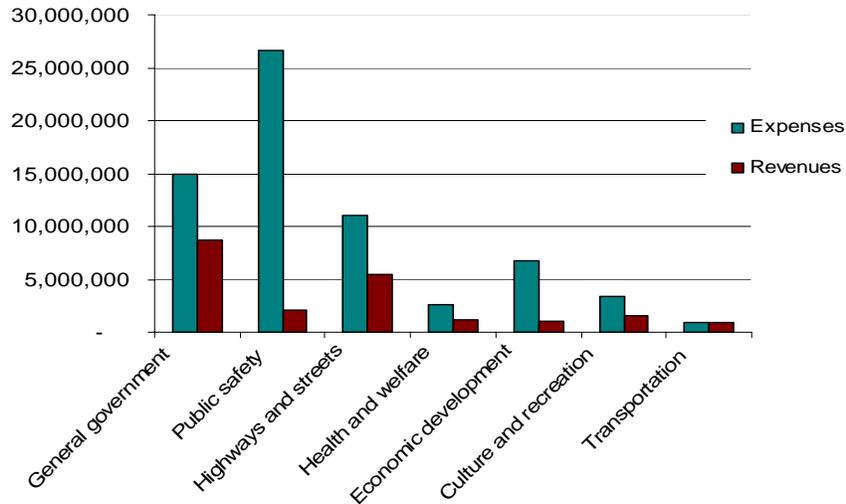
The decrease in program revenues occurred in all categories, but it was primarily caused by decreases in capital grants and contributions by \$16.6 million (65.2%) and charges for services by \$1.6 million (18.3%). The decrease in capital grant and contributions revenues resulted largely from decreases in contributed capital (land and infrastructure donated to the City by developers upon the completion of capital projects) by \$11.9 million from the previous year. The decrease in charges for services revenues was largely due to decreases in economic and community development residential and commercial building permit fees, building application and service fees, engineering fees, etc. by \$1.5 million from the prior year. Operating grants and contributions also decreased about \$0.6 million (6.7%) between years. Much of this decrease resulted from one-time transportation funding of \$1.2 million received in the prior year. The ongoing economic downward trend, both nationally and locally, have continued the decline in overall consumer spending and slowdown in Arizona's housing and commercial markets, both of which contributed to declines in capital grants and contributions and charges for services. The decrease in general revenues was largely due to a \$5.3 million (13.8%) decrease in sales and use tax revenues and a \$2.4 million (80.1%) decrease in investment income. The decrease in sales and use tax revenues is the direct result of the ongoing economic downward trend the City is experiencing locally. The decrease in investment income resulted from a reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years, coupled with the overall decrease in the City's investments held with the State Treasurer from \$75.9 million in 2008 to \$60.1 million at June 30, 2009.

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

Transfers between years increased by \$15.2 million or 541.5%. Most of the increase in transfers was due to \$13.8 million MDC excise tax revenue bond proceeds transferred to the enterprise funds to help finance the construction of a reservoir and other improvements to the City's water system. Similar transfers were not made the prior year.

The following graph shows the functional expenses and revenues of the governmental activities in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program costs. It should be noted that this graph is not intended to represent a full cost allocation to these functions. Expenses not covered by direct program revenues are covered by the City's general revenues which consist primarily of taxes and state-shared revenues. Governmental activities functional revenues of \$21.0 million are 30.2% of expenses for fiscal year 2009, down from 53.9% in fiscal year 2008.

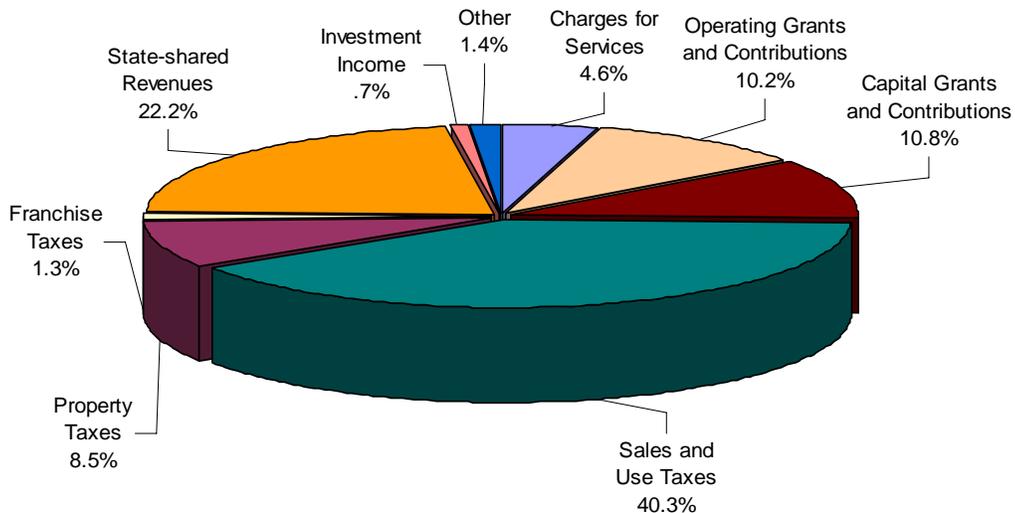
**Governmental Activities
Expenses and Program Revenues
Fiscal Year 2009**



Governmental activities accounted for 72.3% of the City's total revenues and 69.7% of total expenses in fiscal year 2009.

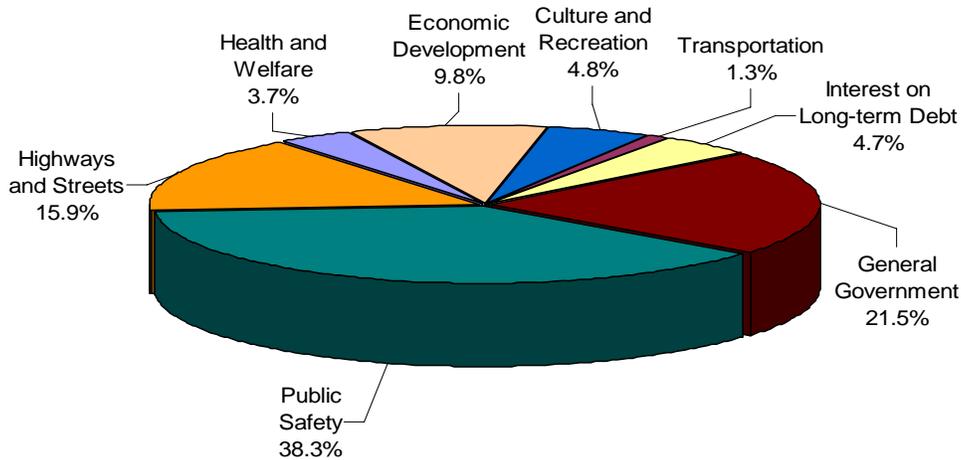
As seen in the following graph, the largest revenue sources for the City's governmental activities are sales and use taxes at 40.3%, followed by state-shared revenues and capital grants and contributions, which accounted for 22.2% and 10.8% of the City's total governmental activities revenues, respectively.

**Governmental Activities
Revenues by Source
Fiscal Year 2009**



The City's largest governmental activities expenses by function include public safety at 38.3%, followed by general government at 21.5% and highway and streets at 15.9%.

**Governmental Activities
Expenses by Function
Fiscal Year 2009**



Business-type Activities

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

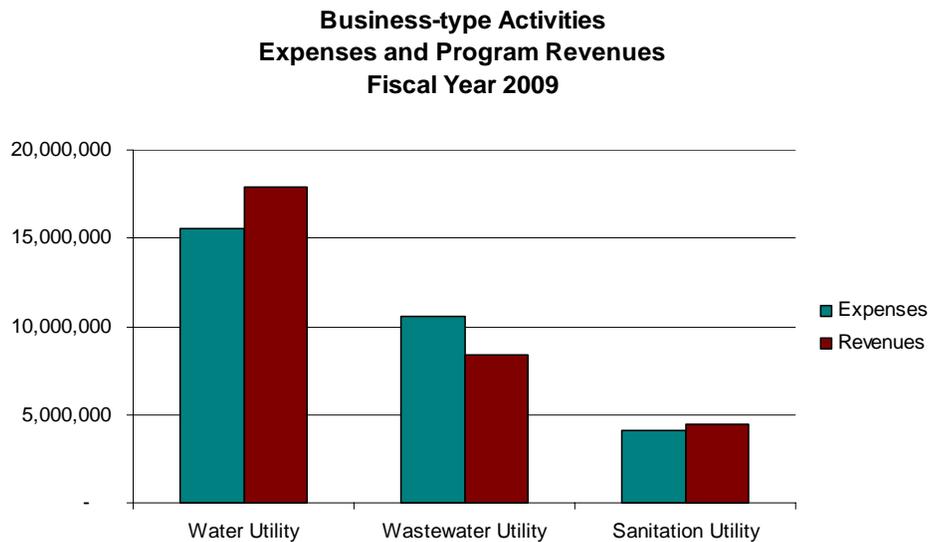
Business-type activities increased the City's net assets by \$19.2 million during the fiscal year ended June 30, 2009. The increase in net assets during the year exceeded the prior year increase by \$4.7 million (32.1%). This increase between years was primarily due to increases in transfers of \$15.2 million (541.5%) offset by decreases in capital grants and contributions of \$5.9 (41.8%), charges for services of \$1.3 million (5.5%), and general revenues by \$2.1 million (71.6%). Business-type activities net assets were also affected by an increase in expenses of \$1.2 million (4.2%) over the prior year. Adjusted for transfers, nets assets decreased \$10.5 million or 89.3% between years.

The reduction in program revenues was largely caused by decreases in capital grants and contributions, which consists primarily of water, sewer, and sanitation dedicated infrastructure, as well as decreases in water, wastewater and sanitation development fees. These revenues and fees decreased by \$4.4 million (45.8%) and \$2.8 million (65.6%), respectively, offset by a \$1.3 million increase in capital grants from the prior year. Similar to the City's governmental activities, the ongoing economic downward trend was the key factor causing these decreases in revenues. The decrease in general revenues was almost entirely caused by a \$2.1 million (78.4%) decrease in investment income that resulted from a reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years, coupled with the overall decrease in the City's investments held with the State Treasurer from \$66.3 million in 2008 to \$39.3 million at June 30, 2009. The decrease in charges for services revenue was due primarily to a decline in water consumption and number of customers during the year despite water, sewer and refuse fee increases during the year. The change in transfers between years was discussed previously in the governmental activities section.

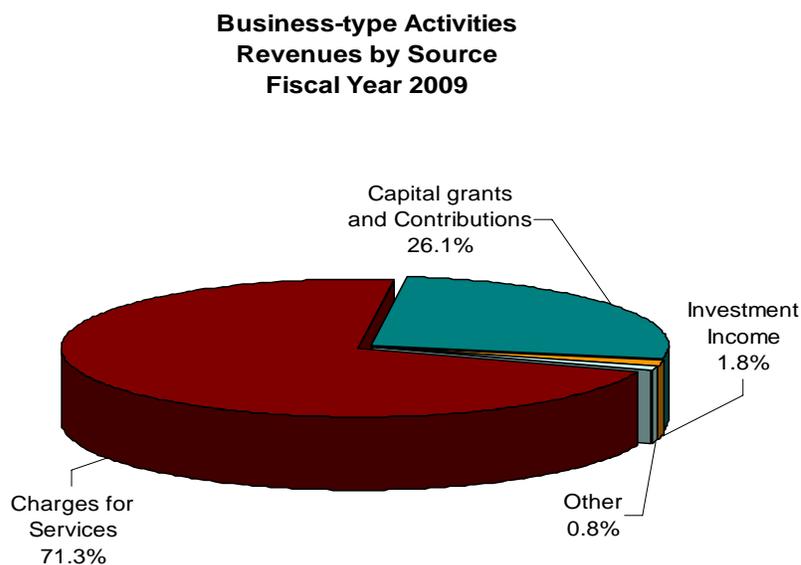
The increase in expenses was largely due to an overall increase in operating costs of the City's water and wastewater facilities due to the expansion of both facilities. There were no individual factors that significantly contributed to the increases in expenses.

Business-type activities accounted for 27.7% of the City's total revenues and 30.3% of total expenses in fiscal year 2009. In addition, program revenues of \$30.7 million were 101.5% of business-type expenses during the year, compared to \$37.8 million, or 130.6% of expenses in fiscal year 2008. This decrease is addressed by the changes discussed previously.

The following graph shows the business-type activities expenses and revenues for the year ended June 30, 2009.



The City's largest overall business-type activity is water utilities with \$15.5 million and \$17.9 million in expenses and revenues, respectively, during the year, followed by wastewater utilities with expenses of \$10.6 million and revenues of \$8.4 million.



Charges for services, which consist primarily of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$22.4 million or 71.3%, followed by capital grants and contributions of \$8.2 million or 26.1%. About \$5.2 million (63.4%) of the capital grants and contributions consist of donated infrastructure, with the remaining balance consisting of capital grants and development fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to maintain control over cash and other resources that have been segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with finance-related legal requirements, special regulations, restrictions, or limitations for specific activities or objectives.

Governmental Funds

The focus of governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. All major governmental funds are discretely presented on these financial statements, while non-major funds are combined into a single column. Combining statements for the non-major governmental funds can be found on pages 73-79.

The fund balance of the City's governmental funds is \$76.8 million, a decrease of \$12.1 million (13.6%) from the previous year. Of this balance, \$60.2 million (78.4%) consists of unreserved fund balance that is available for spending at the City's discretion. The remainder of fund balance totaling \$16.6 million (21.6%) is classified as reserved because it cannot be appropriated for expenditures, or it is legally segregated for a specific future use such as debt service (\$3.6 million), cash with fiscal agent (\$9.4 million), and other restricted purposes (\$3.6 million). The decrease in the governmental funds unreserved fund balance during the year is primarily the result of the ongoing downward trend in the economy, which resulted in reduced revenues from the prior year. The decrease in unreserved fund balance was offset by a \$2.9 million (45.2%) increase in reserves for cash with fiscal agent due to the MDC excise tax revenue bonds issued during the year.

The General Fund is the City's chief operating fund and accounts for many major functions of the City such as general government (e.g., administration), public safety (police and fire), health and welfare, economic and community development, and culture and recreation. At June 30, 2009, unreserved fund balance of the General Fund was \$32.3 million which essentially equaled total fund balance, compared to \$35.8 million and \$35.9 million in the previous year. As a measure of the General Fund's liquidity, it may be useful to compare both total fund balance to total fund expenditures and fund balance between years. Unreserved fund balance represents 74.5% of total General Fund expenditures of \$43.3 million, while unreserved fund balance represents 80.9% of that same amount in fiscal year 2008. During the fiscal year, fund balance of the City's General Fund decreased by \$3.6 million. The overall decrease in fund balance during the year was due to the factors outlined below.

General Fund revenues decreased in all revenue categories totaling \$7.2 million (13.2%) from the previous year. The City's tax revenues and licenses and permits fees decreased \$3.9 million (13.8%) and \$0.9 million (53.8%), respectively, as did intergovernmental revenue, charges for services and interest income by \$0.5 million (2.7%), \$0.5 million (34.0%), and \$1.1 million (82.5%), respectively. The decreases in tax revenues (primarily sales and use taxes), license and permit fees, intergovernmental revenue (primarily city share of state sales taxes and auto lieu tax), and charges for services (primarily development services and engineering services fees) were largely due to the ongoing downward trend in the economy. Investment income also decreased from the prior year due to a significant reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years. General fund expenditures decreased \$0.9 million (2.1%) from the previous year. The overall decrease in expenditures was largely due to a \$4.8 million decrease in sales tax incentive rebates paid to

developers between years, offset by a \$4.2 million increase in capital outlay expenditures between years to acquire land to construct the 83,000 square-foot Avondale American Sports Center. The remaining decrease in expenditures was primarily attributable to decreases in economic and community development expenditures of \$0.9 million (18.5%) due to the weak economy and budget decreases as outlined in the Budget Highlights section below.

The Highway User Revenue Fund is required by statute to account for the state allocation of motor fuel taxes and other state revenues shared with local governments that are required by the Arizona Constitution to be used for street and highway purposes. Cities and towns receive 27.5% of highway user revenues based on population estimates acquired through the most recent census, or census survey, and motor fuel sales within each county. This revenue source is influenced by fluctuations in fuel prices and consumer behavior. Revenues, which consist entirely of highway user revenues except for interest income, declined about \$0.6 million (12.7%) from the previous year. The decrease was expected due to the ongoing downward trend in the economy and high fuel prices in 2008. Expenditures, transfers, and unreserved fund balance remained substantially unchanged from the prior year.

The Dedicated Sales Tax Fund accounts for revenue from a half-cent sales tax that is restricted for Council-approved capital improvements. The tax was approved by the voters and became effective in July 2001. Revenues, which consist entirely of the half-cent sales tax revenues except for interest income, declined about \$0.6 million (9.2%) from the previous year. This decrease was expected due to the ongoing downward trend in the economy. Investment income also decreased from the prior year due to a significant reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years. Transfers to other funds decreased \$1.2 million (15.1%) from the previous year. The decrease was largely due to reduced transfers to other funds to finance the development and construction of water and sewer facilities. The net effect of these activities was a decrease in unreserved fund balance by \$1.0 million (27.5%) from fiscal year 2008.

The Public Safety Sales Tax Revenue Fund accounts for revenue from a half-cent sales tax that is restricted exclusively to fund police, fire, and court services in order to improve public safety in the community. The tax was approved by the voters and became effective in January 2004. Revenues, which consist entirely of the half-cent sales tax revenues except for interest income, declined about \$0.6 million (9.4%) from the previous year. This decrease was expected due to the ongoing downward trend in the economy. Investment income also decreased from the prior year due to a significant reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years. Transfers to other funds increase by \$0.5 million (43.7%) over the prior year and consisted primarily of transfers to other funds to finance police and fire department projects. Expenditures decreased by \$1.9 million (24.7%) from the previous year. Most of this decrease, about \$1.6 million, was due to the City acquiring a new hook and ladder fire truck in the prior year. There were no significant acquisitions during the current year. The net effect of these activities was a decrease in unreserved fund balance by \$1.7 million (82.0%) from fiscal year 2008.

The Development Fees Fund is used to account for development fees the City charges for all new construction based on the impact the development will have on city services and infrastructure. The fee is allowable under A.R.S. §9-463.05. Development fees are collected with each new building permit issued. The City charges development fees for water, sewer, libraries, parks and recreation, police, fire, sanitation, transportation and general government projects. The fund also accounts for other revenues received that are restricted to developing the City's infrastructure such as federal, state and local intergovernmental revenues, as well as developer contributions. Revenues in the fund are used for capital improvements related to growth such as expanding the water system, wastewater treatment system, purchasing additional sanitation equipment, constructing new fire stations, and widening existing arterial streets.

Development fees revenues decreased \$4.5 million (56.7%) from the prior year. The decrease in revenues was primarily due to decreases in licenses and permits revenues of \$4.6 million (66.2%) and interest income of \$0.6 million (78.6%), offset by an increase in intergovernmental revenue of \$0.6

million (171.5%). Substantially all of the decrease in licenses and permits revenue was attributable to decreases in development fees due to the ongoing economic downward trend. For example, the City experienced a 57.7% decline in single-family housing starts from the previous year, down from 234 to 99. Investment income also decreased from the prior year due to a significant reduction in the average yield on investments held with the State Treasurer from 3.44% to 0.65% between years. Expenditures increased \$4.1 million (38.0%) over the prior year. Much of this increase was due to an increase in capital expenditures of \$3.4 million (32.4%) over the previous year. The increase in capital expenditures was largely due to the acquisition and construction of \$5.1 million of streets and improvements and \$2.6 million of park land and land improvements, offset by a decrease in capital expenditures of \$3.7 million from the prior year since the Sam Garcia Western Avenue Library was substantially completed in 2008. Transfers in decreased by \$3.8 million (41.0%), while transfers out increased \$1.8 million (163.0%). Streets, public safety, and library-related capital expenditures decreased between years thereby requiring less transfers in during the current year. Transfers out increased largely due to a transfer to the Dedicated Sales Tax Revenue Bonds Fund to service debt. The net effect of these activities was a decrease in unreserved fund balance by \$10.1 million (44.3%) from fiscal year 2008.

Proprietary Funds – The proprietary funds financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. Total unrestricted net assets of the enterprise funds were \$37.7 million and \$38.6 million for fiscal years 2009 and 2008, respectively. The growth in total net assets between years was \$19.1 million. The factors concerning the finances of these funds, as well as the changes in net assets, have been addressed in the preceding business-type activities section.

Budgetary Highlights

The City's annual adopted budget establishes the legal level of expenditure control for the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary comparison schedules for the other governmental funds are also presented in this report. Budgetary comparison statements and schedules can be found on pages 29-32 and 70 and 82-93, respectively.

Amendments to the adopted budget may occur throughout the year between departments within individual funds in a legally permissible manner (see Note 1 Summary of Significant Accounting Policies, page 45-46, for more information on the budget and budgetary accounting). During the year, no amendments increased the City's total budget of \$283.7 million. Budget amendments between funds, departments, and from budgeted contingencies into operational expense/expenditure accounts did occur.

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

The ongoing economic downward trend, both nationally and locally, have continued the decline in overall consumer spending and slowdown in Arizona's housing and commercial markets which are having a direct impact on the City. Revenues such as charges for services, building permits and fees, development fees, as well as sales and use taxes and other state-shared revenues, have slowed significantly and failed to reach budget projections in fiscal year 2009. The weak economy is the predominate cause for the significant declines in General Fund revenue categories such as taxes, licenses and permits, intergovernmental revenues, charges for services and interest income.

As a result of the ongoing downturn in the economy, the City Council authorized General Fund budget reductions totaling more than \$2.9 million. The following outlines the more significant budget reductions by functional category and related financial activity during the current fiscal year.

General Government – Budgeted contingency appropriation was increased due to transfer of excess carryover appropriation as detailed below. The majority of contingency appropriation (about \$2.6 million) was the transferred for the land acquisition related to the Avondale American Sports Center Project. Expenditures in general government were significantly less than the final budget due to the following:

- Four (4) positions were eliminated mid year from the Finance & Budget and Information Technology departments and various other positions were temporarily held vacant for \$0.2 million in savings.
- Sales tax incentive rebates paid during the year were less than budgeted by \$3.5 million.
- Budgeted carryover of \$0.3 million for technology improvements was spent in the prior year.

Public Safety – The budget was adjusted to remove carryover appropriation for a police vehicle which was purchased in the previous year. Actual expenditures in public safety were less than the final budget due to the following:

- Savings from the elimination of the Assistant Fire Chief, Park Ranger, Fire Inspector and Fire Plans Examiner positions for a total of \$0.24 million.
- Vacancy savings from various police positions \$0.1 million.
- Savings in traffic camera enforcement, contract jail services and vehicle maintenance totaling about \$0.23 million.
- Savings in uniform and safety apparel purchases, software licenses and other supplies totaling \$0.1 million.

