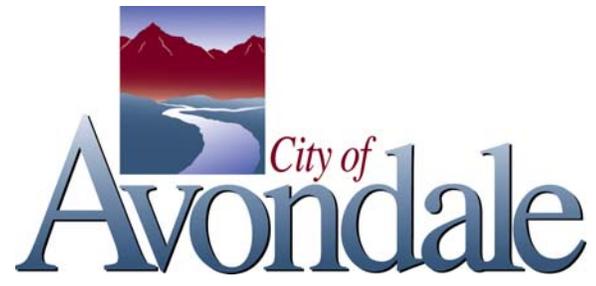




COMPREHENSIVE  
ANNUAL FINANCIAL REPORT

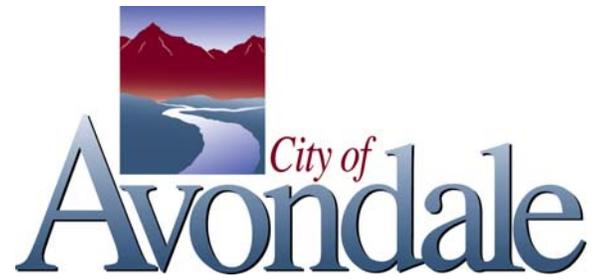
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CITY OF AVONDALE, ARIZONA

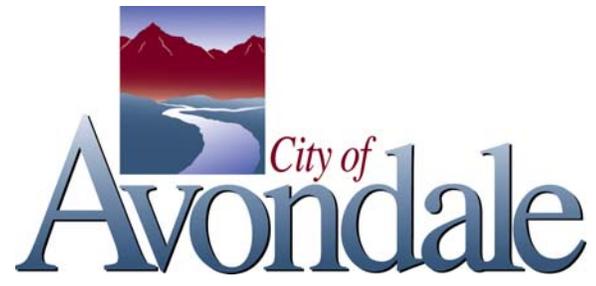


COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2004

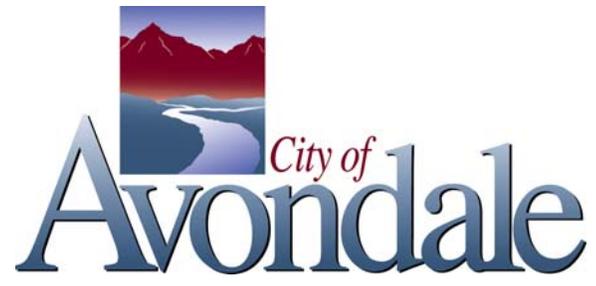
City of Avondale  
Avondale, Arizona



Prepared by:  
Finance and Budget Department



## INTRODUCTORY SECTION



**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2004**

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**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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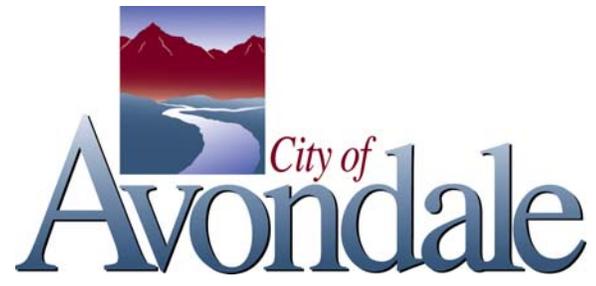
**CITY OF AVONDALE, ARIZONA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2004**

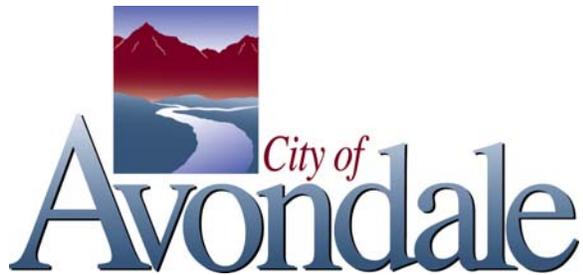
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**Finance and Budget Department**  
11465 W. Civic Center Drive  
Avondale, AZ 85323  
Phone: (623) 478-3200  
Fax: (623) 478-3817  
Website: [www.avondale.org](http://www.avondale.org)

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November 19, 2004

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, 2004. This report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for local governments as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The City's financial statements have been audited by Henry & Horne, P.L.C., a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also on the

audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The Federal Single Audit Report is included within this report.