Health and Welfare – The budget was increased slightly for the Council authorized transfer of contingency for the demolition of blighted property for an approximate total of \$76,500. Actual expenditures in health and welfare were less than the final budget due to reductions in code enforcement overtime and delay in expending crisis & outreach, dangerous structure abatement and citizen complaint software costs for a total of \$0.1 million.

Economic and Community Development – Budget reductions included a \$0.3 million decrease in the economic opportunity fund for carryover appropriation spent in the previous year. Actual expenditures in economic and community development were less than the final budget due to the following:

- Savings from the elimination of the economic development director, traffic engineer, engineering inspector, planner I and an administrative clerk position totaling \$0.2 million.
- Savings in contract plan review and consulting and engineering services totaling \$0.3 million.
- Carryover of economic opportunities fund savings to new fiscal year of \$0.9 million.

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

- Savings in Civic Center Library budget including staff provided by Maricopa County, books and supplies, and other professional services totaling about \$0.8 million.
- Savings in special events, leisure activities, sports programs and a recreation coordinator totaling about \$0.7 million.
- Net savings from the addition of a parks maintenance contract offset by the elimination of a parks supervisor, six (6) grounds maintenance worker, and a recreation specialist position totaling \$75,500

Capital Outlay – Budget increase was due primarily to the Council approved transfer of general government contingency appropriation, \$2.6 million, and Improvement District Fund appropriation, \$1.5 million, to capital outlay for the land acquisition related to the American Sports Center project for a total of \$4.2 million. Actual expenditures were less than budgeted due to delays in the purchase of the technology improvements and new police officer vehicles and equipment.

Capital Assets

At June 30, 2009, the City had about \$1.1 billion invested in capital assets, net of accumulated depreciation, up \$51.6 million (5.0%) over the prior year. Of the increase, \$13.7 million resulted from governmental activities and \$37.9 million resulted from business-type activities. The increase in governmental capital assets between years was largely attributable to \$9.2 million of acquisition and construction of street and improvements, land acquisition and improvements (\$8.3 million), and completion of the Sam Garcia Western Avenue Library (\$0.9 million) during the year. The increase in business-type capital assets was primarily due to the completion of the City's wastewater treatment facility expansion to accommodate future city growth (\$37.6 million) and the 6-mile reclamation water line (\$6.8 million) to move reclaimed water to a recharge facility in order to augment the City's ground and surface water supplies during the year.

The City has adopted a ten-year capital improvement plan budgeted at \$406.7 million, including \$112.1 million for fiscal year 2010. Anticipated funding for fiscal year 2010 is through a combination of existing fund balances (52.0%), impact fees (4.8%), bond proceeds (24.1%), outside funding sources such as grants and other intergovernmental cost-sharing agreements (7.1%), and operating and non-operating revenues and other financing sources (12.0%). The capital improvement plan is updated annually as part of the City's budget process.

The following schedule provides a breakdown of the City's capital assets at June 30, 2009, and 2008. Additional information on the City's capital assets can be found in Note 5 on pages 53-54.

Capital Assets at June 30 (Net of depreciation)

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2009	2008	2009	2008	2009	2008	
Land	\$ 248,580,050	\$ 240,242,405	\$ 16,252,303	\$ 16,252,303	\$ 264,832,353	\$ 256,494,708	3.3
Buildings and improvements	43,279,676	39,359,470	-	-	43,279,676	39,359,470	10.0
Improvements other than building	620,511	150,766	827,587	-	1,448,098	150,766	860.4
Vehicles, furniture and equipment	8,313,373	8,058,481	2,569,621	2,789,513	10,882,994	10,847,994	0.3
General infrastructure	262,465,891	259,621,949	-	-	262,465,891	259,621,949	1.1
Water system	-	-	229,741,879	214,158,469	229,741,879	214,158,469	7.3
Sewer system	-	-	181,961,094	185,994,109	181,961,094	185,994,109	(2.2)
Wastewater treatment system	-	-	23,046,186	23,646,223	23,046,186	23,646,223	(2.5)
Construction in progress	15,059,439	17,148,217	54,452,221	28,097,280	69,511,660	45,245,497	53.6
Total	<u>\$ 578,318,940</u>	<u>\$ 564,581,288</u>	<u>\$ 508,850,891</u>	<u>\$ 470,937,897</u>	<u>\$ 1,087,169,831</u>	<u>\$ 1,035,519,185</u>	5.0

Long-term Debt

At June 30, 2009, the City had total long-term obligations outstanding of \$108.4 million, up \$6.2 million (6.1%) over the previous year. Of this total, \$93.6 million (86.3%) was in governmental activities and \$14.8 (13.7%) was in business-type activities. Of the total outstanding bonds and loans of \$103.1 million, \$13.5 million (13.0%) were general obligation bonds backed by the full faith and credit of the City, \$82.4 million (80.0%) were revenue bonds secured by pledges of specific revenue sources of the City, and \$7.2 (7.0%) million were water infrastructure financing loans secured by pledges of the City's water and sewer revenues.

During the year, the City issued \$15,000,000 of MDC Excise Tax Revenue Bonds, Series 2008. The City issued the bonds to fund the construction of a reservoir and other improvements to the City's water system and to fund various street improvements and projects. Interest rates range from 4.0% to 5.0%, with a term of 20 years. On July 21, 2009, the City issued \$29,800,000 of General Obligation Revenue Bonds, Series 2009. The City issued these bonds to fund the construction of street improvements,

sewer improvements, and the Avondale American Sports Center. Interest rates range from 2.75% to 7.5%, with a term of 25 years.

The Arizona Constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the City's net secondary assessed property valuation. The City's legal debt margin at June 30, 2009, and 2008 is \$36.8 million and \$40.1 million in the 6% capacity, respectively, and \$116.6 million and \$126.6 million in the 20% capacity, respectively. Additional debt limitation and capacity information may be found in the statistical section of this report on page 116.

The following schedule presents the City's outstanding long-term debt as of June 30, 2009, and 2008. Additional information on the City's outstanding debt can be found in Note 8 on pages 58-64.

	Governmental Activities		Business-type Activities		Total		Percent Change %
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 13,450,000	\$ 16,365,000	\$ -	\$ -	\$ 13,450,000	\$ 16,365,000	(17.8)
Highway user revenue bonds	3,085,000	3,375,000	-	-	3,085,000	3,375,000	(8.6)
Water and sewer revenue bonds	-	-	1,225,000	1,320,000	1,225,000	1,320,000	(7.2)
Municipal Development							
Corporation bonds	72,042,306	61,109,827	6,037,688	6,935,169	78,079,994	68,044,996	14.7
Waster infrastructure improvement loans	-	-	7,234,537	8,054,366	7,234,537	8,054,366	(10.2)
Compensated absences	2,896,322	2,153,622	339,081	242,589	3,235,403	2,396,211	35.0
Claims payable	388,723	405,222	-	-	388,723	405,222	(4.1)
Capital leases payable	1,726,793	2,138,833	-	-	1,726,793	2,138,833	(19.3)
Contractual obligations	-	107,000	-	-	-	107,000	(100.0)
Total	\$ 93,589,144	\$ 85,654,504	\$ 14,836,306	\$ 16,552,124	\$ 108,425,450	\$ 102,206,628	6.1

Economic Factors

The City of Avondale, like other Arizona cities, remains dependent on sales and use taxes and other economically sensitive taxes and revenues. The ongoing economic downward trend, both nationally and locally, have continued the decline in overall consumer spending, as well as the slowdown in Arizona's housing and commercial markets, which are having a direct impact on the City. Revenues such as charges for services, building permits and fees, development fees, and sales taxes and other state-shared revenues have slowed significantly and failed to reach budget projections in fiscal year 2009. While city management always takes a conservative approach when projecting revenues, the observed revenue declines and weak economy have led the City to again reevaluate and adjust its revenue base. While growth and recovery is inevitable, the City has prepared for future growth rates to be significantly less than ten-year historical growth rates and reduced fiscal year 2010 budgeted appropriations by more than \$6.9 million in the General Fund alone. In addition, the City's multi-year forecasts have been modified to reflect negative revenue growth until the end of fiscal year 2010. City management is closely monitoring the City's budget and operations, as well as the national and local economies, to help ensure that the City takes appropriate corrective action in order to maintain service levels; meet Council goals, which include ensuring long-term financial stability of the City; and to ensure compliance laws and regulations.

Request for Information

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

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,406,696	\$ 1,388,639	\$ 9,795,335
Investments	60,055,619	39,325,267	99,380,886
Receivables (net)			
Taxes	3,175,621	169,870	3,345,491
Accounts	243,316	5,198,529	5,441,845
Interest	55,784	39,760	95,544
Due from other governments	2,827,223	254,385	3,081,608
Internal balances	(28,054)	28,054	-
Inventories	519,996	399,700	919,696
Prepaid assets	4,554,735	1,021,744	5,576,479
Restricted cash with fiscal agent	9,363,084	14,958,299	24,321,383
Capital assets, non-depreciable	263,639,489	70,704,524	334,344,013
Capital assets, depreciable (net)	314,679,451	438,146,367	752,825,818
Total assets	<u>667,492,960</u>	<u>571,635,138</u>	<u>1,239,128,098</u>
LIABILITIES			
Accounts payable	2,160,493	6,227,531	8,388,024
Accrued payroll	1,956,536	255,799	2,212,335
Accrued liabilities	2,431,495	163,357	2,594,852
Construction contracts payable	74,065	337,048	411,113
Sales taxes payable	1,063	210,159	211,222
Deposits held for others	61,152	419,690	480,842
Unearned revenue	163,322	458,311	621,633
Non-current liabilities:			
Due within one year:			
Claims payable	276,341	-	276,341
Compensated absences	2,317,058	271,266	2,588,324
Capital leases payable	397,311	-	397,311
Water infrastructure loans	-	848,345	848,345
Bonds payable	8,067,055	1,042,945	9,110,000
Due in more than one year:			
Claims payable	112,382	-	112,382
Compensated absences	579,264	67,815	647,079
Capital leases payable	1,329,482	-	1,329,482
Unamortized bond premium	1,132,972	-	1,132,972
Water infrastructure loans	-	6,386,192	6,386,192
Bonds payable	80,510,251	6,219,743	86,729,994
Total liabilities	<u>101,570,242</u>	<u>22,908,201</u>	<u>124,478,443</u>
NET ASSETS			
Invested in capital assets, net of related debt	486,881,869	494,353,666	981,235,535
Restricted for:			
Transportation	2,542,708	-	2,542,708
Highways and streets	3,018,099	-	3,018,099
Grants	1,254,992	11,591	1,266,583
Public safety	282,294	-	282,294
Debt service	15,135,351	14,958,299	30,093,650
Capital improvements	17,153,472	1,628,205	18,781,677
Unrestricted	39,653,933	37,775,176	77,429,109
Total net assets	<u>\$ 565,922,718</u>	<u>\$ 548,726,937</u>	<u>\$ 1,114,649,655</u>

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 14,968,809	\$ 1,787,153	\$ 46,836	\$ 6,811,748
Public safety	26,634,975	665,937	994,892	461,747
Highways and streets	11,069,079	-	4,801,470	676,612
Health and welfare	2,545,061	-	1,155,091	-
Economic and community development	6,808,330	805,550	288,697	-
Culture and recreation	3,327,765	492,988	159,785	905,636
Transportation	867,173	-	939,357	-
Interest on long-term debt	3,246,602	-	-	-
Total governmental activities	<u>69,467,794</u>	<u>3,751,628</u>	<u>8,386,128</u>	<u>8,855,743</u>
Business-type activities:				
Water utility	15,542,394	10,903,178	-	6,969,086
Wastewater utility	10,555,903	7,124,168	-	1,228,345
Sanitation utility	4,117,318	4,414,342	-	18,869
Total business-type activities	<u>30,215,615</u>	<u>22,441,688</u>	<u>-</u>	<u>8,216,300</u>
Total primary government	<u>\$ 99,683,409</u>	<u>\$ 26,193,316</u>	<u>\$ 8,386,128</u>	<u>\$ 17,072,043</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 notes to the financial statements are an integral part of this statement.

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

Primary Government

Governmental Activities	Business-type Activities	Totals
\$ (6,323,072)	\$ -	\$ (6,323,072)
(24,512,399)	-	(24,512,399)
(5,590,997)	-	(5,590,997)
(1,389,970)	-	(1,389,970)
(5,714,083)	-	(5,714,083)
(1,769,356)	-	(1,769,356)
72,184	-	72,184
(3,246,602)	-	(3,246,602)
<u>(48,474,295)</u>	<u>-</u>	<u>(48,474,295)</u>
-	2,329,870	2,329,870
-	(2,203,390)	(2,203,390)
-	315,893	315,893
-	442,373	442,373
<u>(48,474,295)</u>	<u>442,373</u>	<u>(48,031,922)</u>
33,021,053	-	33,021,053
1,916,742	-	1,916,742
5,061,320	-	5,061,320
1,033,993	-	1,033,993
18,249,722	-	18,249,722
592,542	574,400	1,166,942
217,001	77,747	294,748
934,675	162,046	1,096,721
<u>(17,962,235)</u>	<u>17,962,235</u>	<u>-</u>
<u>43,064,813</u>	<u>18,776,428</u>	<u>61,841,241</u>
<u>(5,409,482)</u>	<u>19,218,801</u>	<u>13,809,319</u>
<u>571,332,200</u>	<u>529,508,136</u>	<u>1,100,840,336</u>
<u>\$ 565,922,718</u>	<u>\$ 548,726,937</u>	<u>\$ 1,114,649,655</u>

**CITY OF AVONDALE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Highway User Revenue Fund	Dedicated Sales Tax Revenue Fund
ASSETS			
Cash and cash equivalents	\$ 5,554,455	\$ 92,480	\$ -
Investments	26,057,859	2,492,711	2,199,787
Receivables			
Taxes	2,012,012	-	454,623
Accounts	145,857	3,151	-
Interest	20,251	2,397	2,302
Due from other funds	452,550	-	-
Due from other governments	1,809,486	375,995	-
Inventories	5,644	263,512	-
Prepaid assets	6,791	-	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 36,064,905</u>	<u>\$ 3,230,246</u>	<u>\$ 2,656,712</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,220,147	\$ 147,593	\$ -
Accrued payroll and employee benefits	1,536,233	70,963	-
Accrued liabilities	745,255	-	-
Construction contracts payable	21,409	-	-
Deposits held for others	54,793	-	-
Sales taxes payable	1,049	-	-
Due to other funds	-	-	45,166
Deferred revenue	188,063	-	-
Total liabilities	<u>3,766,949</u>	<u>218,556</u>	<u>45,166</u>
Fund balances:			
Reserved for:			
Inventories	5,644	263,512	-
Prepaid assets	6,791	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved reported in:			
General Fund	32,285,521	-	-
Special Revenue Funds	-	2,748,178	2,611,546
Capital Projects Funds	-	-	-
Total fund balances	<u>32,297,956</u>	<u>3,011,690</u>	<u>2,611,546</u>
Total liabilities and fund balances	<u>\$ 36,064,905</u>	<u>\$ 3,230,246</u>	<u>\$ 2,656,712</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 102,015	\$ 506,448	\$ 1,610,701	\$ 7,866,099
121,722	12,728,550	13,826,402	57,427,031
454,597	-	254,389	3,175,621
4,284	-	88,630	241,922
278	12,501	15,529	53,258
-	-	-	452,550
-	57,629	584,113	2,827,223
-	-	998	270,154
-	-	2,540,000	2,546,791
-	1,004,278	8,358,806	9,363,084
<u>\$ 682,896</u>	<u>\$ 14,309,406</u>	<u>\$ 27,279,568</u>	<u>\$ 84,223,733</u>
\$ 44,226	\$ 361,065	\$ 245,738	\$ 2,018,769
271,469	-	49,653	1,928,318
-	-	1,686,240	2,431,495
-	52,656	-	74,065
-	-	6,359	61,152
-	-	14	1,063
-	-	-	45,166
-	182,551	460,549	831,163
<u>315,695</u>	<u>596,272</u>	<u>2,448,553</u>	<u>7,391,191</u>
-	-	998	270,154
-	-	2,540,000	2,546,791
-	-	3,626,528	3,626,528
-	-	771,163	771,163
-	1,004,278	8,358,806	9,363,084
-	-	-	32,285,521
367,201	-	3,657,027	9,383,952
-	12,708,856	5,876,493	18,585,349
<u>367,201</u>	<u>13,713,134</u>	<u>24,831,015</u>	<u>76,832,542</u>
<u>\$ 682,896</u>	<u>\$ 14,309,406</u>	<u>\$ 27,279,568</u>	<u>\$ 84,223,733</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Fund balances - total governmental funds balance sheet \$ 76,832,542

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	\$ 702,996,696	
Less accumulated depreciation	<u>(124,677,756)</u>	578,318,940

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	(88,577,306)	
Capital leases payable	(1,726,793)	
Compensated absences	<u>(2,896,322)</u>	(93,200,421)

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

Bond premium	(1,132,972)	
Bond discount	54,639	
Bond issue costs	1,398,777	
Deferred charges	<u>554,231</u>	874,675

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

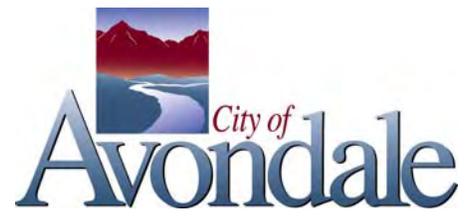
2,429,131

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

Intergovernmental revenue	405,344	
Property tax revenue	<u>262,507</u>	<u>667,851</u>

Net assets of governmental activities - statement of net assets \$ 565,922,718

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



CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 24,516,314	\$ -	\$ 5,733,285
Licenses and permits	795,479	-	-
Intergovernmental	18,781,418	4,161,313	-
Charges for services	1,051,422	-	-
Fines, forfeitures, and penalties	1,357,050	-	-
Interest	239,788	22,091	20,676
Contributions	176,338	-	-
Miscellaneous	209,116	-	-
Total revenues	<u>47,126,925</u>	<u>4,183,404</u>	<u>5,753,961</u>
Expenditures			
Current:			
General government	10,306,806	-	4,200
Public safety	17,452,726	-	-
Highways and streets	-	1,776,531	-
Health and welfare	1,540,711	-	-
Economic and community development	4,203,067	1,705,578	-
Culture and recreation	3,579,631	-	-
Transportation	-	-	-
Debt service:			
Principal	284,865	-	-
Interest and other charges	69,034	-	-
Capital outlay	5,910,674	3,318	-
Total expenditures	<u>43,347,514</u>	<u>3,485,427</u>	<u>4,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,779,411</u>	<u>697,977</u>	<u>5,749,761</u>
Other financing sources (uses)			
Bond issuance	-	-	-
Bond premium (discount)	-	-	-
Sale of capital assets	1,662	-	-
Transfers in	1,800,000	-	-
Transfers out	(9,189,810)	(695,750)	(6,741,950)
Total other financing sources (uses)	<u>(7,388,148)</u>	<u>(695,750)</u>	<u>(6,741,950)</u>
Net change in fund balances	(3,608,737)	2,227	(992,189)
Fund balances at beginning of year	<u>35,906,693</u>	<u>3,009,463</u>	<u>3,603,735</u>
Fund balances at end of year	<u>\$ 32,297,956</u>	<u>\$ 3,011,690</u>	<u>\$ 2,611,546</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,717,672	\$ -	\$ 4,999,024	\$ 40,966,295
-	2,339,290	-	3,134,769
-	963,358	3,129,586	27,035,675
-	-	127,983	1,179,405
-	-	-	1,357,050
6,952	151,070	139,845	580,422
-	-	961,511	1,137,849
-	692	51,619	261,427
<u>5,724,624</u>	<u>3,454,410</u>	<u>9,409,568</u>	<u>75,652,892</u>
313,417	22,699	323,633	10,970,755
5,483,043	23,390	980,375	23,939,534
-	401,156	-	2,177,687
-	-	1,179,068	2,719,779
-	-	679,700	6,588,345
-	437,224	4,349	4,021,204
-	-	870,662	870,662
-	127,176	7,272,522	7,684,563
-	12,130	3,774,625	3,855,789
-	14,039,125	2,229,508	22,182,625
<u>5,796,460</u>	<u>15,062,900</u>	<u>17,314,442</u>	<u>85,010,943</u>
<u>(71,836)</u>	<u>(11,608,490)</u>	<u>(7,904,874)</u>	<u>(9,358,051)</u>
-	-	15,000,000	15,000,000
-	-	91,235	91,235
-	-	222,108	223,770
-	5,467,270	11,010,063	18,277,333
<u>(1,599,840)</u>	<u>(2,959,650)</u>	<u>(15,135,538)</u>	<u>(36,322,538)</u>
<u>(1,599,840)</u>	<u>2,507,620</u>	<u>11,187,868</u>	<u>(2,730,200)</u>
(1,671,676)	(9,100,870)	3,282,994	(12,088,251)
<u>2,038,877</u>	<u>22,814,004</u>	<u>21,548,021</u>	<u>88,920,793</u>
<u>\$ 367,201</u>	<u>\$ 13,713,134</u>	<u>\$ 24,831,015</u>	<u>\$ 76,832,542</u>

**CITY OF AVONDALE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Net change in fund balances - total governmental funds statement of revenues,
expenditures, and changes in fund balances \$ (12,088,251)

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

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

Expenditures for capital assets	\$ 22,243,874	
Less current year depreciation	(14,533,002)	
Capital contributions	<u>6,051,177</u>	13,762,049

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

Bond issuance	(15,000,000)	
Principal payments on long-term debt	7,272,522	
Principal payments on capital leases	412,040	
Deferred bond issue costs	279,058	
Bond premium	(91,235)	
Payments on contractual obligations	<u>107,000</u>	(7,020,615)

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

Sale of capital assets		(6,769)
------------------------	--	---------

Internal service funds are used by management to charge the costs of risk
management, printing services, and fleet management services to individual
funds. A portion of the net income/(loss) of these internal service funds is
reported with governmental activities. 676,900

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

Amortization of bond premiums, discounts, debt issuance costs, and deferred charges	(111,617)	
Compensated absences benefits	(745,452)	
Property tax revenues	66,813	
Intergovernmental revenues	<u>57,460</u>	<u>(732,796)</u>

Change in net assets of governmental activities - statement of activities		<u>\$ (5,409,482)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 29,094,320	\$ 29,094,320	\$ 24,516,314	\$ (4,578,006)
Licenses and permits	1,455,400	1,455,400	795,479	(659,921)
Intergovernmental	18,852,530	18,852,530	18,781,418	(71,112)
Charges for services	1,406,750	1,406,750	1,051,422	(355,328)
Fines, forfeitures, and penalties	1,314,790	1,314,790	1,357,050	42,260
Interest	826,000	826,000	239,788	(586,212)
Contributions	350,560	350,560	176,338	(174,222)
Miscellaneous	15,250	15,250	209,116	193,866
Total revenues	53,315,600	53,315,600	47,126,925	(6,188,675)
Expenditures				
Current:				
General government	17,291,880	14,444,402	10,306,806	4,137,596
Public safety	18,176,870	18,132,144	17,452,726	679,418
Health and welfare	1,587,110	1,661,317	1,540,711	120,606
Economic and community development	6,014,870	5,700,700	4,203,067	1,497,633
Culture and recreation	5,250,270	5,255,126	3,579,631	1,675,495
Debt service:				
Principal	366,910	366,910	284,865	82,045
Interest and other charges	-	-	69,034	(69,034)
Capital outlay	2,195,920	6,565,239	5,910,674	654,565
Total expenditures	50,883,830	52,125,838	43,347,514	8,778,324
Excess (deficiency) of revenues over (under) expenditures	2,431,770	1,189,762	3,779,411	2,589,649
Other financing sources (uses)				
Sale of capital assets	-	-	1,662	1,662
Transfers in	-	-	1,800,000	1,800,000
Transfers out	(9,189,810)	(9,189,810)	(9,189,810)	-
Total other financing sources (uses)	(9,189,810)	(9,189,810)	(7,388,148)	1,801,662
Net change in fund balance	(6,758,040)	(8,000,048)	(3,608,737)	4,391,311
Fund balance at beginning of year	33,821,430	33,821,430	35,906,693	2,085,263
Fund balance at end of year	\$ 27,063,390	\$ 25,821,382	\$ 32,297,956	\$ 6,476,574

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
HIGHWAY USER REVENUE FUND
YEAR ENDED JUNE 30, 2009**

	Highway User Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 4,700,000	\$ 4,700,000	\$ 4,161,313	\$ (538,687)
Interest	82,020	82,020	22,091	(59,929)
Total revenues	<u>4,782,020</u>	<u>4,782,020</u>	<u>4,183,404</u>	<u>(598,616)</u>
Expenditures				
Current:				
Highways and streets	2,223,590	2,210,790	1,776,531	434,259
Economic and community development	2,170,880	2,169,276	1,705,578	463,698
Capital outlay	83,000	97,404	3,318	94,086
Total expenditures	<u>4,477,470</u>	<u>4,477,470</u>	<u>3,485,427</u>	<u>992,043</u>
Excess (deficiency) of revenues over (under) expenditures	<u>304,550</u>	<u>304,550</u>	<u>697,977</u>	<u>393,427</u>
Other financing sources (uses)				
Transfers out	(695,750)	(695,750)	(695,750)	-
Total other financing sources (uses)	<u>(695,750)</u>	<u>(695,750)</u>	<u>(695,750)</u>	<u>-</u>
Net change in fund balance	(391,200)	(391,200)	2,227	393,427
Fund balance at beginning of year	<u>2,720,788</u>	<u>2,720,788</u>	<u>3,009,463</u>	<u>288,675</u>
Fund balance at end of year	<u>\$ 2,329,588</u>	<u>\$ 2,329,588</u>	<u>\$ 3,011,690</u>	<u>\$ 682,102</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEDICATED SALES TAX REVENUE FUND
YEAR ENDED JUNE 30, 2009

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 6,061,040	\$ 6,061,040	\$ 5,733,285	\$ (327,755)
Interest	160,390	160,390	20,676	(139,714)
Total revenues	<u>6,221,430</u>	<u>6,221,430</u>	<u>5,753,961</u>	<u>(467,469)</u>
Expenditures				
Current:				
General government	-	-	4,200	(4,200)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,200</u>	<u>(4,200)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,221,430</u>	<u>6,221,430</u>	<u>5,749,761</u>	<u>(471,669)</u>
Other financing sources (uses)				
Transfers out	<u>(6,741,950)</u>	<u>(6,741,950)</u>	<u>(6,741,950)</u>	-
Total other financing sources (uses)	<u>(6,741,950)</u>	<u>(6,741,950)</u>	<u>(6,741,950)</u>	-
Net change in fund balance	(520,520)	(520,520)	(992,189)	(471,669)
Fund balance at beginning of year	<u>3,236,979</u>	<u>3,236,979</u>	<u>3,603,735</u>	<u>366,756</u>
Fund balance at end of year	<u>\$ 2,716,459</u>	<u>\$ 2,716,459</u>	<u>\$ 2,611,546</u>	<u>\$ (104,913)</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PUBLIC SAFETY SALES TAX REVENUE FUND
YEAR ENDED JUNE 30, 2009

	Public Safety Sales Tax Revenue Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 6,061,040	\$ 6,061,040	\$ 5,717,672	\$ (343,368)
Intergovernmental	-	-	-	-
Interest	120,000	120,000	6,952	(113,048)
Miscellaneous	-	-	-	-
Total revenues	<u>6,181,040</u>	<u>6,181,040</u>	<u>5,724,624</u>	<u>(456,416)</u>
Expenditures				
Current:				
General government	342,650	342,650	313,417	29,233
Public safety	5,937,030	5,937,030	5,483,043	453,987
Capital outlay	-	-	-	-
Total expenditures	<u>6,279,680</u>	<u>6,279,680</u>	<u>5,796,460</u>	<u>483,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,640)</u>	<u>(98,640)</u>	<u>(71,836)</u>	<u>26,804</u>
Other financing sources (uses)				
Transfers out	<u>(1,599,840)</u>	<u>(1,599,840)</u>	<u>(1,599,840)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,599,840)</u>	<u>(1,599,840)</u>	<u>(1,599,840)</u>	<u>-</u>
Net change in fund balance	(1,698,480)	(1,698,480)	(1,671,676)	26,804
Fund balance at beginning of year	<u>3,007,392</u>	<u>3,007,392</u>	<u>2,038,877</u>	<u>(968,515)</u>
Fund balance at end of year	<u>\$ 1,308,912</u>	<u>\$ 1,308,912</u>	<u>\$ 367,201</u>	<u>\$ (941,711)</u>

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 216,253	\$ 447,209	\$ 725,177	\$ 1,388,639	\$ 540,597
Investments	22,748,224	13,717,830	2,859,213	39,325,267	2,628,588
Receivables					
Accounts (net)	2,472,884	1,667,762	1,057,883	5,198,529	1,394
State and county taxes	169,870	-	-	169,870	-
Interest	22,372	14,636	2,752	39,760	2,529
Due from other governments	242,794	11,591	-	254,385	-
Inventories	343,100	28,464	28,136	399,700	249,842
Prepaid assets	-	1,021,744	-	1,021,744	295
Total current assets	<u>26,215,497</u>	<u>16,909,236</u>	<u>4,673,161</u>	<u>47,797,894</u>	<u>3,423,245</u>
Noncurrent assets:					
Restricted assets:					
Cash with fiscal agent	14,031,875	926,424	-	14,958,299	-
Capital assets:					
Capital assets, non-depreciable	25,376,234	45,328,290	-	70,704,524	-
Capital assets, depreciable (net)	231,140,493	205,780,837	1,225,037	438,146,367	87,252
Total noncurrent assets	<u>270,548,602</u>	<u>252,035,551</u>	<u>1,225,037</u>	<u>523,809,190</u>	<u>87,252</u>
Total assets	<u>296,764,099</u>	<u>268,944,787</u>	<u>5,898,198</u>	<u>571,607,084</u>	<u>3,510,497</u>
LIABILITIES					
Current liabilities:					
Accounts payable	633,508	5,487,839	106,184	6,227,531	141,724
Accrued payroll and employee benefits	142,073	53,408	60,318	255,799	28,218
Accrued liabilities	40,728	122,629	-	163,357	-
Construction contracts payable	337,048	-	-	337,048	-
Sales taxes payable	210,159	-	-	210,159	-
Deposits held in custody for others	409,690	-	10,000	419,690	-
Due to other funds	-	-	-	-	407,384
Unearned revenue	449,942	8,369	-	458,311	-
Claims payable	-	-	-	-	276,341
Compensated absences	129,894	70,902	70,470	271,266	36,044
Water infrastructure loans	-	848,345	-	848,345	-
Revenue bonds payable	139,150	903,795	-	1,042,945	-
Total current liabilities	<u>2,492,192</u>	<u>7,495,287</u>	<u>246,972</u>	<u>10,234,451</u>	<u>889,711</u>
Noncurrent liabilities:					
Claims payable	-	-	-	-	112,382
Compensated absences	32,473	17,725	17,617	67,815	9,010
Water infrastructure loans	-	6,386,192	-	6,386,192	-
Revenue bonds payable	692,300	5,527,443	-	6,219,743	-
Total noncurrent liabilities	<u>724,773</u>	<u>11,931,360</u>	<u>17,617</u>	<u>12,673,750</u>	<u>121,392</u>
Total liabilities	<u>3,216,965</u>	<u>19,426,647</u>	<u>264,589</u>	<u>22,908,201</u>	<u>1,011,103</u>
NET ASSETS					
Invested in capital assets, net of related debt	255,685,277	237,443,352	1,225,037	494,353,666	87,252
Restricted for:					
Grants	-	11,591	-	11,591	-
Capital improvements	1,413,369	214,836	-	1,628,205	-
Cash with fiscal agent	14,031,875	926,424	-	14,958,299	-
Unrestricted	22,416,613	10,921,937	4,408,572	37,747,122	2,412,142
Total net assets	<u>\$ 293,547,134</u>	<u>\$ 249,518,140</u>	<u>\$ 5,633,609</u>	<u>548,698,883</u>	<u>\$ 2,499,394</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				28,054	
Net assets of business-type activities (page 19)				<u>\$ 548,726,937</u>	

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

CITY OF AVONDALE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Operating revenues:					
Charges for services	\$ 10,903,175	\$ 7,124,168	\$ 4,414,343	\$ 22,441,686	\$ 4,062,835
Miscellaneous	42,169	3,932	115,945	162,046	2,203
Total operating revenues	<u>10,945,344</u>	<u>7,128,100</u>	<u>4,530,288</u>	<u>22,603,732</u>	<u>4,065,038</u>
Operating expenses:					
Cost of sales and services	8,234,929	3,511,478	3,193,276	14,939,683	1,661,096
Administration	1,576,225	1,096,568	327,610	3,000,403	935,925
Insurance claims and expenses	-	-	-	-	734,366
Depreciation	5,748,435	5,379,051	598,665	11,726,151	66,479
Total operating expenses	<u>15,559,589</u>	<u>9,987,097</u>	<u>4,119,551</u>	<u>29,666,237</u>	<u>3,397,866</u>
Operating income (loss)	<u>(4,614,245)</u>	<u>(2,858,997)</u>	<u>410,737</u>	<u>(7,062,505)</u>	<u>667,172</u>
Non-operating revenues (expenses):					
Capital grants	1,511,895	20,117	-	1,532,012	-
Gain on sale of capital assets	8,583	-	69,164	77,747	-
Interest income	288,620	263,595	22,185	574,400	19,369
Interest expense	(42,810)	(591,917)	-	(634,727)	(7,252)
Total non-operating revenues (expenses)	<u>1,766,288</u>	<u>(308,205)</u>	<u>91,349</u>	<u>1,549,432</u>	<u>12,117</u>
Income (loss) before capital contributions, development fees and transfers	<u>(2,847,957)</u>	<u>(3,167,202)</u>	<u>502,086</u>	<u>(5,513,073)</u>	<u>679,289</u>
Capital contributions	4,704,901	489,866	-	5,194,767	-
Development fees	752,290	718,362	18,869	1,489,521	-
Transfers in	14,462,235	3,520,117	-	17,982,352	122,000
Transfers out	(20,117)	-	-	(20,117)	(39,030)
Change in net assets	<u>17,051,352</u>	<u>1,561,143</u>	<u>520,955</u>	<u>19,133,450</u>	<u>762,259</u>
Net assets - beginning	<u>276,495,782</u>	<u>247,956,997</u>	<u>5,112,654</u>	<u>529,565,433</u>	<u>1,737,135</u>
Net assets - ending	<u>\$ 293,547,134</u>	<u>\$ 249,518,140</u>	<u>\$ 5,633,609</u>		<u>\$ 2,499,394</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds				<u>85,351</u>	
Change in net assets of business-type activities (page 20-21)				<u>\$ 19,218,801</u>	

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Wastewater Utility	Sanitation Utility	Total	
Cash flows from operating activities:					
Receipts from customers	\$11,442,195	\$ 7,266,672	\$ 4,545,578	\$23,254,445	\$ 4,064,337
Payments to suppliers	(8,298,204)	1,274,961	(2,213,244)	(9,236,487)	(2,252,551)
Payments to employees	(2,934,475)	(1,327,377)	(1,294,722)	(5,556,574)	(946,911)
Net cash provided (used) by operating activities	209,516	7,214,256	1,037,612	8,461,384	864,875
Cash flows from noncapital financing activities:					
Due to other funds	-	-	-	-	(174,270)
Transfers in	14,462,235	3,520,117	-	17,982,352	122,000
Transfers out	(20,117)	-	-	(20,117)	(39,030)
Net cash provided (used) for noncapital financing activities	14,442,118	3,520,117	-	17,962,235	(91,300)
Cash flows from capital and related financing activities:					
Capital grants	1,269,101	21,163	-	1,290,264	-
Proceeds from sale of capital assets	8,583	-	69,164	77,747	-
Development fees	752,290	718,362	18,869	1,489,521	-
Acquisition and construction of capital assets	(12,326,184)	(31,613,881)	(381,319)	(44,321,384)	(48,854)
Principal payments on long-term debt	(132,250)	(1,680,060)	-	(1,812,310)	-
Interest paid on long-term debt	(46,050)	(609,803)	-	(655,853)	-
Net cash provided (used) for capital and related financing activities	(10,474,510)	(33,164,219)	(293,286)	(43,932,015)	(48,854)
Cash flows from investing activities:					
Interest received on investments	398,107	381,565	29,984	809,656	17,721
Net cash provided by investing activities	398,107	381,565	29,984	809,656	17,721
Net increase (decrease) in cash and cash equivalents	4,575,231	(22,048,281)	774,310	(16,698,740)	742,442
Cash and cash equivalents, beginning of period	32,421,121	37,139,744	2,810,080	72,370,945	2,426,743
Cash and cash equivalents, end of period	\$36,996,352	\$15,091,463	\$ 3,584,390	\$55,672,205	\$ 3,169,185
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (4,614,245)	\$ (2,858,997)	\$ 410,737	\$ (7,062,505)	\$ 667,172
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	5,748,435	5,379,051	598,665	11,726,151	66,479
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	294,594	130,383	15,536	440,513	(701)
(Increase) decrease in inventories	17,946	(7,680)	23,862	34,128	95,012
(Increase) decrease in prepaid assets	42,500	(25,361)	-	17,139	(295)
Increase (decrease) in accounts payable	(1,512,434)	4,561,924	(22,038)	3,027,452	64,772
Increase (decrease) in accrued payroll and employee benefits	(5,694)	(4,434)	(9,284)	(19,412)	(8,234)
Increase (decrease) in accrued liabilities	(8,774)	-	-	(8,774)	-
Increase (decrease) in sales taxes payable	(64,657)	(180)	(246)	(65,083)	(79)
Increase (decrease) in deposits held in custody for others	60,448	-	-	60,448	-
Increase (decrease) in unearned revenue	206,466	8,369	-	214,835	-
Increase (decrease) in compensated absences	44,931	31,181	20,380	96,492	(2,752)
Increase (decrease) in claims payable	-	-	-	-	(16,499)
Net cash provided (used) by operating activities	\$ 209,516	\$ 7,214,256	\$ 1,037,612	\$ 8,461,384	\$ 864,875
Reconciliation of cash and cash equivalents at end of year to statement of net assets:					
Cash and cash equivalents	\$ 216,253	\$ 447,209	\$ 725,177	\$ 1,388,639	\$ 540,597
Cash with fiscal agent	14,031,875	926,424	-	14,958,299	-
Investments	22,748,224	13,717,830	2,859,213	39,325,267	2,628,588
Total cash and cash equivalents	\$36,996,352	\$15,091,463	\$ 3,584,390	\$55,672,205	\$ 3,169,185
Noncash capital and related financing activities:					
Capital contributions	\$ 4,704,901	\$ 489,866	\$ -	\$ 5,194,767	\$ -
Amortization of deferred bond costs	-	8,155	-	8,155	-
Total noncash activities	\$ 4,704,901	\$ 498,021	\$ -	\$ 5,202,922	\$ -

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION
TRUST FUND
JUNE 30, 2009**

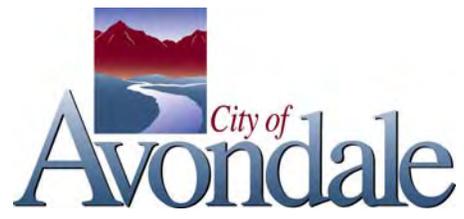
	Volunteer Firefighters' Relief and Pension Trust Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 2,259
Investments, at fair value:	
State Treasurer's Local Government Investment Pool	260,497
Interest receivable	<u>215</u>
Total assets	<u>262,971</u>
LIABILITIES	
Accounts payable	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>262,971</u>
Total net assets	<u><u>\$ 262,971</u></u>

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

**CITY OF AVONDALE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
VOLUNTEER FIREFIGHTERS' RELIEF AND PENSION
TRUST FUND
YEAR ENDED JUNE 30, 2009**

	Volunteer Firefighters' Relief and Pension Trust Fund
	<u> </u>
ADDITIONS	
Contributions:	
Employer	\$ -
Employee	-
Interest	1,933
Miscellaneous	<u>134</u>
Total additions	<u>2,067</u>
DEDUCTIONS	
Benefits paid to plan members	<u>4,800</u>
Total deductions	<u>4,800</u>
Change in net assets	(2,733)
Total net assets, beginning of year	<u>265,704</u>
Total net assets, end of year	<u><u>\$ 262,971</u></u>

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



**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Notes to the Financial Statements

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

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**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basic Financial Statements

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements. The net income/loss of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. The proprietary funds financial statements include reconciliations on the face of the statements to reconcile total enterprise funds net assets and changes in net assets to the business-type activities column on the government-wide financial statements.

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

Additionally, the City reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

D. Budgets and Budgetary Accounting

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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, Development Fees Fund, Local Transportation Assistance Fund, Senior Programs Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Family Advocacy Center Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds Fund, Highway User Revenue Bonds Fund, Dedicated Sales Tax Bonds Fund, and Other Debt Service Fund.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund or any transfers between funds must be approved by the City Council.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. During the year ended June 30, 2009, the original budget has been amended in a legally permissible manner. Budget and actual comparisons are provided in this report for each of the governmental funds.
8. All appropriations lapse at year-end.

E. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments with original maturities of three months or less at the acquisition date to be cash equivalents. Cash and cash equivalents at June 30, 2009, included cash on hand, cash in bank, non-negotiable certificates of deposit, cash and investments held by the State Treasurer, and cash held by fiscal agents.

F. Cash and Investments

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 remaining maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

G. Inventories

Inventories are valued at cost and the City uses the first-in, first-out flow assumption in determining cost. Inventories in the governmental funds, which consist of expendable supplies held for consumption, are recorded as expenditures at the time inventory is consumed and is offset by a fund balance reserve in the governmental fund financial statements which indicates they do not constitute available expendable resources. No reservation of net assets is shown in the proprietary funds statements or the government-wide financial statements for inventories. Physical inventories are conducted at year-end for financial statement purposes.

H. Restricted Assets

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

I. Deferred Revenue

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

J. Encumbrances

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Investment Income

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

L. Prepaid Assets

Prepaid assets are generally for payments made by the City in the current fiscal year for goods, services or benefits to be received beyond June 30, 2009. Such payments are recorded as assets at the time of the payment and recognized as expenditures/expenses when the related goods or services are received. Prepaid assets are offset by a reservation of fund balance in the governmental funds to indicate that they do not constitute available expendable resources. No reservation of net assets is shown for prepaid assets in the proprietary funds financial statements or the government-wide financial statements.

M. Fund Balance/Net Assets Reservations and Designations

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

N. Capital Assets

All capital assets, both governmental and business-type, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems. No long-term assets or depreciation is presented in the governmental funds financial statements.

Capital assets, including public domain infrastructure such as roads, bridges, curbs and gutters, streets and sidewalks, storm drain systems, lighting systems, water distribution systems, sewer collection systems, and other assets that are immovable and of value only to the City, are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

O. Compensated Absences

Compensated absences consist of vacation leave and sick leave earned by employees based on services already rendered. The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation accumulates up to 240 hours for regular full-time employees and 336 hours for regular full-time fire department employees. Vacation leave benefits can be taken as time off from work, within certain limitations, or may be payable to employees upon termination or retirement.

Sick leave is accumulated without limit and can be used in the event of an illness in the immediate family. Upon resignation, an employee will receive compensation at 33.3 percent of the accrued sick leave balance calculated at the employee's current hourly rate. Upon retirement of a vested employee, the City pays employees compensation at 33.3 percent or 100 percent of the balance, whichever is larger, up to 250 hours for employees with 10 years of continuous city service. The City pays 100 percent of the balance up to 500 hours for employees with 20 years of continuous city service.

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

P. Use of Estimates

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Q. Long-term Obligations

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

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

NOTE 2 CASH AND INVESTMENTS

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

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a bank or depository financial institution, a government's deposits may not be returned to it. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral (pledged) securities that are in the possession of an outside party. Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. The City does not have a formal deposit or investment policy for custodial credit risk.

Concentration of credit risk

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

Interest rate risk

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 CASH AND INVESTMENTS (Concluded)

Cash on Hand

The City maintains several petty cash and change funds to facilitate its operations. Cash on hand totaled \$5,420 at June 30, 2009.

Deposits

The City's carrying amount of deposits at June 30, 2009, excluding fiduciary cash, was \$9,789,915 and the bank balance was \$8,834,380. The difference between the book and bank balance was due to outstanding checks, deposits, and other reconciling items. Of the bank balance, \$8,834,380 was covered by federal depository insurance under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program.

Restricted cash with fiscal agent – At June 30, 2009, the City had restricted cash with fiscal agent of \$24,321,383. Of this balance, \$14,875,598 is restricted construction bond proceeds and \$1,155,100 is restricted in reserve funds. The remaining cash balance of \$8,290,685 reflects cash temporarily held by fiscal agents for the City's July 1, 2009, debt service payments. Restricted cash with fiscal agent 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, 2009, the Volunteer Firefighters' Relief and Pension Trust Fund had deposits of \$2,259 and the bank balance was \$2,784. The entire balance was covered by federal depository insurance.