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

### **City of Avondale Profile**

The City of Avondale, incorporated in 1946, is located in the western portion of the Phoenix metropolitan area, and is one of the fastest growing residential areas of Maricopa County, Arizona. The City currently occupies 43 square miles and serves a population of approximately 60,000. Unique to Avondale are the three rivers that traverse the City - the Gila, Salt and Agua Fria Rivers. The convergence of these rivers within Avondale presents a unique opportunity to build an open space system around these natural resources. Avondale also is home to Phoenix International Raceway; a world-class motor sports venue nestled in the foothills of the beautiful Estrella Mountains. Avondale is a popular NASCAR destination. Each year, racing enthusiasts and race teams converge in Avondale, spending millions of dollars.

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

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

The annual budget serves as the foundation for the City of Avondale's financial planning and control. The City Manager submits a proposed budget on or before June 1, to the City Council for review, for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Various meetings are held during the months leading up to the final budget adoption including

neighborhood meetings, and Citizen Capital Improvement Plan meetings. The City Council holds public hearings prior to the budget's final adoption in order to obtain additional citizen comments. At the first regular Council meeting in July, the City Council formally adopts a final budget and it is then legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Fund, Local Transportation Assistance Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Insurance Reserve Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds, Highway User Revenue Bonds, Dedicated Sales Tax Bonds, and Other Debt Service Fund. Budget to actual comparisons are provided in this report for each of these individual funds.

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

### **Factors Affecting Economic Condition and Outlook**

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

Several of the City's power centers continue to add new tenants and anchor stores. In addition, the Avondale auto mall continues to flourish with 3 new dealership under construction and 10 existing dealerships. Also, construction has been completed on an automotive technical school, Universal Technical Institute (UTI). UTI is a 275,000 square-foot building on 25 acres that supports 3,000 students annually and employs over 200 people.

### **Commercial Activity**

Gateway Pavilions – 630,000 square-foot power center, offering an exciting new shopping destination. It was constructed with the highest design standards, adding a valuable and pleasing amenity to Avondale and the surrounding communities. It is one of the Southwest Valley's premier shopping/entertainment destinations. A Costco and Harkins Theater anchor the center, which includes Borders Books, Marshalls, Bed, Bath & Beyond, Circuit City, Sports Authority, Mor Furniture, and several restaurants and specialty stores.

Coldwater Plaza – 450,000 square-foot power center. A Home Depot, Sams Club and Ashley Furniture anchor the center with several mid sized tenant buildings under construction.

Alameda Crossing – is the site of the new 88,000 square-foot Kohl's Department store. Several mid size tenant buildings and restaurants are under construction.

Avondale Auto mall – opened in 2001, current dealerships include: Chevrolet, Chrysler/Jeep, Dodge, Honda, Volkswagen, Recreational vehicles, Nissan, Kia, Mitsubishi, and Subaru. Dealerships under construction include Toyota, Hyundai, and Saturn. Two additional lots remain and it is anticipated that new dealerships will be announced soon.

Fiesta Plaza – 125,000 square-foot retail center in southern Avondale. Anchored by Fry's food and drug store.

### **Office and Employment Activity**

Universal Technical Institute (UTI) – 275,000 square-foot complex on 25 acres with a cost in excess of \$20 million. Located at 107<sup>th</sup> Avenue and Pierce, UTI serves 3,000 students annually and employs over 200 people. Students are drawn from across the country. Total annual payroll is expected to exceed \$11 million.

Rancho Santa Fe Professional Center – 82,000 square-foot medical complex constructed in Fiscal Year 2002-2003. 85% occupied.

Desert Lakes Professional Plaza – 45,000 square-foot professional plaza. Construction to be completed early spring 2004, and is 25% pre-leased.

Indian School Crossing – 40,000 square-foot office condominiums. Construction completed and 60% of units have been sold.

Gateway Office Park – 40,000 square-foot office condominiums. Construction to be completed spring 2004 and 50% of units have been sold.

Avondale Civic Center Private Sector – 30,000 square-foot professional office building. Plans are in review.

### **Residential Activity**

Avondale's excellent freeway access, attractive suburban lifestyle, along with the new commercial development has continued to attract new housing communities to the City. During fiscal year 2003-04, 1,999 residential building permits were issued and the City experienced a 25% increase in secondary assessed valuation going from \$212,252,060 to \$265,228,109 for fiscal year 2003-04.

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 2003-04, the City continued or planned for several significant projects.

Proposition 400 – The voters of the City approved proposition 400 increasing the City Sales Tax from 2% to 2.5%, during FY 2003-04. The sales tax is dedicated to fund Public Safety operations. 30 police personnel and 16 fire personnel will be hired over the next 18 months in an effort to upgrade the service levels of Public Safety.