Investments

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

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

The City invests in the State Treasurer's Local Government Investment Pool–Government Pool (LGIP-GOV). The LGIP-GOV invests solely in securities that are backed by the full faith and credit of the U.S. Government. The pool is not required to register (and is not registered) with the Securities and Exchange Commission under the 1940 Investment Advisors Act. The Activity and performance of the pool is monitored monthly by the State Board of Investment in accordance with A.R.S. § 35-311. The maximum weighted average maturity for the LGIP-GOV is 0.23 years.

The LGIP-GOV is stated at fair value, which approximates the value of the investment upon withdrawal. At June 30, 2009, the City's investment balances in the LGIP-GOV and credit risk were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>	<u>Fair Value</u>
State Treasurer's Pool			
Primary government	0.1	Unrated	\$ 99,380,886
Fiduciary activities	0.1	Unrated	260,497
Total Investments			<u>\$ 99,641,383</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 PROPERTY TAX REVENUES

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

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

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

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

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

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

NOTE 4 RECEIVABLES

Receivables in the General, Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the Water, Wastewater and Sanitation Utility Funds at June 30, 2009, are \$800,000, \$558,000, and \$343,000, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the Water, Wastewater and Sanitation Utility Funds are \$497,000, \$323,000 and \$216,000, respectively.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 CAPITAL ASSETS

A summary of capital asset activity for governmental activities on the government-wide financial statements for the year ended June 30, 2009, follows:

Governmental Activities	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Non-depreciable assets:				
Land	\$ 240,242,405	\$ 8,337,645	\$ -	\$ 248,580,050
Construction in Progress	17,148,217	11,962,667	(14,051,445)	15,059,439
Total non-depreciable capital assets	<u>257,390,622</u>	<u>20,300,312</u>	<u>(14,051,445)</u>	<u>263,639,489</u>
Depreciable assets:				
Buildings and improvements	48,948,247	5,527,685		54,475,932
Improvements other than buildings	156,750	480,696		637,446
Vehicles, furniture, and equipment	23,773,815	3,994,215	(1,250,367)	26,517,663
Infrastructure	345,633,726	12,092,440		357,726,166
Total depreciable capital assets	<u>418,512,538</u>	<u>22,095,036</u>	<u>(1,250,367)</u>	<u>439,357,207</u>
Less accumulated depreciation for:				
Buildings and improvements	9,588,777	1,607,479		11,196,256
Improvements other than buildings	5,984	10,951		16,935
Vehicles, furniture and equipment	15,715,334	3,732,553	(1,243,597)	18,204,290
Infrastructure	86,011,777	9,248,498		95,260,275
Total accumulated depreciation	<u>111,321,872</u>	<u>14,599,481</u>	<u>(1,243,597)</u>	<u>124,677,756</u>
Total capital assets being depreciated, net	<u>307,190,666</u>	<u>7,495,555</u>	<u>(6,770)</u>	<u>314,679,451</u>
Total governmental activities capital assets, net	<u>\$ 564,581,288</u>	<u>\$ 27,795,867</u>	<u>\$ (14,058,215)</u>	<u>\$ 578,318,940</u>

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2009, follows:

Business-type activities	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Non-depreciable assets:				
Land	\$ 16,252,303	\$ -	\$ -	\$ 16,252,303
Construction in progress	28,097,280	43,585,450	(17,230,509)	54,452,221
Total non-depreciable assets	<u>44,349,583</u>	<u>43,585,450</u>	<u>(17,230,509)</u>	<u>70,704,524</u>
Depreciable assets:				
Water system	257,470,995	20,906,547	-	278,377,542
Sewer System	221,524,632	592,676	-	222,117,308
Wastewater treatment system	31,775,615	-	-	31,775,615
Vehicles, furniture and equipment	7,035,075	955,244	(525,417)	7,464,902
Improvements other than buildings	-	831,050	-	831,050
Total depreciable capital assets	<u>517,806,317</u>	<u>23,285,517</u>	<u>(525,417)</u>	<u>540,566,417</u>
Less accumulated depreciation for:				
Water system	43,312,526	5,323,137	-	48,635,663
Sewer System	35,530,523	4,625,691	-	40,156,214
Wastewater treatment system	8,129,392	600,037	-	8,729,429
Vehicles, furniture and equipment	4,245,562	1,173,824	(524,105)	4,895,281
Improvements other than buildings	-	3,463	-	3,463
Total accumulated depreciation	<u>91,218,003</u>	<u>11,726,152</u>	<u>(524,105)</u>	<u>102,420,050</u>
Total capital assets being depreciated, net	<u>426,588,314</u>	<u>11,559,365</u>	<u>(1,312)</u>	<u>438,146,367</u>
Total business-type activity capital assets, net	<u>\$ 470,937,897</u>	<u>\$ 55,144,815</u>	<u>\$ (17,231,821)</u>	<u>\$ 508,850,891</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 CAPITAL ASSETS (Concluded)

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

Depreciation Expense by Activities

Governmental Activities:	
General government	\$ 2,100,639
Public safety	2,187,246
Highways and streets	9,419,940
Health and welfare	25,990
Economic and community development	24,075
Culture and recreation	775,112
Internal services	66,479
Total depreciation expenses - governmental activities	<u>\$ 14,599,481</u>
Business-type Activities:	
Water Utility	\$ 5,748,435
Wastewater Utility	5,379,051
Sanitation Utility	598,665
Total depreciation expenses - business-type activities	<u>\$ 11,726,151</u>

NOTE 6 NET ASSETS

The City's government-wide Statement of Net Assets reports \$55,985,011 of restricted net assets, of which \$19,703,571 is restricted by enabling legislation.

NOTE 7 RETIREMENT PLANS

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

Arizona State Retirement System

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

Funding Policy. The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2009, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 RETIREMENT PLANS (Continued)

The City's contributions to ASRS for the years ended June 30, 2009, 2008, and 2007 were \$1,872,893, \$2,052,286, and \$1,670,809 respectively, which equaled the required contributions for those years.

Public Safety Personnel Retirement System

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

Funding Policy - The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 12.78 percent for police and 13.02 percent for fire. The City contributed the required amount.

Annual Pension Cost – The City's pension cost for the year ended June 30, 2009, the date of the most recent actuarial valuation, and related information follow.

	PSPRS – Police	PSPRS – Fire
Contribution rates:		
City	12.78%	13.02%
Plan members	7.65%	7.65%
Annual pension cost	\$887,189	\$812,767
Contributions made	\$887,189	\$812,767
Actuarial valuation date	6/30/09	6/30/09
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
Inflation at cost-of-living adjustments	None	None
Payroll growth	5.5%	5.5%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for overfunded	27 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 RETIREMENT PLANS (Continued)

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2009	\$887,189	100%	\$ -
	2008	638,965	100	-
	2007	475,455	100	-
PSPRS – Fire	2009	\$812,767	100%	\$ -
	2008	450,685	100	-
	2007	348,436	100	-

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2009, 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)
6/30/09	\$11,317,174	\$15,297,882	\$3,980,708	74.0%	\$6,594,606	60.4%
6/30/08	10,060,791	13,744,757	3,683,966	73.2	6,673,898	55.2
6/30/07	8,659,169	12,624,356	3,965,187	68.6	5,557,381	71.3

PSPR – Fire

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)
6/30/09	\$9,169,671	\$10,859,920	\$1,690,249	84.4%	\$4,026,999	42.0%
6/30/08	7,660,574	9,908,336	2,247,762	77.3	4,218,295	53.3
6/30/07	6,457,208	9,202,005	2,744,797	70.2	4,098,945	67.0

Correctional Officers Retirement Plan

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 RETIREMENT PLANS (Continued)

Funding Policy. The Arizona State Legislature establishes and may amend benefits, provisions and contribution rates of active plan members. For the year ended June 30, 2009, active CORP members were required by statute to contribute 5.11 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 8.41 percent. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2009, the date of the most recent actuarial valuation, and related information follow.

Contribution rates:	
City	8.41%
Plan members	5.11%
Annual pension cost	\$20,623
Contributions made	\$20,623
Actuarial valuation date	6/30/09
Actuarial cost method	Projected unit credit
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50%
Inflation at cost-of-living adjustments	None
Payroll growth	5.5%
Post-retirement benefit increases	Based on Investment Income
Amortization method	Level percent-of-pay closed
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market

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

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

Funding progress – An analysis of funding progress for CORP as of the most recent actuarial valuations, June 30, 2009, follows:

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]
6/30/09	\$510,860	\$481,065	(\$29,795)	106.2%	\$436,457	0.0%

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 RETIREMENT PLANS (Concluded)

Elected Officials' Retirement Plan

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

For the year ended June 30, 2009, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The payroll for employees covered by EORP for the year ended June 30, 2009, was \$59,179. City contributions to the plan were 28.02% of the members' annual covered payroll, as determined by actuarial valuation. The City's contributions to EORP for the years ended June 30, 2009, 2008, and 2007 were \$16,570, \$11,567, \$10,307, respectively, which equaled the required contributions for those years.

Volunteer Firefighters' Relief and Pension Trust Fund

The Volunteer Firefighters' Relief and Pension Trust Fund (Fund) is a defined contribution benefit plan to provide pensions to volunteer firefighters only. The plan is administered by state statute that requires both firefighters and the City to make contributions equal to 5 percent of the firefighters' compensation. Some monies are also received from the State. Firefighters who have served 20 years of service, and meeting all requirements as prescribed in of A.R.S. Title 9, Chapter 8, Article 3, are entitled to a monthly pension. The amount of which is determined by the Board of Trustees of the Fund, not to exceed \$400. If firefighters resign before completing 20 years of service, they are entitled to a refund of their contributions only. They are 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 firefighters covered by the Fund for the year ended June 30, 2009, was \$0. Therefore, neither the City nor the firefighters made contributions to the Fund for the same year ended.

NOTE 8 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, 2009, follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,153,622	\$ 1,001,571	\$ 258,871	\$ 2,896,322	\$ 2,317,058
Capital leases payable	2,138,833	-	412,040	1,726,793	397,311
Contractual obligations	107,000	-	107,000	-	-
Claims payable	405,222	197,626	214,125	388,723	276,341
Municipal Development					
Corporation Bonds	61,109,827	15,000,000	4,067,521	72,042,306	4,692,055
General Obligation Bonds	16,365,000	-	2,915,000	13,450,000	3,070,000
Highway User Revenue Bond	3,375,000	-	290,000	3,085,000	305,000
Total	<u>\$ 85,654,504</u>	<u>\$ 16,199,197</u>	<u>\$ 8,264,557</u>	<u>\$ 93,589,144</u>	<u>\$ 11,057,765</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

The internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At fiscal year-end, internal service funds compensated absences of \$45,045 are included in the above liabilities.

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

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

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

Asset:		
Buildings and Improvements		\$ 2,174,449
Vehicles		1,312,956
Less: accumulated depreciation		(1,045,125)
Total		<u>\$ 2,442,280</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 397,311	\$ 64,740
2011	381,666	49,232
2012	397,276	33,623
2013	413,525	17,374
2014	137,015	1,663
Total	<u>\$ 1,726,793</u>	<u>\$ 166,632</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1999 series bonds	3.60 - 4.70%	2011	\$ 1,644,897
2002 series bonds	3.00 - 4.25%	2015	8,850,000
2003 series bonds	2.00 - 3.75%	2015	8,080,000
2004 series bonds	2.50 - 4.30%	2020	9,940,000
2005 series bonds	3.00 - 4.00%	2020	11,042,409
2006 series bonds	4.00 - 5.00%	2027	17,485,000
2008 series bonds	4.00 - 5.00%	2029	15,000,000
			<u>\$ 72,042,306</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,692,055	\$ 2,817,408
2011	4,964,029	2,635,907
2012	5,056,945	2,448,299
2013	5,088,788	2,262,429
2014	5,171,470	2,069,865
2015-2019	23,074,803	7,504,605
2020-2024	14,914,216	3,320,511
2025-2029	9,080,000	738,500
Total	<u>\$ 72,042,306</u>	<u>\$ 23,797,524</u>

Refunded MDC Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2009, totaled \$10,768,885. The following issues are refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1999 series bonds	4.80 - 5.00%	2019	\$ 2,329,231
2002 series bonds	4.75 - 5.00%	2020	8,200,000
			<u>\$ 10,529,231</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1998 series bonds	4.10 - 5.80%	2018	\$ 3,165,000
2003 series A bonds	2.00 - 4.00%	2014	1,825,000
2003 series B bonds	2.00 - 2.75%	2010	3,105,000
2005 series bonds	3.00 - 5.00%	2016	3,690,000
2006 series bonds	3.75 - 4.00%	2018	1,665,000
			<u>\$ 13,450,000</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,070,000	\$ 402,240
2011	2,195,000	333,280
2012	1,140,000	340,036
2013	1,205,000	246,355
2014	1,255,000	198,850
2015-2019	4,585,000	318,800
Total	<u>\$ 13,450,000</u>	<u>\$ 1,839,561</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
2005 series bonds	3.00 - 3.875%	2017	\$ 3,085,000
			<u>\$ 3,085,000</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>
2010	\$ 305,000	\$ 100,688
2011	315,000	90,844
2012	325,000	79,875
2013	335,000	68,150
2014	350,000	55,463
2015-2019	1,455,000	82,650
Total	<u>\$ 3,085,000</u>	<u>\$ 477,670</u>

Refunded Highway User Revenue Bonds

In prior years, the City defeased certain highway user revenue bonds (1998 series bonds with an average interest rate of 5.00 %) by placing the proceeds of the new bonds in an irrevocable trust to provide for all further debt service on the old bonds. On July 1, 2008, the City retired the defeased bonds totaling \$2,980,000.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 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, 2009, follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Business-type activities:					
Compensated absences	\$ 242,589	\$ 121,817	\$ 25,325	\$ 339,081	\$ 271,266
Water and Sewer Revenue	1,320,000	-	95,000	1,225,000	100,000
Municipal Development	6,935,169	-	897,481	6,037,688	942,945
Water Infrastructure	8,054,366	-	819,829	7,234,537	848,345
	<u>\$ 16,552,124</u>	<u>\$ 121,817</u>	<u>\$ 1,837,635</u>	<u>\$ 14,836,306</u>	<u>\$ 2,162,556</u>

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

Issue	Interest Rate	Maturity	Outstanding Principal June 30, 2009
1998 series bonds	4.10 - 5.95%	2018	\$ 1,225,000
			<u>\$ 1,225,000</u>

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

Year Ending June 30	Principal	Interest
2010	\$ 100,000	\$ 52,480
2011	105,000	47,913
2012	110,000	43,073
2013	115,000	37,898
2014	120,000	32,348
2015-2019	675,000	67,500
Total	<u>\$ 1,225,000</u>	<u>\$ 281,212</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 LONG-TERM OBLIGATIONS (Continued)

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1996 series bonds	3.45 - 5.20%	2013	\$ 3,615,000
1999 series (37% of total issue)	3.60 - 4.70%	2011	975,100
2005 series bonds (12% of total issue)	3.00 - 4.00%	2021	1,447,588
			<u>\$ 6,037,688</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 942,945	\$ 242,742
2011	990,971	194,098
2012	1,138,055	136,655
2013	981,212	86,588
2014	683,530	52,039
2015-2019	865,191	179,274
2020-2024	435,784	6,699
Total	<u>\$ 6,037,688</u>	<u>\$ 898,095</u>

Refunded MDC Bonds

In prior years, the City defeased certain MDC bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2009, totaled \$1,412,197. The following issue is refunded:

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1999 series bonds	4.80 - 5.00%	2019	\$ 1,380,769
			<u>\$ 1,380,769</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2009</u>
1992 series	3.40%	2012	\$ 2,864,895
1999 series	3.94%	2021	4,369,642
			<u>\$ 7,234,537</u>

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 8 LONG-TERM OBLIGATIONS (Concluded)

Annual debt service requirements to maturity for WIFA Loans are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 848,345	\$ 239,197
2011	885,296	207,447
2012	920,685	174,430
2013	1,448,630	123,384
2014	340,591	109,965
2015-2019	1,915,136	329,284
2020-2024	875,854	17,588
Total	<u>\$ 7,234,537</u>	<u>\$ 1,201,295</u>

NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS

Interfund balances as of June 30, 2009, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Dedicated Sales Tax Revenue Fund	\$ 45,166
General Fund	Equipment Management Fund	407,384
		<u>\$ 452,550</u>

The \$452,550 interfund receivable in the General Fund is due primarily to borrowing by the funds to offset temporary deficit cash positions in the funds.

Interfund transfers for the year ended June 30, 2009, were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ (1,800,000)	\$ 9,189,810
Highway User Revenue Fund	-	695,750
Dedicated Sales Tax Revenue Fund	-	6,741,950
Public Safety Sales Tax Revenue Fund	-	1,599,840
Development Fees Fund	(5,467,270)	2,959,650
Non-major Governmental Funds	<u>(11,010,063)</u>	<u>15,135,538</u>
Total governmental funds	<u>(18,277,333)</u>	<u>36,322,538</u>
Enterprise funds:		
Water Utility Fund	(14,462,235)	20,117
Wastewater Utility Fund	<u>(3,520,117)</u>	-
Total enterprise funds	<u>(17,982,352)</u>	<u>20,117</u>
Internal service funds	<u>(122,000)</u>	<u>39,030</u>
Grand total	<u>\$ (36,381,685)</u>	<u>\$ 36,381,685</u>

The General Fund transfers included \$2.5 million to the Development Fees Fund for street, library, and parks development capital projects, \$3.0 million to the Wastewater Utility Fund for sewer development, \$1.8 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of equipment, \$1.0 million to various grant and intergovernmental agreement funds to meet the City's matching requirements, and \$.8 million to debt service funds to service debt.

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 INTERFUND PAYABLES, RECEIVABLES AND TRANSFERS (Concluded)

The Highway User Revenue Fund transfers included \$0.4 million to debt service funds to service debt and \$0.3 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of equipment.

The Dedicated Sales Tax Revenue Fund transfers included \$5.1 million to debt service funds to service debt, \$1.2 million to the Water and Wastewater Utility Funds for water and sewer development, and \$0.5 million to the Development Fees Fund for street capital projects.

The Public Safety Sales Tax Revenue Fund transfers included \$0.4 million to the Technology and Equipment Replacement Funds to accumulate reserves for the future replacement of public safety equipment and \$1.2 million to the Development Fees Fund for police and fire department capital projects.

The Development Fees Fund transfers included \$1.2 million to debt service funds to service debt related to the development of city capital projects.

The Non-major Governmental Funds transfers included \$1.0 million to the Development Fees Fund for street development capital projects and \$13.8 million to the Water and Wastewater Utility Funds for water and sewer development. The Non-major Governmental Funds also received \$1.6 million and \$7.5 million to accumulate reserves for the future city vehicle replacements and debt service, respectively.

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

NOTE 10 SEGMENT INFORMATION

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

NOTE 11 RISK MANAGEMENT

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

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

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 RISK MANAGEMENT (Concluded)

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

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

Changes in the Risk Management Fund's aggregate claims liability for the fiscal years ended June 30, 2009 and 2008 were as follows:

	2009	2008
Beginning balance at July 1	\$ 405,222	\$ 390,580
Current year claims and changes in estimates (including IBNR's)	197,626	244,232
Claim payments	214,125	229,590
Ending balance at June 30	\$ 388,723	\$ 405,222

NOTE 12 CONTINGENT LIABILITIES

Lawsuits - The City is a defendant in a number of lawsuits as of June 30, 2009. It is the opinion of management and city counsel that the amount of losses resulting from this litigation at June 30, 2009, if any, would not be material to the financial position of the City.

Federal and State Grants - The City has received a number of grants from both the federal and state governments. Some programs have been audited as of June 30, 2009. The City expects no material disallowance of expenditures.

NOTE 13 COMMITMENTS

The City has active design and construction projects as of June 30, 2009. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The projects and remaining balances for work not completed as of June 30, 2009, were as follows.

	Balance
Wastewater treatment system expansion	\$ 6,893,767
Street construction and improvements	1,940,500
Water system expansion and water treatment	1,608,598
Park design and construction	444,503
Public safety construction and improvements	188,751
Library development and construction	22,447
Total	\$ 11,098,566

**CITY OF AVONDALE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 14 OPERATING LEASES

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

Operating leases do not give rise to property rights or lease obligations (long-term debt) and, therefore, no operating lease obligations have been included on the statement of net assets. Lease costs for the fiscal year ended June 30, 2009, totaled \$432,940.

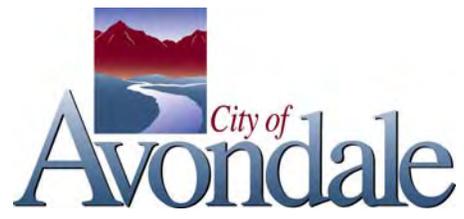
The following is a schedule of the future minimum lease payments on the operating lease.

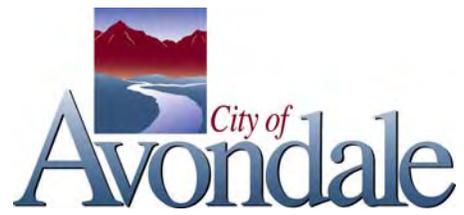
<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 434,589
2011	447,627
2012	461,056
2013	155,192
Total	<u>\$ 1,498,464</u>

NOTE 15 SUBSEQUENT EVENTS

On July 21, 2009, the City issued \$29,800,000 of General Obligation Revenue Bonds, Series 2009. The City issued the bonds to fund the construction of street improvements, sewer improvements, and the Avondale American Sports Center. Interest rates range from 2.75% to 7.5%, with a term of 25 years.