Avondale Civic Center – The City completed the construction of the Avondale Civic Center, a new one-stop-shop government center complex to serve residents. Located on a 60-acre parcel along Avondale Boulevard, just south of Van Buren Street, the Avondale Civic Center will serve as a one-stop shop government center for residents and those doing business with the City. Most of the city's departments and the new City Council Chambers are housed at the new Civic Center. The campus also includes a new police station and City Court.

Avondale Boulevard Improvements – Construction of Avondale Boulevard, with six lanes and a landscaped median was completed in FY 2003-04. The City also installed a sewer trunk line along Avondale Boulevard from McDowell Road south to Broadway Road, then west along Broadway to the wastewater treatment plant on Dysart Road. The new corridor will serve to promote commercial and employment opportunities.

## **CASH MANAGEMENT**

Cash is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Government Investment pool. Investment income is allocated to the funds monthly on the basis of the cash provided for investment. The average yield on investments held with the State Treasurer was 1.03% for fiscal year 2003-2004.

## **EXPENDITURE LIMITATION**

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

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

## **SINGLE AUDIT**

As a recipient of Federal, State and County financial assistance, the City is responsible for ensuring that adequate internal control is in place to ensure compliance with

applicable laws, regulations, contracts and grants related to those programs. Internal control is subject to periodic evaluation by management.

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

## **PENSION BENEFITS**

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

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

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

The City maintains the Volunteer Firefighters' Relief and Pension Trust Fund. Net assets of the fund totaled \$247,929 at June 30, 2004, an increase of \$5,390 over the previous year.

## **RISK MANAGEMENT**

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

## **CERTIFICATE OF ACHIEVEMENT**

The Government Finance Officers Association of the United States (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Avondale for its comprehensive annual financial report (CAFR) for the year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year 2003-2004 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communication device.