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

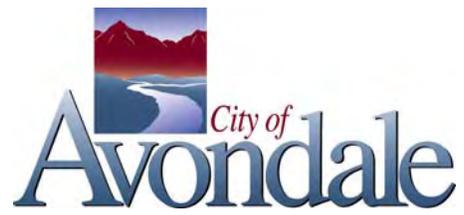




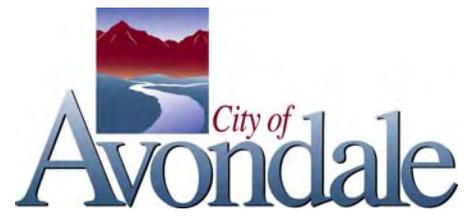
BUDGETARY COMPARISON SCHEDULE – MAJOR GOVERNMENTAL FUND

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEVELOPMENT FEES FUND
YEAR ENDED JUNE 30, 2009

	Development Fees Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 3,495,500	\$ 3,495,500	\$ 2,339,290	\$ (1,156,210)
Intergovernmental	10,978,500	10,978,500	963,358	(10,015,142)
Interest	173,420	173,420	151,070	(22,350)
Miscellaneous	-	-	692	692
Total revenues	<u>14,647,420</u>	<u>14,647,420</u>	<u>3,454,410</u>	<u>(11,193,010)</u>
Expenditures				
Current:				
General government	-	-	22,699	(22,699)
Public safety	45,000	45,000	23,390	21,610
Highway and streets	-	-	401,156	(401,156)
Culture and recreation	320,000	209,219	437,224	(228,005)
Debt service				
Principal	139,310	139,310	127,176	12,134
Interest and other charges	-	-	12,130	(12,130)
Capital outlay	48,534,883	49,184,801	14,039,125	35,145,676
Total expenditures	<u>49,039,193</u>	<u>49,578,330</u>	<u>15,062,900</u>	<u>34,515,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,391,773)</u>	<u>(34,930,910)</u>	<u>(11,608,490)</u>	<u>23,322,420</u>
Other financing sources (uses)				
Bond issuance	22,000,000	22,000,000	-	(22,000,000)
Sales of capital assets	600,000	600,000	-	(600,000)
Transfers in	4,467,270	4,467,270	5,467,270	1,000,000
Transfers out	(1,159,650)	(1,159,650)	(2,959,650)	(1,800,000)
Total other financing sources (uses)	<u>25,907,620</u>	<u>25,907,620</u>	<u>2,507,620</u>	<u>(23,400,000)</u>
Net change in fund balance	(8,484,153)	(9,023,290)	(9,100,870)	(77,580)
Fund balance at beginning of year	<u>24,749,397</u>	<u>24,749,397</u>	<u>22,814,004</u>	<u>(1,935,393)</u>
Fund balance at end of year	<u>\$ 16,265,244</u>	<u>\$ 15,726,107</u>	<u>\$ 13,713,134</u>	<u>\$ (2,012,973)</u>



COMBINING STATEMENTS – NON-MAJOR GOVERNMENTAL FUNDS



**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	Special Revenue Funds		
	Local Transportation Assistance	Senior Programs	Judicial Collection Enhancement
ASSETS			
Cash and cash equivalents	\$ 338,595	\$ 173,442	\$ 109,552
Investments	1,996,986	150,205	300,706
Receivables			
Taxes	-	-	-
Accounts	-	46,422	-
Interest	1,824	144	288
Due from other governments	230,080	20,181	-
Inventories	998	-	-
Prepaid assets	-	-	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 2,568,483</u>	<u>\$ 390,394</u>	<u>\$ 410,546</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 21,340	\$ 19,128	\$ 8,116
Accrued payroll and employee benefits	4,435	15,078	1,670
Accrued liabilities	-	-	-
Deposits held for others	-	-	-
Sales taxes payable	-	-	-
Deferred revenues	-	31,859	-
Total liabilities	<u>25,775</u>	<u>66,065</u>	<u>9,786</u>
Fund balances:			
Reserved for:			
Inventories	998	-	-
Prepaid assets	-	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Cash with fiscal agent	-	-	-
Unreserved	<u>2,541,710</u>	<u>324,329</u>	<u>400,760</u>
Total fund balances	<u>2,542,708</u>	<u>324,329</u>	<u>400,760</u>
Total liabilities and fund balances	<u>\$ 2,568,483</u>	<u>\$ 390,394</u>	<u>\$ 410,546</u>

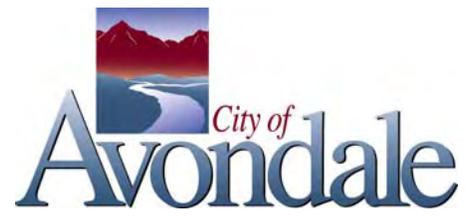
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**CITY OF AVONDALE, ARIZONA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Family Advocacy Center</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
ASSETS				
Cash and cash equivalents	\$ 246,253	\$ 16,422	\$ 187,842	\$ 282,213
Investments	180,598	-	5,127,068	350,240
Receivables				
Taxes	-	-	-	-
Accounts	29,580	-	-	-
Interest	221	-	4,931	338
Due from other governments	246,551	87,301	-	-
Inventories	-	-	-	-
Prepaid assets	-	-	-	-
Restricted cash with fiscal agent	-	-	-	-
Total assets	<u>\$ 703,203</u>	<u>\$ 103,723</u>	<u>\$ 5,319,841</u>	<u>\$ 632,791</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 110,263	\$ 10,752	\$ 68,381	\$ 7,758
Accrued payroll and employee benefits	19,886	8,584	-	-
Accrued liabilities	30,127	-	-	-
Deposits held for others	6,359	-	-	-
Sales taxes payable	14	-	-	-
Deferred revenues	212,239	18,474	-	-
Total liabilities	<u>378,888</u>	<u>37,810</u>	<u>68,381</u>	<u>7,758</u>
Fund balances:				
Reserved for:				
Inventories	-	-	-	-
Prepaid assets	-	-	-	-
Debt service	-	-	-	-
Capital improvements	-	-	-	-
Cash with fiscal agent	-	-	-	-
Unreserved	324,315	65,913	5,251,460	625,033
Total fund balances	<u>324,315</u>	<u>65,913</u>	<u>5,251,460</u>	<u>625,033</u>
Total liabilities and fund balances	<u>\$ 703,203</u>	<u>\$ 103,723</u>	<u>\$ 5,319,841</u>	<u>\$ 632,791</u>

(continuation)

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ 50,414	\$ 2,806	\$ 5,660	\$ 3,117	\$ 194,385	\$ 1,610,701
707,442	2,273,192	161,726	2,559,930	18,309	13,826,402
-	254,389	-	-	-	254,389
12,628	-	-	-	-	88,630
679	4,306	309	2,471	18	15,529
-	-	-	-	-	584,113
-	-	-	-	-	998
-	2,540,000	-	-	-	2,540,000
-	633,772	359,919	5,405,129	1,959,986	8,358,806
<u>\$ 771,163</u>	<u>\$ 5,708,465</u>	<u>\$ 527,614</u>	<u>\$ 7,970,647</u>	<u>\$ 2,172,698</u>	<u>\$ 27,279,568</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,738
-	-	-	-	-	49,653
-	103,772	54,919	1,284,710	212,712	1,686,240
-	-	-	-	-	6,359
-	-	-	-	-	14
-	197,977	-	-	-	460,549
<u>-</u>	<u>301,749</u>	<u>54,919</u>	<u>1,284,710</u>	<u>212,712</u>	<u>2,448,553</u>
-	-	-	-	-	998
-	2,540,000	-	-	-	2,540,000
-	2,232,944	112,776	1,280,808	-	3,626,528
771,163	-	-	-	-	771,163
-	633,772	359,919	5,405,129	1,959,986	8,358,806
-	-	-	-	-	9,533,520
<u>771,163</u>	<u>5,406,716</u>	<u>472,695</u>	<u>6,685,937</u>	<u>1,959,986</u>	<u>24,831,015</u>
<u>\$ 771,163</u>	<u>\$ 5,708,465</u>	<u>\$ 527,614</u>	<u>\$ 7,970,647</u>	<u>\$ 2,172,698</u>	<u>\$ 27,279,568</u>



CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Special Revenue Funds</u>		
	<u>Local Transportation Assistance</u>	<u>Senior Programs</u>	<u>Judicial Collection Enhancement</u>
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	962,899	363,022	-
Charges for services	-	-	127,983
Interest	17,119	350	996
Contributions	-	32,492	-
Miscellaneous	-	-	-
Total revenue	<u>980,018</u>	<u>395,864</u>	<u>128,979</u>
Expenditures			
Current:			
General government	-	-	56,382
Public safety	-	-	-
Health and welfare	-	532,378	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Transportation	870,662	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>870,662</u>	<u>532,378</u>	<u>56,382</u>
Excess (deficiency) of revenues over (under) expenditures	<u>109,356</u>	<u>(136,514)</u>	<u>72,597</u>
Other financing sources (uses)			
Bond issuance	-	-	-
Bond premium	-	-	-
Sale of capital assets	-	-	-
Transfers in	481,610	231,765	-
Transfers out	(3,390)	-	-
Total other financing sources (uses)	<u>478,220</u>	<u>231,765</u>	<u>-</u>
Net change in fund balances	587,576	95,251	72,597
Fund balances at beginning of year	<u>1,955,132</u>	<u>229,078</u>	<u>328,163</u>
Fund balances at end of year	<u>\$ 2,542,708</u>	<u>\$ 324,329</u>	<u>\$ 400,760</u>

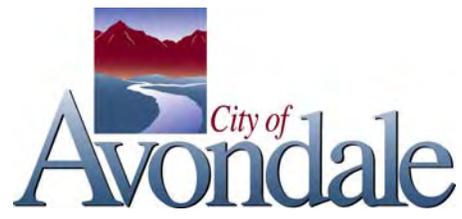
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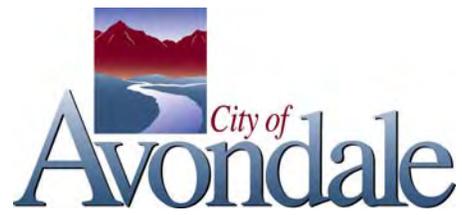
CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Family Advocacy Center</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,326,753	476,912	-	-
Charges for services	-	-	-	-
Interest	6,588	-	39,420	5,251
Contributions	429,269	15,038	-	-
Miscellaneous	51,619	-	-	-
Total revenue	<u>1,814,229</u>	<u>491,950</u>	<u>39,420</u>	<u>5,251</u>
Expenditures				
Current:				
General government	24,586	-	(1,946)	244,611
Public safety	272,460	707,915	-	-
Health and welfare	646,690	-	-	-
Economic and community development	679,700	-	-	-
Culture and recreation	4,349	-	-	-
Transportation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	404,200	29,863	1,310,427	485,018
Total expenditures	<u>2,031,985</u>	<u>737,778</u>	<u>1,308,481</u>	<u>729,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,756)</u>	<u>(245,828)</u>	<u>(1,269,061)</u>	<u>(724,378)</u>
Other financing sources (uses)				
Bond issuance	-	-	-	-
Bond premium	-	-	-	-
Sale of capital assets	-	-	217,218	4,890
Transfers in	74,180	268,440	1,608,200	829,720
Transfers out	(316,085)	(3,780)	-	-
Total other financing sources (uses)	<u>(241,905)</u>	<u>264,660</u>	<u>1,825,418</u>	<u>834,610</u>
Net change in fund balances	(459,661)	18,832	556,357	110,232
Fund balances at beginning of year	<u>783,976</u>	<u>47,081</u>	<u>4,695,103</u>	<u>514,801</u>
Fund balances at end of year	<u>\$ 324,315</u>	<u>\$ 65,913</u>	<u>\$ 5,251,460</u>	<u>\$ 625,033</u>

(continuation)

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User Revenue Bonds	Dedicated Sales Tax Bonds	Other Debt Service	Total Non-Major Governmental Funds
\$ -	\$ 4,999,024	\$ -	\$ -	\$ -	\$ 4,999,024
-	-	-	-	-	3,129,586
-	-	-	-	-	127,983
4,267	14,561	1,805	49,344	144	139,845
45,128	-	-	-	439,584	961,511
-	-	-	-	-	51,619
<u>49,395</u>	<u>5,013,585</u>	<u>1,805</u>	<u>49,344</u>	<u>439,728</u>	<u>9,409,568</u>
-	-	-	-	-	323,633
-	-	-	-	-	980,375
-	-	-	-	-	1,179,068
-	-	-	-	-	679,700
-	-	-	-	-	4,349
-	-	-	-	-	870,662
-	2,915,000	290,000	2,408,523	1,658,999	7,272,522
279,058	489,630	110,588	2,460,512	434,837	3,774,625
-	-	-	-	-	2,229,508
<u>279,058</u>	<u>3,404,630</u>	<u>400,588</u>	<u>4,869,035</u>	<u>2,093,836</u>	<u>17,314,442</u>
<u>(229,663)</u>	<u>1,608,955</u>	<u>(398,783)</u>	<u>(4,819,691)</u>	<u>(1,654,108)</u>	<u>(7,904,874)</u>
15,000,000	-	-	-	-	15,000,000
91,235	-	-	-	-	91,235
-	-	-	-	-	222,108
-	-	400,000	5,394,378	1,721,770	11,010,063
<u>(14,812,283)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,135,538)</u>
<u>278,952</u>	<u>-</u>	<u>400,000</u>	<u>5,394,378</u>	<u>1,721,770</u>	<u>11,187,868</u>
49,289	1,608,955	1,217	574,687	67,662	3,282,994
<u>721,874</u>	<u>3,797,761</u>	<u>471,478</u>	<u>6,111,250</u>	<u>1,892,324</u>	<u>21,548,021</u>
<u>\$ 771,163</u>	<u>\$ 5,406,716</u>	<u>\$ 472,695</u>	<u>\$ 6,685,937</u>	<u>\$ 1,959,986</u>	<u>\$ 24,831,015</u>





**BUDGETARY COMPARISON SCHEDULES –
COMBINING NON-MAJOR GOVERNMENTAL FUNDS**

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
LOCAL TRANSPORTATION ASSISTANCE FUND
YEAR ENDED JUNE 30, 2009

	Local Transportation Assistance Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 570,620	\$ 570,620	\$ 962,899	\$ 392,279
Interest	54,620	54,620	17,119	(37,501)
Total revenues	<u>625,240</u>	<u>625,240</u>	<u>980,018</u>	<u>354,778</u>
Expenditures				
Current:				
Transportation	932,420	932,420	870,662	61,758
Capital outlay	300,000	499,756	-	499,756
Total expenditures	<u>1,232,420</u>	<u>1,432,176</u>	<u>870,662</u>	<u>561,514</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(607,180)</u>	<u>(806,936)</u>	<u>109,356</u>	<u>916,292</u>
Other financing sources (uses)				
Transfers in	481,610	481,610	481,610	-
Transfers out	(3,390)	(3,390)	(3,390)	-
Total other financing sources (uses)	<u>478,220</u>	<u>478,220</u>	<u>478,220</u>	<u>-</u>
Net change in fund balance	(128,960)	(328,716)	587,576	916,292
Fund balance at beginning of year	<u>1,054,953</u>	<u>1,054,953</u>	<u>1,955,132</u>	<u>900,179</u>
Fund balance at end of year	<u>\$ 925,993</u>	<u>\$ 726,237</u>	<u>\$ 2,542,708</u>	<u>\$ 1,816,471</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SENIOR PROGRAMS FUND
YEAR ENDED JUNE 30, 2009**

	Senior Programs Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 316,680	\$ 323,932	\$ 363,022	\$ 39,090
Interest	-	-	350	350
Contributions	26,280	27,780	32,492	4,712
Total revenues	<u>342,960</u>	<u>351,712</u>	<u>395,864</u>	<u>44,152</u>
Expenditures				
Current:				
Health and welfare	487,350	635,833	532,378	103,455
Capital outlay	-	-	-	-
Total expenditures	<u>487,350</u>	<u>635,833</u>	<u>532,378</u>	<u>103,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(144,390)</u>	<u>(284,121)</u>	<u>(136,514)</u>	<u>147,607</u>
Other financing sources (uses)				
Transfers in	215,680	215,680	231,765	16,085
Total other financing sources (uses)	<u>215,680</u>	<u>215,680</u>	<u>231,765</u>	<u>16,085</u>
Net change in fund balance	71,290	(68,441)	95,251	163,692
Fund balance at beginning of year	<u>164,968</u>	<u>164,968</u>	<u>229,078</u>	<u>64,110</u>
Fund balance at end of year	<u>\$ 236,258</u>	<u>\$ 96,527</u>	<u>\$ 324,329</u>	<u>\$ 227,802</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, 2009

	<u>Judicial Collection Enhancement Fund</u>			Variance with Final Budget - Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 124,590	\$ 124,590	\$ 127,983	\$ 3,393
Interest	-	9,290	996	(8,294)
Total revenues	<u>124,590</u>	<u>133,880</u>	<u>128,979</u>	<u>(4,901)</u>
Expenditures				
Current:				
General government	<u>181,220</u>	<u>181,220</u>	<u>56,382</u>	<u>124,838</u>
Total expenditures	<u>181,220</u>	<u>181,220</u>	<u>56,382</u>	<u>124,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,630)</u>	<u>(47,340)</u>	<u>72,597</u>	<u>119,937</u>
Net change in fund balance	(56,630)	(47,340)	72,597	119,937
Fund balance at beginning of year	<u>299,080</u>	<u>299,080</u>	<u>328,163</u>	<u>29,083</u>
Fund balance at end of year	<u><u>\$ 242,450</u></u>	<u><u>\$ 251,740</u></u>	<u><u>\$ 400,760</u></u>	<u><u>\$ 149,020</u></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, 2009

	Grants-in-Aid Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 830,480	\$ 2,422,697	\$ 1,326,753	\$ (1,095,944)
Interest	24,000	24,000	6,588	(17,412)
Contributions	-	307,615	429,269	121,654
Miscellaneous	5,000,000	3,091,416	51,619	(3,039,797)
Total revenues	<u>5,854,480</u>	<u>5,845,728</u>	<u>1,814,229</u>	<u>(4,031,499)</u>
Expenditures				
Current:				
General government	5,025,000	2,261,269	24,586	2,236,683
Public safety	56,470	353,709	272,460	81,249
Health and welfare	180,280	1,720,544	646,690	1,073,854
Economic and community development	1,199,740	1,357,161	679,700	677,461
Culture and recreation	-	3,674	4,349	(675)
Capital outlay	-	417,718	404,200	13,518
Total expenditures	<u>6,461,490</u>	<u>6,114,075</u>	<u>2,031,985</u>	<u>4,082,090</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(607,010)</u>	<u>(268,347)</u>	<u>(217,756)</u>	<u>50,591</u>
Other financing sources (uses)				
Transfers in	74,180	74,180	74,180	-
Transfers out	(300,000)	(300,000)	(316,085)	(16,085)
Total other financing sources (uses)	<u>(225,820)</u>	<u>(225,820)</u>	<u>(241,905)</u>	<u>(16,085)</u>
Net change in fund balance	(832,830)	(494,167)	(459,661)	34,506
Fund balance at beginning of year	<u>1,101,063</u>	<u>1,101,063</u>	<u>783,976</u>	<u>(317,087)</u>
Fund balance at end of year	<u>\$ 268,233</u>	<u>\$ 606,896</u>	<u>\$ 324,315</u>	<u>\$ (282,581)</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FAMILY ADVOCACY CENTER FUND
YEAR ENDED JUNE 30, 2009**

	Family Advocacy Center Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 532,910	\$ 532,910	\$ 476,912	\$ (55,998)
Contributions	-	-	15,038	15,038
Total revenues	<u>532,910</u>	<u>532,910</u>	<u>491,950</u>	<u>(40,960)</u>
Expenditures				
Current:				
Public safety	802,600	790,618	707,915	82,703
Capital outlay	<u>20,000</u>	<u>31,982</u>	<u>29,863</u>	<u>2,119</u>
Total expenditures	<u>822,600</u>	<u>822,600</u>	<u>737,778</u>	<u>84,822</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(289,690)</u>	<u>(289,690)</u>	<u>(245,828)</u>	<u>43,862</u>
Other financing sources (uses)				
Transfers in	268,440	268,440	268,440	-
Transfers out	<u>(3,780)</u>	<u>(3,780)</u>	<u>(3,780)</u>	-
Total other financing sources (uses)	<u>264,660</u>	<u>264,660</u>	<u>264,660</u>	-
Net change in fund balance	(25,030)	(25,030)	18,832	43,862
Fund balance at beginning of year	<u>26,700</u>	<u>26,700</u>	<u>47,081</u>	<u>20,381</u>
Fund balance at end of year	<u>\$ 1,670</u>	<u>\$ 1,670</u>	<u>\$ 65,913</u>	<u>\$ 64,243</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2009**

	Vehicle Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 32,800	\$ 32,800	\$ 39,420	\$ 6,620
Total revenues	<u>32,800</u>	<u>32,800</u>	<u>39,420</u>	<u>6,620</u>
Expenditures				
Current:				
General government	-	-	(1,946)	1,946
Capital outlay	<u>2,498,750</u>	<u>2,498,750</u>	<u>1,310,427</u>	<u>1,188,323</u>
Total expenditures	<u>2,498,750</u>	<u>2,498,750</u>	<u>1,308,481</u>	<u>1,190,269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,465,950)</u>	<u>(2,465,950)</u>	<u>(1,269,061)</u>	<u>1,196,889</u>
Other financing sources (uses)				
Sale of capital assets	-	-	217,218	217,218
Transfers in	<u>1,608,200</u>	<u>1,608,200</u>	<u>1,608,200</u>	<u>-</u>
Total other financing sources (uses)	<u>1,608,200</u>	<u>1,608,200</u>	<u>1,825,418</u>	<u>217,218</u>
Net change in fund balance	(857,750)	(857,750)	556,357	1,414,107
Fund balance at beginning of year	<u>4,664,115</u>	<u>4,664,115</u>	<u>4,695,103</u>	<u>30,988</u>
Fund balance at end of year	<u>\$ 3,806,365</u>	<u>\$ 3,806,365</u>	<u>\$ 5,251,460</u>	<u>\$ 1,445,095</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
EQUIPMENT REPLACEMENT FUND
YEAR ENDED JUNE 30, 2009

	Equipment Replacement Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 6,500	\$ 6,500	\$ 5,251	\$ (1,249)
Total revenues	<u>6,500</u>	<u>6,500</u>	<u>5,251</u>	<u>(1,249)</u>
Expenditures				
Current:				
General government	363,400	288,400	244,611	43,789
Capital outlay	<u>407,000</u>	<u>482,000</u>	<u>485,018</u>	<u>(3,018)</u>
Total expenditures	<u>770,400</u>	<u>770,400</u>	<u>729,629</u>	<u>40,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(763,900)</u>	<u>(763,900)</u>	<u>(724,378)</u>	<u>39,522</u>
Other financing sources (uses)				
Sale of capital assets	-	-	4,890	4,890
Transfers in	<u>815,400</u>	<u>815,400</u>	<u>829,720</u>	<u>14,320</u>
Total other financing sources (uses)	<u>815,400</u>	<u>815,400</u>	<u>834,610</u>	<u>19,210</u>
Net change in fund balance	51,500	51,500	110,232	58,732
Fund balance at beginning of year	<u>520,518</u>	<u>520,518</u>	<u>514,801</u>	<u>(5,717)</u>
Fund balance at end of year	<u>\$ 572,018</u>	<u>\$ 572,018</u>	<u>\$ 625,033</u>	<u>\$ 53,015</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, 2009

	Other Capital Projects Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 20,000	\$ 20,000	\$ 4,267	\$ (15,733)
Contributions	85,000	85,000	45,128	(39,872)
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>49,395</u>	<u>(55,605)</u>
Expenditures				
Debt service:				
Interest and other charges	-	-	279,058	(279,058)
Capital outlay	40,000,000	38,103,500	-	38,103,500
Total expenditures	<u>40,000,000</u>	<u>38,103,500</u>	<u>279,058</u>	<u>37,824,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,895,000)</u>	<u>(37,998,500)</u>	<u>(229,663)</u>	<u>37,768,837</u>
Other financing sources (uses)				
Bond issuance	40,000,000	40,000,000	15,000,000	(25,000,000)
Bond premium (discount)	-	-	91,235	91,235
Transfers out	-	-	(14,812,283)	(14,812,283)
Total other financing sources (uses)	<u>40,000,000</u>	<u>40,000,000</u>	<u>278,952</u>	<u>(39,721,048)</u>
Net change in fund balance	105,000	2,001,500	49,289	(1,952,211)
Fund balance at beginning of year	<u>721,299</u>	<u>721,299</u>	<u>721,874</u>	<u>575</u>
Fund balance at end of year	<u>\$ 826,299</u>	<u>\$ 2,722,799</u>	<u>\$ 771,163</u>	<u>\$ (1,951,636)</u>

**CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL OBLIGATION BONDS FUND
YEAR ENDED JUNE 30, 2009**

	General Obligation Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 5,164,270	\$ 5,164,270	\$ 4,999,024	\$ (165,246)
Interest	15,280	15,280	14,561	(719)
Total revenues	<u>5,179,550</u>	<u>5,179,550</u>	<u>5,013,585</u>	<u>(165,965)</u>
Expenditures				
Debt service:				
Principal	2,915,000	2,915,000	2,915,000	-
Interest and other charges	498,630	498,630	489,630	9,000
Total expenditures	<u>3,413,630</u>	<u>3,413,630</u>	<u>3,404,630</u>	<u>9,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,765,920</u>	<u>1,765,920</u>	<u>1,608,955</u>	<u>(156,965)</u>
Net change in fund balances	1,765,920	1,765,920	1,608,955	(156,965)
Fund balance at beginning of year	<u>3,402,002</u>	<u>3,402,002</u>	<u>3,797,761</u>	<u>395,759</u>
Fund balance at end of year	<u>\$ 5,167,922</u>	<u>\$ 5,167,922</u>	<u>\$ 5,406,716</u>	<u>\$ 238,794</u>

CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
HIGHWAY USER REVENUE BONDS FUND
YEAR ENDED JUNE 30, 2009

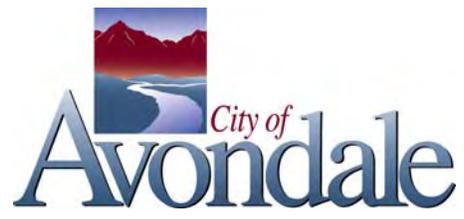
	Highway User Revenue Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 4,430	\$ 4,430	\$ 1,805	\$ (2,625)
Total revenues	<u>4,430</u>	<u>4,430</u>	<u>1,805</u>	<u>(2,625)</u>
Expenditures				
Debt service:				
Principal	290,000	290,000	290,000	-
Interest and other charges	119,840	119,840	110,588	9,252
Total expenditures	<u>409,840</u>	<u>409,840</u>	<u>400,588</u>	<u>9,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(405,410)</u>	<u>(405,410)</u>	<u>(398,783)</u>	<u>6,627</u>
Other financing sources (uses)				
Transfers in	400,000	400,000	400,000	-
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(5,410)	(5,410)	1,217	6,627
Fund balance at beginning of year	<u>469,572</u>	<u>469,572</u>	<u>471,478</u>	<u>1,906</u>
Fund balance at end of year	<u>\$ 464,162</u>	<u>\$ 464,162</u>	<u>\$ 472,695</u>	<u>\$ 8,533</u>

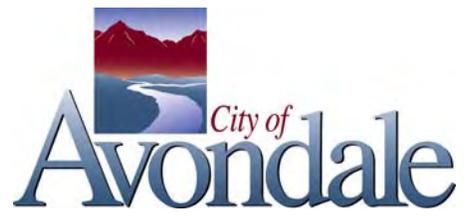
CITY OF AVONDALE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEDICATED SALES TAX BONDS FUND
YEAR ENDED JUNE 30, 2009

	Dedicated Sales Tax Bonds Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 69,630	\$ 69,630	\$ 49,344	\$ (20,286)
Total revenues	<u>69,630</u>	<u>69,630</u>	<u>49,344</u>	<u>(20,286)</u>
Expenditures				
Debt service:				
Principal	4,867,530	4,867,530	2,408,523	2,459,007
Interest and other charges	<u>2,785,950</u>	<u>2,785,950</u>	<u>2,460,512</u>	<u>325,438</u>
Total expenditures	<u>7,653,480</u>	<u>7,653,480</u>	<u>4,869,035</u>	<u>2,784,445</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,583,850)</u>	<u>(7,583,850)</u>	<u>(4,819,691)</u>	<u>2,764,159</u>
Other financing sources (uses)				
Transfers in	<u>5,394,330</u>	<u>5,394,330</u>	<u>5,394,378</u>	<u>(48)</u>
Total other financing sources (uses)	<u>5,394,330</u>	<u>5,394,330</u>	<u>5,394,378</u>	<u>(48)</u>
Net change in fund balance	(2,189,520)	(2,189,520)	574,687	2,764,111
Fund balance at beginning of year	<u>5,224,226</u>	<u>5,224,226</u>	<u>6,111,250</u>	<u>887,024</u>
Fund balance at end of year	<u>\$ 3,034,706</u>	<u>\$ 3,034,706</u>	<u>\$ 6,685,937</u>	<u>\$ 3,651,135</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, 2009

	Other Debt Service Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ 7,560	\$ 7,560	\$ 144	\$ (7,416)
Contributions	188,540	188,540	439,584	251,044
Total revenues	<u>196,100</u>	<u>196,100</u>	<u>439,728</u>	<u>243,628</u>
Expenditures				
Debt service:				
Principal	1,659,000	1,659,000	1,658,999	1
Interest and other charges	445,420	445,420	434,837	10,583
Total expenditures	<u>2,104,420</u>	<u>2,104,420</u>	<u>2,093,836</u>	<u>10,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,908,320)</u>	<u>(1,908,320)</u>	<u>(1,654,108)</u>	<u>254,212</u>
Other financing sources (uses)				
Transfers in	1,721,770	1,721,770	1,721,770	-
Total other financing sources (uses)	<u>1,721,770</u>	<u>1,721,770</u>	<u>1,721,770</u>	<u>-</u>
Net change in fund balance	(186,550)	(186,550)	67,662	254,212
Fund balance at beginning of year	<u>1,667,862</u>	<u>1,667,862</u>	<u>1,892,324</u>	<u>224,462</u>
Fund balance at end of year	<u>\$ 1,481,312</u>	<u>\$ 1,481,312</u>	<u>\$ 1,959,986</u>	<u>\$ 478,674</u>





COMBINING STATEMENTS – INTERNAL SERVICE FUNDS

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2009

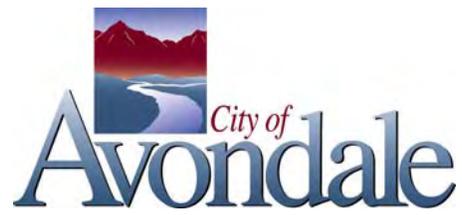
	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 388,946	\$ 151,651	\$ -	\$ 540,597
Investments	2,295,069	333,519	-	2,628,588
Receivables	118	-	1,276	1,394
Interest receivable	2,206	323	-	2,529
Inventories	-	-	249,842	249,842
Prepaid assets	295	-	-	295
Total current assets	<u>2,686,634</u>	<u>485,493</u>	<u>251,118</u>	<u>3,423,245</u>
Noncurrent assets:				
Capital assets, depreciable (net)	56,085	19,586	11,581	87,252
Total noncurrent assets	<u>56,085</u>	<u>19,586</u>	<u>11,581</u>	<u>87,252</u>
Total assets	<u>2,742,719</u>	<u>505,079</u>	<u>262,699</u>	<u>3,510,497</u>
LIABILITIES				
Current liabilities:				
Accounts payable	69,622	17	72,085	141,724
Accrued payroll and employee benefits	9,103	-	19,115	28,218
Claims payable	276,341	-	-	276,341
Due to other funds	-	-	407,384	407,384
Compensated absences	13,270	-	22,774	36,044
Total current liabilities	<u>368,336</u>	<u>17</u>	<u>521,358</u>	<u>889,711</u>
Noncurrent liabilities:				
Claims payable	112,382	-	-	112,382
Compensated absences	3,317	-	5,693	9,010
Total noncurrent liabilities	<u>115,699</u>	<u>-</u>	<u>5,693</u>	<u>121,392</u>
Total liabilities	<u>484,035</u>	<u>17</u>	<u>527,051</u>	<u>1,011,103</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	56,085	19,586	11,581	87,252
Unrestricted	2,202,599	485,476	(275,933)	2,412,142
Total net assets (deficit)	<u>\$ 2,258,684</u>	<u>\$ 505,062</u>	<u>\$ (264,352)</u>	<u>\$ 2,499,394</u>

CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds			
	<u>Risk Management</u>	<u>Printing Services</u>	<u>Fleet Management</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,800,411	\$ 221,631	\$ 2,040,793	\$ 4,062,835
Miscellaneous	118	-	2,085	2,203
Total operating revenues	<u>1,800,529</u>	<u>221,631</u>	<u>2,042,878</u>	<u>4,065,038</u>
Operating expenses:				
Cost of sales and services	-	105,739	1,555,357	1,661,096
Administration	400,161	-	535,764	935,925
Insurance claims and expenses	734,366	-	-	734,366
Depreciation	18,201	39,190	9,088	66,479
Total operating expenses	<u>1,152,728</u>	<u>144,929</u>	<u>2,100,209</u>	<u>3,397,866</u>
Operating income (loss)	<u>647,801</u>	<u>76,702</u>	<u>(57,331)</u>	<u>667,172</u>
Non-operating revenues (expenses):				
Interest income	15,529	3,840	-	19,369
Interest expense	-	-	(7,252)	(7,252)
Total non-operating revenues (expenses)	<u>15,529</u>	<u>3,840</u>	<u>(7,252)</u>	<u>12,117</u>
Income (loss) before transfers	663,330	80,542	(64,583)	679,289
Transfers in	-	-	122,000	122,000
Transfers out	(10,320)	-	(28,710)	(39,030)
Change in net assets	<u>653,010</u>	<u>80,542</u>	<u>28,707</u>	<u>762,259</u>
Net assets (deficit) - beginning	<u>1,605,674</u>	<u>424,520</u>	<u>(293,059)</u>	<u>1,737,135</u>
Net assets (deficit) - ending	<u>\$ 2,258,684</u>	<u>\$ 505,062</u>	<u>\$ (264,352)</u>	<u>\$ 2,499,394</u>

**CITY OF AVONDALE, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Funds			
	Risk Management	Printing Services	Fleet Management	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,801,104	\$ 221,631	\$ 2,041,602	\$ 4,064,337
Payments to suppliers	(703,738)	(144,816)	(1,403,997)	(2,252,551)
Payments to employees	(397,538)	-	(549,373)	(946,911)
Net cash provided (used) by operating activities	699,828	76,815	88,232	864,875
Cash flows from noncapital financing activities:				
Due to other funds	-	-	(174,270)	(174,270)
Transfers in	-	-	122,000	122,000
Transfers out	(10,320)	-	(28,710)	(39,030)
Net cash provided (used) for noncapital financing activities	(10,320)	-	(80,980)	(91,300)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(48,854)	-	-	(48,854)
Net cash provided (used) for capital and related financing activities	(48,854)	-	-	(48,854)
Cash flows from investing activities:				
Interest received on investments	21,455	3,518	(7,252)	17,721
Net cash provided by investing activities	21,455	3,518	(7,252)	17,721
Net increase in cash and cash equivalents	662,109	80,333	-	742,442
Cash and cash equivalents, beginning of period	2,021,906	404,837	-	2,426,743
Cash and cash equivalents, end of period	\$ 2,684,015	\$ 485,170	\$ -	\$ 3,169,185
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 647,801	\$ 76,702	\$ (57,331)	\$ 667,172
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	18,201	39,190	9,088	66,479
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	575	-	(1,276)	(701)
(Increase) decrease in inventories	-	-	95,012	95,012
(Increase) decrease in prepaid assets	(295)	-	-	(295)
Increase (decrease) in accounts payable	47,422	(39,077)	56,427	64,772
Increase (decrease) in accrued payroll and employee benefits	506	-	(8,740)	(8,234)
Increase (decrease) in compensated absences	2,117	-	(4,869)	(2,752)
Increase (decrease) in sales taxes payable	-	-	(79)	(79)
Increase (decrease) in claims payable	(16,499)	-	-	(16,499)
Net cash provided (used) by operating activities	\$ 699,828	\$ 76,815	\$ 88,232	\$ 864,875
Reconciliation of cash and cash equivalents at end of year to statement of net assets:				
Cash and cash equivalents	\$ 388,946	\$ 151,651	\$ -	\$ 540,597
Investments	2,295,069	333,519	-	2,628,588
Total cash and cash equivalents	\$ 2,684,015	\$ 485,170	\$ -	\$ 3,169,185



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

**CITY OF AVONDALE, ARIZONA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
 SCHEDULE BY SOURCE
 JUNE 30, 2009**

Governmental funds capital assets:	
Land	\$ 248,580,050
Buildings and improvements	54,475,932
Improvement other than buildings	637,446
Vehicles, furniture and equipment	26,517,663
Infrastructure	357,726,166
Construction in progress	15,059,439
Total	<u>\$ 702,996,696</u>

Investment in governmental activities capital assets by source:	
General Fund	\$ 15,887,794
Special Revenue Funds	8,517,953
Capital Projects Funds	678,590,949
Total	<u>\$ 702,996,696</u>

**CITY OF AVONDALE, ARIZONA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL ACTIVITIES
SCHEDULE BY FUNCTION AND ACTIVITY
JUNE 30, 2009**

Function and Activity ¹	Capital Asset Category						Total
	Land	Buildings and Improvements	Improvements Other Than Buildings	Vehicles, Furniture and Equipment	Infrastructure	Construction in Progress	
General government	\$ 8,484,324	\$ 16,537,821	\$ 16,005	\$ 11,851,454	\$ -	\$ 11,528	\$ 36,901,132
Public safety	307,003	12,336,792	246,251	11,694,093	-	1,839,915	26,424,054
Highways and streets	232,848,851	1,006,630	-	1,969,721	357,726,166	5,630,569	599,181,937
Health and welfare	215,948	978,211	-	91,055	-	-	1,285,214
Economic and community development	51,711	134,540	-	127,954	-	-	314,205
Culture and recreation	6,672,213	23,481,938	375,190	783,386	-	7,577,427	38,890,154
Total	\$ 248,580,050	\$ 54,475,932	\$ 637,446	\$ 26,517,663	\$ 357,726,166	\$ 15,059,439	\$ 702,996,696

¹ At June 30, 2009, the City did not maintain any capital assets under the transportation function.

**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, 2009**

<u>Function and Activity</u> ¹	<u>Capital Assets July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2009</u>
General government	\$ 29,086,410	\$ 7,919,446	\$ 104,724	\$ 36,901,132
Public safety	25,205,370	2,252,870	1,034,186	\$ 26,424,054
Highways and streets	583,690,583	24,042,451	8,551,097	599,181,937
Health and welfare	1,260,257	24,957	-	1,285,214
Economic and community development	289,830	24,375	-	314,205
Culture and recreation	<u>36,370,710</u>	<u>8,131,249</u>	<u>5,611,805</u>	<u>38,890,154</u>
Total	<u>\$ 675,903,160</u>	<u>\$ 42,395,348</u>	<u>\$ 15,301,812</u>	<u>\$ 702,996,696</u>

¹ The City did not maintain or acquire any capital assets under the transportation function during the year ended June, 30, 2009.

CITY OF AVONDALE, ARIZONA
STATISTICAL SECTION
JUNE 30, 2009

Statistical Section

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

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These schedules contain trend information to help users understand and assess how the City's financial position has changed over time.		
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CITY OF AVONDALE, ARIZONA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)

Schedule I

	Fiscal Year ¹						
	2003	2004	2005	2006 ²	2007 ³	2008	2009
Governmental activities							
Invested in capital assets, net of related debt	\$ (7,765,135)	\$ (728,546)	\$ (2,213,511)	\$ 196,509,921	\$ 453,900,454	\$ 480,355,653	\$ 486,881,869
Restricted	17,748,348	26,113,620	33,627,735	28,808,290	45,778,226	48,127,562	39,386,916
Unrestricted	7,079,459	13,854,820	20,756,092	31,939,142	40,533,604	42,848,985	39,653,933
Total governmental activities net assets	<u>\$ 17,062,672</u>	<u>\$ 39,239,894</u>	<u>\$ 52,170,316</u>	<u>\$ 257,257,353</u>	<u>\$ 540,212,284</u>	<u>\$ 571,332,200</u>	<u>\$ 565,922,718</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 49,659,313	\$ 65,140,765	\$ 76,032,966	\$ 382,500,757	\$ 437,478,163	\$ 454,628,362	\$ 494,353,666
Restricted	29,627,827	31,097,385	44,558,842	40,439,483	43,493,012	36,367,868	16,598,095
Unrestricted	15,485,880	16,450,395	24,462,385	28,749,995	33,992,839	38,511,906	37,775,176
Total business-type activities net assets	<u>\$ 94,773,020</u>	<u>\$ 112,688,545</u>	<u>\$ 145,054,193</u>	<u>\$ 451,690,235</u>	<u>\$ 514,964,014</u>	<u>\$ 529,508,136</u>	<u>\$ 548,726,937</u>
Primary government							
Invested in capital assets, net of related debt	\$ 41,894,178	\$ 64,412,219	\$ 73,819,455	\$ 579,010,678	\$ 891,378,617	\$ 934,984,015	\$ 981,235,535
Restricted	47,376,175	57,211,005	78,186,577	69,247,773	89,271,238	84,495,430	55,985,011
Unrestricted	22,565,339	30,305,215	45,218,477	60,689,137	74,526,443	81,360,891	77,429,109
Total Primary government net assets	<u>\$ 111,835,692</u>	<u>\$ 151,928,439</u>	<u>\$ 197,224,509</u>	<u>\$ 708,947,588</u>	<u>\$ 1,055,176,298</u>	<u>\$ 1,100,840,336</u>	<u>\$ 1,114,649,655</u>

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

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

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

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

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

Schedule II

	Fiscal Year ¹						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 10,128,809	\$ 12,773,774	\$ 17,652,671	\$ 22,764,573	\$ 18,346,534	\$ 17,792,047	\$ 14,968,809
Public safety	11,107,465	12,309,510	14,797,695	14,935,013	22,873,912	25,841,680	26,634,975
Highways and streets	2,233,017	2,574,072	2,842,497	7,781,653	10,347,480	10,898,173	11,069,079
Sanitation ³	2,746,075	3,047,585	-	-	-	-	-
Health and welfare	573,859	693,682	806,332	939,572	1,787,162	2,404,144	2,545,061
Economic and community development	2,078,521	2,718,598	3,356,334	5,213,085	6,542,881	8,665,232	6,808,330
Culture and recreation	945,473	1,013,654	1,157,280	1,816,712	3,474,717	2,665,257	3,327,765
Transportation ⁴	206,595	311,772	237,535	615,055	594,823	2,701,817	867,173
Interest on long-term debt	2,386,274	2,650,407	2,530,003	2,042,879	2,810,763	2,921,420	3,246,602
Total governmental activities net expenses	<u>32,406,088</u>	<u>38,093,054</u>	<u>43,380,347</u>	<u>56,108,542</u>	<u>66,778,272</u>	<u>73,889,770</u>	<u>69,467,794</u>
Business-type activities:							
Water utility	5,364,526	6,137,470	6,939,975	11,818,914	13,630,207	14,797,982	15,542,394
East Avondale water utility ³	501,732	701,085	-	-	-	-	-
Wastewater utility	5,054,347	4,589,305	4,733,439	8,296,298	9,371,087	9,850,598	10,555,903
Sanitation utility ³	-	-	3,145,714	3,266,298	4,192,462	4,361,538	4,117,318
Total business-type activities expenses	<u>10,920,605</u>	<u>11,427,860</u>	<u>14,819,128</u>	<u>23,381,510</u>	<u>27,193,756</u>	<u>29,010,118</u>	<u>30,215,615</u>
Total primary government expenses	<u>\$ 43,326,693</u>	<u>\$ 49,520,914</u>	<u>\$ 58,199,475</u>	<u>\$ 79,490,052</u>	<u>\$ 93,972,028</u>	<u>\$ 102,899,888</u>	<u>\$ 99,683,409</u>
Program Revenues							
Governmental activities:							
Charges for Services:							
General government ²	\$ 4,486,404	\$ 513,754	\$ 918,596	\$ 1,267,440	\$ 1,638,662	\$ 1,924,171	\$ 1,787,153
Public safety	3,050	12,483	50,474	147,137	403,696	716,940	665,937
Highways and streets	-	-	-	-	14,846	-	-
Sanitation ³	2,754,200	3,000,264	-	-	-	-	-
Economic and community development ²	-	4,940,363	5,589,855	5,817,266	3,728,984	2,354,229	805,550
Culture and recreation	28,440	100,390	135,916	254,323	507,118	402,105	492,988
Operating grants and contributions	1,860,947	2,078,204	4,462,062	5,085,797	7,877,600	9,004,224	8,386,128
Capital grants and contributions	12,183,730	11,151,696	7,924,999	10,699,397	41,453,780	25,442,212	8,855,743
Total governmental activities program revenues	<u>21,316,771</u>	<u>21,797,154</u>	<u>19,081,902</u>	<u>23,271,360</u>	<u>55,624,686</u>	<u>39,843,881</u>	<u>20,993,499</u>
Business-type activities:							
Charges for Services:							
Water utility ³	6,283,314	5,847,391	8,485,789	9,336,905	11,277,850	11,689,072	10,903,178
East Avondale water utility ³	1,308,192	1,770,151	-	-	-	-	-
Wastewater utility	5,296,408	6,315,059	6,907,659	6,946,157	7,431,247	7,720,602	7,124,168
Sanitation utility ³	-	-	2,890,001	3,392,810	3,915,823	4,346,931	4,414,342
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	7,066,770	15,536,911	14,686,667	12,531,009	30,783,194	14,128,878	8,216,300
Total business-type activities program revenues	<u>19,954,684</u>	<u>29,469,512</u>	<u>32,970,116</u>	<u>32,206,881</u>	<u>53,408,114</u>	<u>37,885,483</u>	<u>30,657,988</u>
Total primary government program revenues	<u>\$ 41,271,455</u>	<u>\$ 51,266,666</u>	<u>\$ 52,052,018</u>	<u>\$ 55,478,241</u>	<u>\$ 109,032,800</u>	<u>\$ 77,729,364</u>	<u>\$ 51,651,487</u>
Net (Expense) Revenue							
Governmental activities	\$ (11,089,317)	\$ (16,295,900)	\$ (24,298,445)	\$ (32,837,182)	\$ (11,153,586)	\$ (34,045,889)	\$ (48,474,295)
Business-type activities	9,034,079	18,041,652	18,150,988	8,825,371	26,214,358	8,875,365	442,373
Total primary government net (expense)/revenue	<u>\$ (2,055,238)</u>	<u>\$ 1,745,752</u>	<u>\$ (6,147,457)</u>	<u>\$ (24,011,811)</u>	<u>\$ 15,060,772</u>	<u>\$ (25,170,524)</u>	<u>\$ (48,031,922)</u>

(continued on next page)

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

Schedule II
(continuation)

	Fiscal Year ¹						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Sales and use taxes	\$ 16,167,320	\$ 23,177,913	\$ 36,525,428	\$ 39,883,436	\$ 42,691,477	\$ 38,291,070	\$ 33,021,053
Property taxes, levied for general purposes	831,159	884,323	1,147,443	1,310,133	1,519,425	1,815,527	1,916,742
Property taxes, levied for debt service	1,192,297	1,452,584	1,941,381	2,319,060	2,800,966	4,135,646	5,061,320
Franchise taxes	558,196	640,293	682,292	876,224	982,033	1,001,905	1,033,993
State shared revenues, unrestricted	10,323,804	10,272,674	8,218,495	10,022,750	17,513,121	18,983,659	18,249,722
Investment income	534,050	378,780	1,093,019	2,331,224	3,642,859	2,984,483	592,542
Gain on sale of capital assets	31,114	372,845	286,400	61,289	146,585	140,504	217,001
Miscellaneous	676,905	709,802	407,388	358,317	392,483	610,011	934,675
Transfers	(16,924,196)	583,908	(13,072,979)	(800,000)	(10,123,583)	(2,800,000)	(17,962,235)
Total governmental activities	<u>13,390,649</u>	<u>38,473,122</u>	<u>37,228,867</u>	<u>56,362,433</u>	<u>59,565,366</u>	<u>65,162,805</u>	<u>43,064,813</u>
Business-type activities:							
Investment income	577,619	440,575	1,087,666	2,684,687	3,536,505	2,658,608	574,400
Gain on sale of capital assets	180,736	-	50,100	7,803	64,223	51,442	77,747
Miscellaneous	5,085	17,206	3,915	70,470	84,193	158,707	162,046
Transfers	16,924,196	(583,908)	13,072,979	800,000	10,123,583	2,800,000	17,962,235
Total business-type activities	<u>17,687,636</u>	<u>(126,127)</u>	<u>14,214,660</u>	<u>3,562,960</u>	<u>13,808,504</u>	<u>5,668,757</u>	<u>18,776,428</u>
Total primary government	<u>\$ 31,078,285</u>	<u>\$ 38,346,995</u>	<u>\$ 51,443,527</u>	<u>\$ 59,925,393</u>	<u>\$ 73,373,870</u>	<u>\$ 70,831,562</u>	<u>\$ 61,841,241</u>
Changes in Net Assets							
Governmental activities	\$ 2,301,332	\$ 22,177,222	\$ 12,930,422	\$ 23,525,251	\$ 48,411,780	\$ 31,116,916	\$ (5,409,482)
Business-type activities	26,721,715	17,915,525	32,365,648	12,388,331	40,022,862	14,544,122	19,218,801
Total primary government	<u>\$ 29,023,047</u>	<u>\$ 40,092,747</u>	<u>\$ 45,296,070</u>	<u>\$ 35,913,582</u>	<u>\$ 88,434,642</u>	<u>\$ 45,661,038</u>	<u>\$ 13,809,319</u>

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

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

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

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

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

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

Schedule III

(modified accrual basis of accounting)

	Fiscal Year ¹						
	2003	2004	2005	2006	2007	2008	2009
General Fund							
Reserved	\$ 199,102	\$ 139,183	\$ 212,336	\$ 154,179	\$ 77,994	\$ 51,796	\$ 12,435
Unreserved	9,574,224	12,894,969	19,781,789	27,505,360	37,381,040	35,854,897	32,285,521
Total General Fund	<u>\$ 9,773,326</u>	<u>\$ 13,034,152</u>	<u>\$ 19,994,125</u>	<u>\$ 27,659,539</u>	<u>\$ 37,459,034</u>	<u>\$ 35,906,693</u>	<u>\$ 32,297,956</u>
All other governmental funds							
Reserved	\$ 19,224,835	\$ 8,305,841	\$ 8,965,365	\$ 11,270,955	\$ 13,459,405	\$ 13,221,123	\$ 16,565,285
Unreserved, reported in:							
Special Revenue Funds	2,280,820	5,590,870	10,831,027	12,260,058	14,493,602	11,769,069	9,383,952
Capital Projects Funds	9,599,629	17,673,575	18,186,566	11,923,289	18,261,268	28,023,908	18,585,349
Total all other governmental funds	<u>\$ 31,105,284</u>	<u>\$ 31,570,286</u>	<u>\$ 37,982,958</u>	<u>\$ 35,454,302</u>	<u>\$ 46,214,275</u>	<u>\$ 53,014,100</u>	<u>\$ 44,534,586</u>

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

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

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

Schedule IV

	Fiscal Year ¹						
	2003	2004	2005	2006	2007	2008	2009
Revenues							
Taxes	\$ 18,736,691	\$ 26,225,061	\$ 40,196,899	\$ 44,367,883	\$ 48,059,641	\$ 45,103,331	\$ 40,966,295
Licenses and permits	9,619,546	13,407,638	11,976,285	12,683,605	7,673,913	8,640,183	3,134,769
Intergovernmental	13,683,424	12,283,227	12,999,608	16,815,306	24,790,367	28,703,206	27,035,675
Charges for services ²	2,957,895	4,003,862	943,619	1,955,528	1,624,541	1,726,235	1,179,405
Fines, forfeitures, and penalties	262,032	334,376	660,602	951,969	1,280,434	1,467,011	1,357,050
Interest	545,722	385,013	1,093,019	2,331,223	3,603,941	2,946,716	580,422
Contributions	4,869,567	1,981,544	824,627	735,024	1,278,270	874,006	1,137,849
Miscellaneous revenues	839,084	714,629	425,769	751,867	1,575,441	377,544	261,427
Total revenues	51,513,961	59,335,350	69,120,428	80,592,405	89,886,548	89,838,232	75,652,892
Expenditures							
General government	16,574,345	11,644,262	15,738,926	16,820,415	16,774,809	16,334,100	10,970,755
Public safety	10,209,532	10,995,415	13,859,897	17,254,476	20,729,479	23,478,075	23,939,534
Highways and streets ³	2,019,611	2,044,465	1,902,555	2,205,035	2,359,925	1,833,928	2,177,687
Sanitation ²	2,454,368	2,406,162	-	-	-	-	-
Health and welfare	530,698	1,033,165	793,862	914,806	1,719,404	2,120,063	2,719,779
Economic and community development	2,078,510	2,177,974	2,370,053	3,976,363	5,083,707	7,312,754	6,588,345
Culture and recreation	768,906	890,534	969,467	1,232,332	4,081,600	3,379,661	4,021,204
Transportation ³	206,595	311,772	237,535	615,055	588,627	2,693,561	870,662
Debt Service							
Principal	1,196,220	2,890,843	3,882,461	4,914,723	5,718,590	6,547,759	7,684,563
Interest	2,387,562	2,650,407	2,957,914	2,909,515	3,529,618	3,264,547	3,855,789
Capital outlay	32,262,324	22,595,576	12,704,572	25,180,046	20,830,712	14,807,347	22,182,625
Total expenditures	70,688,671	59,640,575	55,417,242	76,022,766	81,416,471	81,771,795	85,010,943
Excess of revenues over (under) expenditures	(19,174,710)	(305,225)	13,703,186	4,569,639	8,470,077	8,066,437	(9,358,051)
Other Financing Sources (Uses)							
Bond issuance	43,170,000	-	12,400,000	18,690,685	21,000,000	-	15,000,000
Issuance of refunding bonds	3,060,000	-	-	-	-	-	-
Bond premium (discount)	381,356	-	(45,989)	38,724	945,767	-	91,235
Payment to refunding bonds escrow agent	(3,977,913)	-	-	(18,337,174)	-	-	-
Sale of capital assets	707,553	909,196	436,574	85,724	252,296	224,347	223,770
Capital leases	387,435	2,537,949	-	927,040	-	-	-
Transfer in	18,255,356	11,226,148	13,551,582	14,234,220	28,055,659	19,867,345	18,277,333
Transfer out	(35,179,552)	(10,642,240)	(26,672,708)	(15,072,100)	(38,164,331)	(22,910,645)	(36,322,538)
Total other financing sources (uses)	26,804,235	4,031,053	(330,541)	567,119	12,089,391	(2,818,953)	(2,730,200)
Net change in fund balances	\$ 7,629,525	\$ 3,725,828	\$ 13,372,645	\$ 5,136,758	\$ 20,559,468	\$ 5,247,484	\$ (12,088,251)
Debt service as a percentage of noncapital expenditures	9.3%	15.0%	16.0%	15.4%	15.3%	14.7%	18.4%

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

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

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

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

CITY OF AVONDALE, ARIZONA
 ASSESSED VALUE, ESTIMATED ACTUAL VALUE AND ASSESSMENT RATIOS OF TAXABLE PROPERTY ²
 LAST TEN FISCAL YEARS

Schedule V

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property	Gross Valuation	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ¹ as a Percentage of Actual Value
2008-2009	\$ 292,044,995	\$ 92,215,354	\$212,214,174	\$154,112,452	\$ 376,314	\$ -	\$ -	\$750,963,289	\$(109,200,312)	\$641,762,977	1.11	\$ 5,772,182,553	13.010 %
2007-2008	373,154,615	92,685,824	186,089,522	135,969,538	415,276	-	-	788,314,775	(84,159,774)	704,155,001	1.11	6,319,124,006	12.475
2006-2007	322,476,066	70,412,295	149,002,237	109,719,498	435,213	-	-	652,045,309	(65,876,221)	586,169,088	1.11	5,237,223,411	12.450
2005-2006	200,052,758	35,937,301	117,241,485	89,720,469	326,959	-	-	443,278,972	(56,488,332)	386,790,640	1.17	3,404,843,546	13.019
2004-2005	182,086,324	25,380,852	95,313,347	73,626,681	315,401	-	-	376,722,605	(54,118,826)	322,603,779	1.17	2,920,329,986	12.900
2003-2004	151,090,125	16,748,041	71,796,337	74,293,583	297,703	-	-	314,225,789	(48,997,680)	265,228,109	1.17	2,430,772,423	12.927
2002-2003	135,198,702	14,637,321	47,767,825	46,665,816	65,788	-	-	244,335,452	(32,083,392)	212,252,060	1.27	1,981,422,235	12.331
2001-2002	97,965,574	10,009,484	32,301,284	42,473,870	52,954	-	-	182,803,166	(26,604,390)	156,198,776	1.28	1,474,541,801	12.397
2000-2001	81,152,019	7,235,821	24,824,405	31,243,348	53,870	-	33	144,509,496	(15,209,116)	129,300,380	1.28	1,180,235,350	12.244
1999-2000	67,964,260	6,711,705	23,144,351	15,593,607	49,289	-	-	113,463,212	(9,001,340)	104,461,872	1.64	938,408,667	12.091

Assessment Ratios³ of Taxable Property

Fiscal Year	Residential Owner Occupied Property	Residential Rental Property	Commercial and Industrial Property	Agricultural and Vacant Property	Railroad Property	Timber and Mining Property	Historical Property
2008-2009	10.0 %	10.0 %	22.0 %	16.0 %	18.0 %	22.0 %	1.0 %
2007-2008	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2006-2007	10.0	10.0	24.0	16.0	21.0	24.0	1.0
2005-2006	10.0	10.0	24.5	16.0	22.0	24.5	1.0
2004-2005	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2003-2004	10.0	10.0	25.0	16.0	21.0	25.0	1.0
2002-2003	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2001-2002	10.0	10.0	25.0	16.0	20.0	25.0	1.0
2000-2001	10.0	10.0	25.0	16.0	21.0	25.0	1.0
1999-2000	10.0	10.0	25.0	16.0	21.0	25.0	1.0

¹ Includes tax-exempt property.

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

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

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role* (1998-2008) and *2008 Tax Rates Maricopa County, Arizona*.

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

Fiscal Year ¹	Direct Rate	Overlapping Rates ²					Overlapping Rates				
	City of Avondale, Arizona	County		Tolleson Elementary School	Tolleson Union High School	Pendergast Elementary School	Litchfield Elementary School	Avondale Elementary School	Agua Fria Union High School	Littleton Elementary School	Liberty Elementary School
		County-wide	Community College	District No. 17	District No. 214	District No. 92	District No. 79	District No. 44	District No. 216	District No. 65	District No. 25
2008-09 Primary	0.36	0.99	0.72	0.98	1.06	1.77	1.62	1.96	2.04	2.51	1.49
2008-09 Secondary	0.74	0.00	0.16	2.93	1.04	3.44	1.01	1.36	0.65	1.26	1.18
2007-08 Primary	0.37	1.03	0.78	2.46	1.60	1.90	1.76	1.87	1.88	2.38	1.70
2007-08 Secondary	0.73	0.00	0.16	1.69	1.01	3.02	0.77	1.76	0.52	1.39	1.00
2006-07 Primary	0.41	1.10	0.82	2.06	1.62	1.99	1.82	1.91	1.62	2.33	2.28
2006-07 Secondary	0.70	0.00	0.15	2.15	1.24	3.32	0.90	1.89	1.01	1.61	1.34
2005-06 Primary	0.44	1.20	0.89	2.90	2.70	2.25	1.89	2.38	2.24	2.74	2.22
2005-06 Secondary	0.73	0.00	0.14	2.34	1.09	3.79	1.46	1.89	1.36	1.85	1.73
2004-05 Primary	0.46	1.21	0.92	4.01	3.15	2.35	2.50	2.61	3.38	2.12	2.50
2004-05 Secondary	0.71	0.00	0.12	2.73	1.14	4.02	1.61	1.85	1.37	1.72	0.58
2003-04 Primary	0.48	1.21	0.94	3.30	3.24	2.39	2.38	3.45	2.42	3.90	2.26
2003-04 Secondary	0.69	0.07	0.14	2.31	1.03	3.98	1.89	0.79	1.37	2.02	1.83
2002-03 Primary	0.54	1.21	0.96	3.06	3.59	2.81	2.13	2.25	2.83	2.33	2.50
2002-03 Secondary	0.73	0.08	0.15	2.20	1.31	4.67	2.14	0.77	1.39	1.56	1.64
2001-02 Primary	0.55	1.18	0.96	2.56	2.76	2.40	2.61	2.91	2.47	2.88	2.34
2001-02 Secondary	0.73	0.09	0.15	2.87	1.48	4.88	2.21	1.11	1.41	1.77	1.76
2000-01 Primary	0.60	1.16	0.97	3.27	2.81	2.50	2.62	2.57	3.62	2.29	2.26
2000-01 Secondary	0.68	0.12	0.15	3.06	1.66	4.90	2.51	1.93	1.57	1.82	2.08
1999-00 Primary	0.64	1.19	0.97	2.41	2.13	2.68	2.31	2.87	2.99	2.31	2.35
1999-00 Secondary	1.00	1.00	0.15	3.33	1.63	4.89	2.93	2.10	1.51	1.37	2.00

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

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

Source: Arizona Research Foundation and Maricopa County Assessor's Office Property Tax Rates and Assessed Values (1998-2008) and Maricopa County Finance Department web publication, (2008-2009) Tax Rates Maricopa County, Arizona.

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

Schedule VII

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Phoenix International Raceway	\$ 8,574,845	1	1.22 %	\$ 2,013,528	1	1.93 %
Inland Western Avondale McDowell, LLC	7,933,353	2	1.13	—	—	—
Raintree Pad 2, LLC	6,583,678	3	0.93	—	—	—
Moreland Properties, LLC	5,326,671	4	0.76	—	—	—
D H Ventures, LLC	4,555,793	5	0.65	—	—	—
Smiths Food & Drug Centers, Inc.	4,549,019	6	0.65	890,909	5	0.85
Mechanic (AZ) Qrs 15-41, Inc.	4,469,004	7	0.63	—	—	—
Taylor Woodrow/Arizona Inc	4,412,570	8	0.63	—	—	—
Harkins Phoenix Cinemas, LLC	3,843,634	9	0.55	—	—	—
Avondale Commerce Center Phase 1, LLC	3,704,104	10	0.53	—	—	—
Arizona Public Service Company	—	—	—	1,468,463	2	1.41
Wal-Mart Stores, Inc	—	—	—	1,170,636	3	1.12
US West Corporation	—	—	—	612,111	7	0.59
Southwest Gas Corporation	—	—	—	627,751	6	0.60
Dillon Real Estate Co., Inc.	—	—	—	893,916	4	0.86
Arizona ACV VI, LLC	—	—	—	495,852	10	0.48
Aimco Brandywine LP	—	—	—	605,050	8	0.58
WMFT RE Partnership	—	—	—	571,002	9	0.55
Total	\$ 53,952,671		7.68 %	\$ 9,349,218		8.97 %

Source: Stone & Youngberg LLC, City of Avondale, Arizona 2009 Official Statements and the Maricopa County Assessor's Office year 2000 property tax data.

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

Schedule VIII

<u>Fiscal Year</u>	<u>Original Property Tax Levy</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2008-2009	\$ 7,102,059	\$ 6,710,295	94.48 %	\$ 188,138	\$ 6,898,433	97.13 %
2007-2008	5,906,911	5,639,466	95.47	135,697	5,775,163	97.77
2006-2007	4,389,587	4,225,998	96.27	35,793	4,261,791	97.09
2005-2006	3,668,855	3,593,624	97.95	28,187	3,621,811	98.72
2004-2005	2,977,361	2,906,636	97.62	26,545	2,933,181	98.52
2003-2004	2,406,999	2,374,955	98.67	22,005	2,396,960	99.58
2002-2003	2,014,427	1,976,098	98.10	21,542	1,997,640	99.17
2001-2002	1,607,427	1,502,020	93.44	26,930	1,528,950	95.12
2000-2001	1,290,209	1,260,264	97.68	7,531	1,267,795	98.26
1999-2000	1,273,147	1,259,546	98.93	9,109	1,268,655	99.65

¹ Property taxes are payable in two installments. The first installment becomes due on the first day of October and is delinquent after the first business day of November. The second installment is due on the first day of March and becomes delinquent after the first business day of May. Delinquent property taxes are subject to a penalty of 16% per annum, prorated at a monthly rate of 1.33%.

Source: Maricopa County Budget Department and Maricopa County Treasurer's Office, *Secured Levy Report Through June 30, 2009*.

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

Schedule IX

(dollars expressed in thousands, except per capita)

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

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

² See Demographics and Economic Statistics schedule on page 122 for personal income and population data.

Source: City records.

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

Schedule X

Fiscal Year	Secondary Assessed Valuation²	General Obligation Bonds	Less: Amounts available in Debt Service Fund	Net General Obligation Bonded Debt	Percentage of Net Bonded Debt to Estimated Actual Taxable Value of Property	Per Capita¹
2009	\$ 641,762,977	\$ 13,450,000	\$ 5,406,716	\$ 8,043,284	1.25 %	\$ 104.09
2008	704,155,001	16,365,000	3,797,761	12,567,239	1.78	164.04
2007	586,169,088	18,630,000	2,546,201	16,106,965	2.75	241.56
2006	386,790,640	17,705,000	1,852,477	15,852,523	4.10	239.79
2005	322,603,779	18,775,000	1,282,265	17,492,735	5.42	290.31
2004	265,228,109	19,620,000	923,817	18,696,183	7.05	346.71
2003	212,252,060	19,926,000	675,756	19,250,244	9.07	404.33
2002	156,198,776	13,370,000	566,141	12,803,859	8.20	316.57
2001	129,300,380	13,759,000	-	13,759,000	10.64	383.44
2000	104,461,872	14,123,000	-	14,123,000	13.52	437.65

¹ See Demographics and Economic Statistics Schedule on page 122 for population data.

² See *Assessed Value, Estimated Actual Value and Assessment Ratios of Taxable Property Schedule* on page 109 for secondary assessed valuation data.

Source: Maricopa County Assessor's Office and Arizona Department of Revenue, *Abstract of the Assessment Role (1999-2008)* and city records.

**CITY OF AVONDALE, ARIZONA
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT ¹
 AS OF JUNE 30, 2009**

Schedule XI

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City of Avondale</u>	<u>Amount Applicable to City of Avondale</u>
State of Arizona	\$ NONE	0.82 %	\$ NONE
Maricopa County	NONE	1.21	NONE
Maricopa County Community College District	727,390,000	1.21	8,801,419
Avondale Elementary School District No. 44	33,050,000	18.72	6,186,960
Litchfield Elementary School District No. 79	39,065,000	12.45	4,863,593
Littleton Elementary School District No. 65	14,500,000	59.76	8,665,200
Pendergast Elementary School District No. 92	29,225,000	34.69	10,138,153
Tolleson Elementary School District No. 17	12,040,000	12.27	1,477,308
Agua Fria Union High School District No. 216	56,120,000	14.47	8,120,564
Tolleson Union High School District No. 214	89,470,000	28.14	25,176,858
City of Avondale	<u>13,450,000</u>	100.00	13,450,000
 Total direct and overlapping general obligation bonded debt	 <u>\$ 1,014,310,000</u>		 <u>\$ 86,880,054</u>

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

Source: The various jurisdictions.

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

Schedule XII

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Net secondary assessed valuation	\$ 212,252,060	\$ 265,228,109	\$ 322,603,779	\$ 386,790,640	\$ 586,169,088	\$ 704,155,001	\$ 641,762,977
<u>20% Limitation</u>							
Debt limit	42,450,412	53,045,622	64,520,756	77,358,128	117,233,818	140,831,000	128,352,595
Net debt applicable to limit	<u>10,576,000</u>	<u>10,270,000</u>	<u>9,565,000</u>	<u>8,930,000</u>	<u>16,130,000</u>	<u>14,185,000</u>	<u>11,785,000</u>
Legal 20% debt margin	<u>\$ 31,874,412</u>	<u>\$ 42,775,622</u>	<u>\$ 54,955,756</u>	<u>\$ 68,428,128</u>	<u>\$ 101,103,818</u>	<u>\$ 126,646,000</u>	<u>\$ 116,567,595</u>
Total net debt applicable to the limit as a percentage of debt limit	24.9%	19.4%	14.8%	11.5%	13.8%	10.1%	9.2%
<u>6% Limitation</u>							
Debt limit	\$ 12,735,124	\$ 15,913,687	\$ 19,356,227	\$ 23,207,438	\$ 35,170,145	\$ 42,249,300	\$ 38,505,779
Net debt applicable to limit	<u>9,350,000</u>	<u>9,350,000</u>	<u>9,210,000</u>	<u>8,775,000</u>	<u>2,500,000</u>	<u>2,180,000</u>	<u>1,665,000</u>
Legal 6% debt margin	<u>\$ 3,385,124</u>	<u>\$ 6,563,687</u>	<u>\$ 10,146,227</u>	<u>\$ 14,432,438</u>	<u>\$ 32,670,145</u>	<u>\$ 40,069,300</u>	<u>\$ 36,840,779</u>
Total net debt applicable to the limit as a percentage of debt limit	73.4%	58.8%	47.6%	37.8%	7.1%	5.2%	4.3%

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

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

Source: City records.

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

Schedule XIII

	Fiscal Year							
	2002	2003	2004	2005 ⁶	2006 ⁶	2007	2008	2009
Total operating revenues ³	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219	\$ 15,396,708	\$ 16,342,090	\$ 18,749,786	\$ 19,436,132	\$ 18,073,447
Total operating expenses ⁴	7,109,672	6,655,346	7,247,442	8,851,960	10,023,264	12,473,104	13,259,794	14,419,200
Net operating income	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>	<u>6,544,748</u>	<u>6,318,826</u>	<u>6,276,682</u>	<u>6,176,338</u>	<u>3,654,247</u>
Other revenues	<u>571,524</u>	<u>740,400</u>	<u>420,466</u>	<u>1,087,765</u>	<u>2,585,356</u>	<u>3,687,234</u>	<u>2,785,829</u>	<u>2,092,810</u>
Net revenues before debt service	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>	<u>\$ 7,632,513</u>	<u>\$ 8,904,182</u>	<u>\$ 9,963,916</u>	<u>\$ 8,962,167</u>	<u>\$ 5,747,057</u>
Debt service ⁵	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873	\$ 2,461,448	\$ 2,455,293	\$ 2,469,394	\$ 2,444,879	\$ 2,441,059
Debt service coverage	1.89	2.23	1.76	3.10	3.63	4.03	3.67	2.35

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

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

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

⁴ Excludes depreciation and interest expenses.

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

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

Note: See Note 8 - Long-term Obligations on pages 58-64 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records

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

Schedule XIV

Debt service payable during year ended June 30	Actual Excise tax Revenues²	Total Actual/Estimated Annual Debt Service Requirements	Debt Service Coverage Ratio
2003	\$ 27,411,443	\$ 2,601,893	10.54
2004	34,943,465	4,079,119	8.57
2005	49,478,255	4,954,707	9.99
2006	54,195,623	5,704,165	9.50
2007	63,450,347	5,500,623	11.54
2008	58,524,899	6,148,524	9.52
2009	51,190,101	7,955,796	6.43
2010	-	8,695,150	5.89
2011	-	8,785,005	5.83
2012	-	8,779,954	5.83
2013	-	8,419,016	6.08
2014	-	7,976,904	6.42
2015	-	6,861,877	7.46
2016	-	6,827,066	7.50
2017	-	6,001,492	8.53
2018	-	5,966,460	8.58
2019	-	5,966,985	8.58
2020	-	5,983,585	8.56
2021	-	5,045,876	10.14
2022	-	2,554,650	20.04

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

² The City has pledged excise taxes to secure Municipal Development Corporation Bonds outstanding that are not covered by pledged water and sewer utilities operating revenues (see the Avondale Water and Sewer Systems Pledged Revenue Coverage schedule on page 117).

Note: See Note 8 - Long-term Obligations on pages 58-64 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule XV

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

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

² The Highway User Revenue Fund (HURF) Bonds are special revenue bonds specifically issued for the purpose of constructing street and highway projects. The bonds are secured by motor fuel tax revenues distributed by the State to the City based on a formula of population and motor fuel sales within the county of origin. The bonds must be voter-approved and the amount of bonds the City may issue is limited by the annual amount of HURF revenues from the State. The annual total debt service (principal and interest) must not exceed one-half of the annual revenues received by the City.

Note: See Note 8 - Long-term Obligations on pages 58-64 for additional detailed information on the City's long-term debt and pledged revenues.

Source: City records.

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

Schedule XVI

<u>Fiscal Year</u>	<u>Street and Highway Revenue Receipts</u>
2008-09	\$ 4,161,313
2007-08	4,764,909
2006-07	4,948,541
2005-06	2,952,118
2004-05	2,608,891
2003-04	2,484,542
2002-03	2,323,982
2001-02	2,227,397
2000-01	1,726,651
1999-00	1,630,701

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

Source: City records.

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

Schedule XVII

Source	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
City sales tax	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566	\$ 35,955,607	\$ 39,327,962	\$ 42,619,823	\$ 37,549,019	\$ 32,618,773
State sales tax	2,765,159	2,806,331	3,018,844	3,324,212	4,055,107	6,592,077	6,374,091	5,518,183
State revenue sharing	3,748,916	3,770,461	3,240,789	3,336,656	4,100,286	8,031,441	9,806,105	10,195,604
Utility and cable franchise fees	492,526	558,196	640,293	682,292	876,223	982,032	1,001,905	1,033,993
Licenses and permits	4,194,488	4,049,503	4,862,956	5,518,886	4,884,077	3,974,976	2,405,938	972,685
Fines and forfeitures	297,233	262,032	334,392	660,601	951,968	1,249,998	1,387,841	850,862
Totals	\$ 25,840,823	\$ 27,411,444	\$ 34,972,840	\$ 49,478,254	\$ 54,195,623	\$ 63,450,347	\$ 58,524,899	\$ 51,190,101

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

Source: City records.

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

Schedule XVIII

Fiscal Year	Population⁵	Personal Income (in thousands of dollars)	Per Capita Personal Income¹	Estrella Mountain Community College Enrollment²	City of Avondale Unemployment Rate³	State of Arizona Unemployment Rate⁴
2009	77,276	\$ 155,362,522	\$ 38,418	13,980	6.1 %	7.0 %
2008	76,613	165,815,109	38,859	12,702	3.4	4.1
2007	66,678	152,429,229	36,342	12,619	3.2	3.9
2006	66,110	135,649,398	34,724	12,849	3.5	4.4
2005	60,255	120,716,738	33,178	13,357	3.9	4.7
2004	53,925	110,278,789	31,523	9,689	7.6	5.0
2003	47,610	101,378,940	29,912	9,040	9.4	5.7
2002	40,445	96,998,974	29,423	5,193	10.6	6.1
2001	35,883	93,554,549	29,250	4,958	7.4	4.7
2000	32,270	89,771,608	28,984	4,300	8.2	4.0

¹ The City does not maintain personal income or per capita personal income information. Therefore, the information presented is based on Maricopa County figures. The source of this information is the Arizona Department of Economic Security, Maricopa County Economic Profile. Information has been updated to reflect the most current available data from the Arizona Department of Economic Security. Personal income and per capita personal income amounts presented for years 2006 - 2009 are city-calculated estimates based on the average annual change.

² Information provided by Estrella Mountain Community College.

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

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

⁵ Beginning in fiscal year 2008, City population projections are based on the Maricopa Association of Governments (MAG) figures for the prior fiscal year, adjusted by MAG figures for the net change in current year housing units, estimated population per housing unit, and occupancy rate.

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

Schedule XIX

<u>Employer</u>	<u>2009</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Avondale Elementary School District No. 44	775	1	0.02 %	325	2	0.02 %
Agua Fria Union High School District No. 216	725	2	0.02	260	4	0.02
Estrella Mountain Community College	530	3	0.01	90	7	0.01
City of Avondale	500	4	0.01	250	5	0.02
Wal-Mart Stores, Inc	420	5	0.01	—	—	—
Avondale Auto Group	420	5	0.01	—	—	—
Baker Concrete Construction	385	6	0.01	—	—	—
Fry's Food and Drug Store	245	7	0.01	—	—	—
Costco Wholesale	210	8	0.01	—	—	—
Rudolfo Bros. Plastering, Inc.	200	9	0.01	—	—	—
Sam's Club	200	9	0.01	—	—	—
SunBridge Healthcare Corp.	200	9	0.01	—	—	—
Cummins Rock Mountain LLC	195	10	0.01	—	—	—
CalMat Companies	—	—	—	500	1	0.04
Beam Corporation	—	—	—	300	3	0.02
Royal Sun West Care Center	—	—	—	125	6	0.01
Arizona Machinery Company	—	—	—	90	7	0.01
Gateway Chevrolet & Geo	—	—	—	50	8	0.01
Total	5,005		0.15 %	1,990		0.16 %

Source: Stone & Youngberg LLC, Official Statements and averages based on data from the U.S. Department of Labor, Bureau of Labor Statistics for 2000 and 2009.

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

Schedule XX

<u>Function</u>	<u>Full-time Equivalent Employees as of June 30</u>						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General government							
City Administration	6.0	6.0	8.0	8.0	9.0	9.0	9.0
Finance and Budget	18.5	18.5	21.5	23.5	29.5	29.5	29.5
City Court	7.0	10.0	10.0	10.5	11.5	13.5	14.0
Planning and Building Services	18.0	18.0	19.0	22.0	22.0	29.0	25.0
Other	30.0	30.0	29.6	34.6	44.0	48.0	40.0
Public safety							
Police							
Civilians ³	24.5	34.0	42.5	45.0	49.5	54.5	50.5
Officers ³	76.0	81.0	92.0	94.0	100.5	107.5	112.5
Fire							
Firefighters and officers	34.0	41.5	45.5	46.0	45.0	50.0	50.0
Civilians	8.0	12.0	13.0	17.5	12.0	13.0	10.0
Highways and streets							
Engineering	14.0	14.0	14.0	17.0	22.0	21.0	19.0
Maintenance	17.0	17.0	15.3	13.3	14.0	14.0	14.0
Health and welfare	13.0	12.0	12.0	12.0	21.5	21.5	27.5
Economic and community development	4.0	4.0	3.0	2.0	3.0	3.0	3.0
Sanitation	18.0	18.0	19.1	21.1	19.0	20.0	20.0
Culture and recreation	26.5	27.5	27.0	26.0	48.0	49.0	45.0
Water resources	23.5	23.5	25.5	32.0	38.5	40.5	42.5
Sewer	12.5	12.5	12.5	15.0	16.5	16.5	20.5
Total	<u>350.5</u>	<u>379.5</u>	<u>409.5</u>	<u>439.5</u>	<u>505.5</u>	<u>539.5</u>	<u>532.0</u>

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

² Full-time equivalent employee numbers vary from the prior year schedule due to errors in previous calculations and new information provided by city departments.

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

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

Schedule XXI

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Police							
Calls for service	Not available	46,552	53,476	52,419	68,364	72,872	74,929
Citations ³	Not available	4,880	8,741	9,423	10,550	7,239	4,950
Physical arrests	Not available	4,579	4,345	5,062	3,373	4,121	4,113
Fire							
Number of emergency responses	7,939	6,519	7,806	6,735	6,843	5,583	5,738
Inspections	Not available	Not available	3,238	4,900	4,460	4,479	3,881
Number of fires extinguished	15	26	10	-	148	49	94
Sanitation							
Refuse collected (tons per day)	86	87	68	72	126	143	146
Recyclables collected (tons per day)	9	12	14	14	49	49	49
Water							
New connections	16,200	18,417	20,545	21,459	21,821	22,600	22,925
Water mains breaks	Not available	10	17	8	16	17	26
Average daily consumption (thousands of gallons)	8,305	9,185	9,301	10,285	11,850	11,850	11,664
Wastewater							
Average daily sewage treatment (thousands of gallons)	Not available	3,507	3,825	4,080	4,602	4,974	4,883

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

² Indicators are not available for the general government function.

³ Prior to 2009, Citations were broken down into 3 categories (Moving, Non-Moving and All Other.) For fiscal year ended June 30, 2009 all figures were combined due to a change in record keeping.

Source: Various city departments.

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

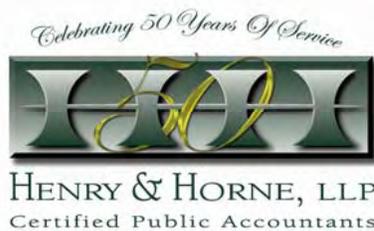
Schedule XXII

Function	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Public Safety							
Police:							
Stations	2	2	2	2	2	2	4
Patrol units	28	47	53	64	76	84	90
Fire stations							
Stations	2	2	2	3	3	3	3
Fire trucks	4	4	7	7	7	7	7
Fire vehicles (excl. fire trucks)	12	13	15	16	19	17	16
Sanitation							
Collection trucks	11	11	15	18	18	18	17
Highways and streets							
Streets (miles)	213	220	253	264	279	284	284
Streetlights	5,950	5,950	5,950	6,499	7,103	7,952	8,016
Traffic signals	24	26	28	29	33	36	42
Culture and recreation							
Parks acreage	118	118	130	265	265	265	265
Parks	11	11	11	11	11	11	11
Racquetball courts	0	0	0	0	0	0	0
Basketball courts	15	11	10	14	14	14	14
Volleyball courts	5	4	4	4	2	0	0
Baseball fields	0	3	3	3	3	4	4
Softball fields	0	3	3	3	3	7	7
Soccer fields	0	10	10	11	11	12	12
Swimming pools	0	0	0	0	0	0	0
Tennis courts	2	2	2	2	2	2	2
Community centers	2	2	2	2	2	2	1
Dog park	0	0	0	1	1	1	1
Playgrounds	4	5	5	7	7	8	8
Amphitheatre	3	3	3	3	3	2	2
Ramadas	5	6	6	8	8	12	12
Water							
Number of service connections	16,200	18,417	20,545	21,459	21,821	22,600	22,925
Water mains (miles)	315	335	335	406	309	314	316
Fire hydrants	Not available	1,965	2,235	2,564	2,581	2,624	2,686
Sewer							
Number of service connections	16,150	18,417	20,100	19,970	21,218	21,416	21,453
Sanitary sewers (miles)	307	329	329	321	232	235	235
Storm sewers (miles)	Not available	Not available	31	26	29	32	32
Wastewater							
Treatment plants	1	1	1	1	1	1	1

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

² Indicators are not available for the general government function.

Source: Various city departments.



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

The Honorable Mayor and Council
City of Avondale
Avondale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Avondale (the City), Arizona as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles

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such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting (2009-1).

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2009-2.

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

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.



Casa Grande, Arizona
December 28, 2009



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
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, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Avondale 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, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-2.

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Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

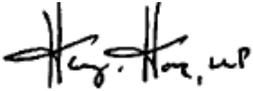
A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

The Honorable Mayor and Council
City of Avondale
Page Three

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

A handwritten signature in black ink, appearing to read "Kay. Hove, MS". The signature is stylized with a large initial 'K' and 'H'.

Casa Grande, Arizona
December 28, 2009

CITY OF AVONDALE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor/Pass-Through Grantor Number	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant/Entitlement Grants	14.218	B-07-MC-0513	\$ 21,004 *
	14.218	B-08-MC-0513	391,893 *
	14.218	B-08-MN-04-0501	16,850 *
HOME Investment Partnerships Program, passed through the Maricopa County Community Development Agency	14.239	M-05-DC-04-0227	668,003
Total U.S. Department of Housing and Urban Development			<u>1,097,750</u>
U.S. Department of Justice			
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2008-098	32,190
Bulletproof Vest Partnership Program	16.607		8,100
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	CRI07-08-106	12,870
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2007-CD-BX-0049	58,654
Total U.S. Department of Justice			<u>111,814</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	TEA-AVN-0(202)	10,331
	20.205	P001-2007-002169	29,569
	20.205	2008-041	179,170
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Arizona Governor's Office of Highway Safety	20.601	2007-410-009	14,573
	20.601	2008-410-022	50,000
Total U.S. Department of Transportation			<u>283,643</u>
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	271-6-1(02)	1,113
Total Institute of Museum and Library Services			<u>1,113</u>
Environmental Protection Agency			
Congressionally Mandated Projects	66.202	XP-96925201-2	1,779,953 *
State and Tribal Response Program Grants, passed through the Arizona Department of Environmental Quality	66.817	EV07-0196	23,534
Total U.S. Environmental Protection Agency			<u>1,803,487</u>
U.S. Department of Health and Human Services			
Aging Cluster:			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers, passed through the Area Agency on Aging, Region One, Inc.	93.044	2009-08-AVO	38,135
Special Programs for the Aging-Title III, Part C-Nutrition Services, passed through the Area Agency on Aging, Region One, Inc.	93.045	2009-08-AVO	92,536
Nutrition Services Incentive Program, passed through the Area Agency on Aging, Region One, Inc.	93.053	2009-08-AVO	28,226
Temporary Assistance for Needy Families, passed through the Maricopa County Division of Human Services	93.558	C-22-08-066-2-00	39,434
Low-Income Home Energy Assistance, passed through the Maricopa County Division of Human Services	93.568	C-22-08-066-2-00	31,451
Community Services Block Grant, passed through the Maricopa County Division of Human Services	93.569	C-22-08-066-2-00	7,568
Social Service Block Grant, passed through the Maricopa County Division of Human Services	93.667	C-22-08-066-2-00	8,247
Social Services Block Grant, passed through the Area Agency on Aging, Region One, Inc.	93.667	2009-08-AVO	20,134
ARRA-Aging Home-Delivered Nutrition Services for States, passed through the Area Agency on Aging, Region One, Inc.	93.705	2009-08-AVO	10,730
ARRA-Aging Congregate Nutrition Services for States, passed through the Area Agency on Aging, Region One, Inc.	93.707	2009-08-AVO	5,355
Total U.S. Department of Health and Human Services			<u>281,816</u>
U.S. Department of Homeland Security			
Urban Areas Security Initiative, passed through the Arizona Department of Homeland Security	97.008	2006-GE-T6-0007	5,601
Emergency Food and Shelter National Board Program, passed through World Hunger Education Advocacy Training	97.024	LRO 025600-073	12,274
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	07-AZDOHS-HSGP-333802-01	12,915
	97.067	07-AZDOHS-HSGP-333802-03	53,668
	97.067	333201-03 / 2007-GE-T7-006	1,900
	97.067	08-AZDOHS-HSGP-444806-01	3,758
Total U.S. Department of Homeland Security			<u>90,116</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,669,739</u></u>

See accompanying notes to schedule.

* Denotes major program

**CITY OF AVONDALE, ARIZONA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles, CFDA numbers and pass-through grantor's number were obtained from the federal or pass-through grantor, the 2007 and 2008 *Catalog of Federal Domestic Assistance*, or online CFDA information at www.cfda.gov, as applicable.

CITY OF AVONDALE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of City of Avondale.
2. One significant deficiency relating to the audit of the financial statements is reported. (2009-1)
3. No instances of noncompliance material to the financial statements of the City of Avondale are disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported. (2009-2)
5. The auditor's report on compliance for U.S. Department of Housing and Urban Development Community Development Block Grant/Entitlement Grants and Environmental Protection Agency Congressionally Mandated Projects expresses an unqualified opinion.
6. The audit disclosed findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include the U.S. Department of Housing and Urban Development Community Development Block Grant/Entitlement Grants (CFDA 14.218) and Environmental Protection Agency Congressionally Mandated Projects (CFDA 66.202).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Avondale qualified as a low-risk auditee.
10. There were no prior year findings.

CITY OF AVONDALE
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2009

Findings - Financial Statement Audit

2009-1 Internal controls relating to the oversight of the financial reporting process not timely and effective relating to recording deferred revenue and grant revenue.

Condition: A significant audit adjustment was required relating to deferred revenue and grant revenues.

Criteria: Amounts received from grants that do not have time requirements should be recorded as revenues when received.

Effect: An adjustment significant to the Non-major Governmental Funds was recorded to correct an overstatement of liabilities and understatement of revenues.

Cause: Management did not have timely oversight over the process of recording grant revenues.

Recommendation: We recommend that the Finance and Budget Department review the recording of grant revenue timely to insure proper recordation.

Management's response: Concur

Management Corrective Action Plan: Finance and Budget Department management has policies and procedures in place to monitor and review the recording of grant revenues. Also, department management is familiar with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which requires the recognition of revenue upon receipt when there are no time requirements. The misrecording of deferred revenue and grant revenue occurred as the review process designed to detect such errors was not performed as thoroughly as it should have been prior to recording the transactions in the general ledger. The thoroughness of the review was affected by personnel resource constraints.

To strengthen the Department's current revenue monitoring and recording process and to help ensure that deferred revenues and revenues are correctly recorded, management will more strictly enforce its current process.

CITY OF AVONDALE
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2009

Findings and Questioned Costs – Major Federal Award Programs Audit

ENVIRONMENTAL PROTECTION AGENCY (EPA)

2009-2 Grant reporting not timely

Condition: The City did not have effective controls in place to ensure timely submission of the annual Financial Status Report (SF-269) and Environmental Protection Agency (EPA) Minority/Women Business Enterprise Utilization Form (MBE/WBE)(5700-52A).

Criteria: The Environmental Protection Agency requires the City to file annual SF-269 and MBE/WBE utilization reports timely.

Effect: The EPA may hold grant disbursements until the reports are filed.

Cause: Management was unable to compile sufficient financial and non-financial program-related information to complete the 5700-52A report on time. The SF-269 report was not submitted timely due to personnel resource constraints.

Recommendation: We recommend that the City implement a process that requires personnel administering the grant to coordinate with the Grants Administrator any reporting issues prior to due dates. The process should enable city personnel to resolve all issues in order to meet report filing deadlines.

Management's response: Concur

Management Corrective Action Plan: The Grants Administrator conducts periodic meetings with program managers and Finance and Budget Department staff as frequently as monthly. During these meetings, key personnel discuss grant progress and compliance matters that include reporting deadlines. In addition to periodic meetings, the Grants Administrator also notifies key personnel of compliance deadlines by email and telephone.

The City filed the SF-269 Report late due to personnel resource constraints that arose due to the implementation of a new human resource and payroll system and retirement of the Finance and Budget Department Accounting Manager during the year. These events created additional workload for several key department staff including the individual responsible for preparing and submitting the SF-269 Report. The City filed the 5700-52A Form late due to the Water Resources Department not providing minority/women business enterprise utilization information to the individual responsible for preparing and submitting the 5700-52A Form in a timely manner.

CITY OF AVONDALE
SCHEDULE OF AUDIT FINDINGS
JUNE 30, 2009

Findings and Questioned Costs – Major Federal Award Programs Audit

ENVIRONMENTAL PROTECTION AGENCY (EPA)

2009-2 Grant reporting not timely (Concluded)

Management has evaluated the current federal reporting process and will implement a policy and process that requires the Grants Administrator or appropriate supervisor to report noncompliance to the responsible individual's supervisor and to work with the individual and supervisor to remedy the noncompliance in a timely manner.