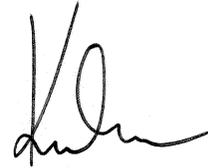
## **ACKNOWLEDGEMENTS**

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

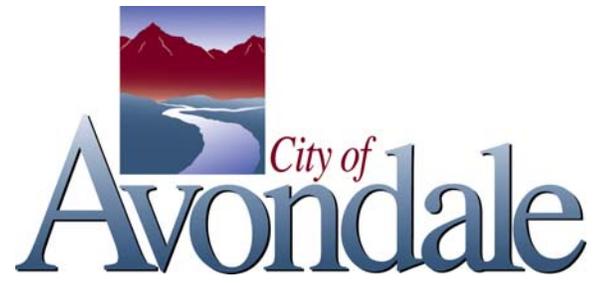
Respectfully submitted,



Erik Montague, CPA  
Controller



Kevin H. Artz, CPA  
Finance and Budget Director



**CITY OF AVONDALE, ARIZONA  
PRINCIPAL OFFICIALS OF THE CITY OF AVONDALE  
FISCAL YEAR 2004**

MAYOR AND COUNCIL

Ron Drake, Mayor

Betty S. Lynch, Vice Mayor

Raymond Shuey, Councilmember

Jason Earp, Councilmember

Marie Lopez-Rogers, Councilmember

Al Carroll, Councilmember

Chuck Wolf, Councilmember

MANAGEMENT STAFF

Charlie McClendon, City Manager

David Fitzhugh, Assistant City Manager

Assistant City Manager - Vacant

DEPARTMENT HEADS

Janet Stewart, Field Operations Director

Rob Emmett, Utilities Director

Dean Svoboda, Planning & Building Director

Kevin Kotsur, Police Chief

Paul Adams, Fire Chief

Jeff Fairman, Economic Development Director

Kevin Artz, Finance and Budget Director

Dan Davis, Community/Recreation Director

Cherlene Penilla, Human Resources Director

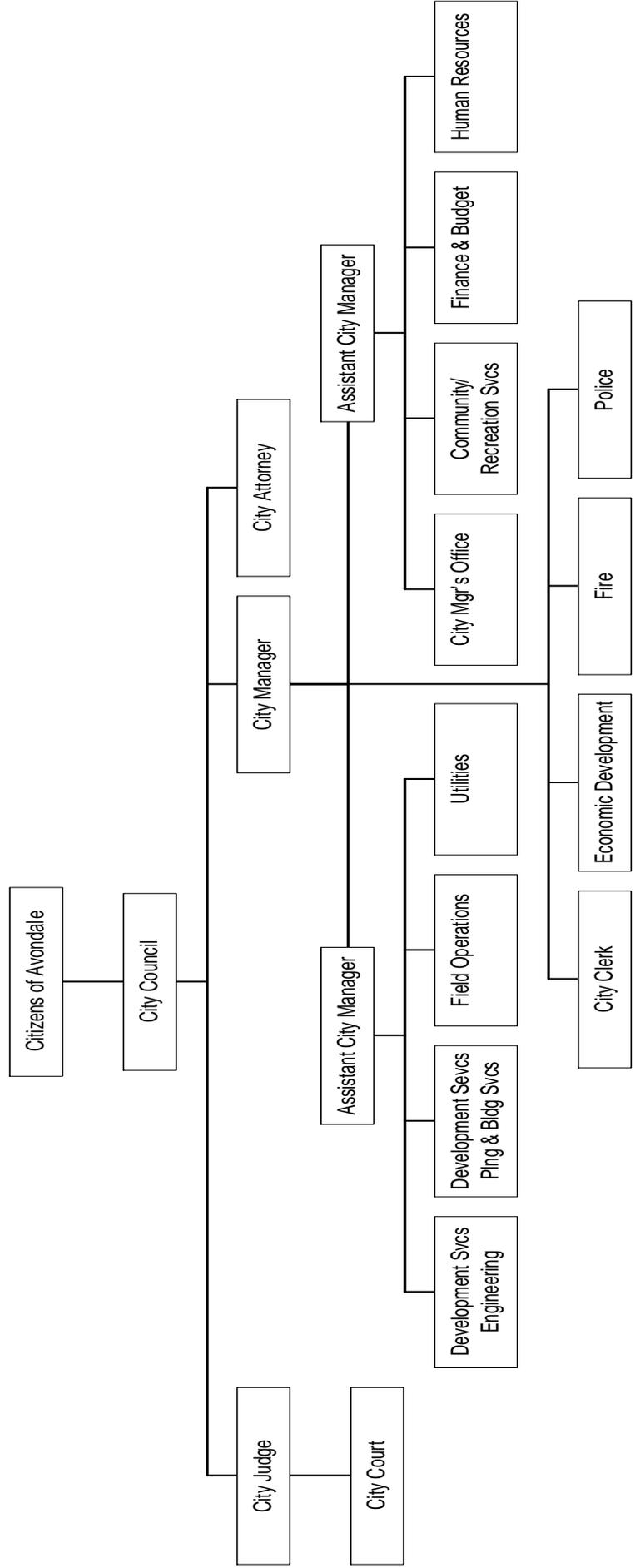
Linda Farris, City Clerk

Richard Lynch, City Magistrate

Carnell Thurman, City Engineer

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

# CITY OF AVONDALE ORGANIZATION CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Avondale,  
Arizona

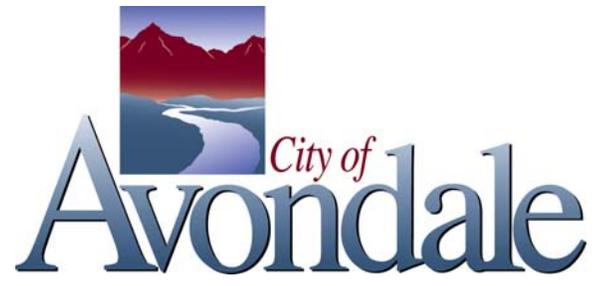
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

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

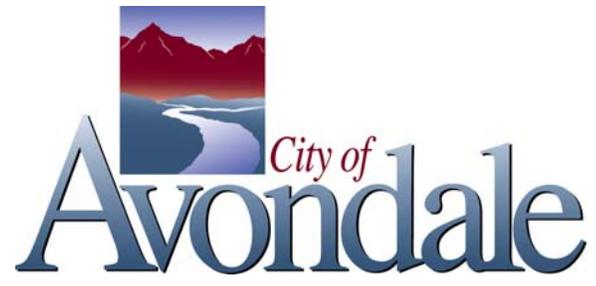


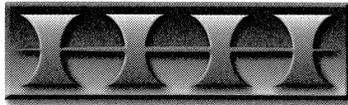
President

Executive Director



## FINANCIAL SECTION





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

## Independent Auditors' Report

The Honorable Mayor and Council  
City of Avondale, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Avondale (the City), Arizona, as of and for the year ended June 30, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Tempe  
2055 East Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-3624

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

Casa Grande  
711 East Cottonwood Lane  
Suite C  
Casa Grande, AZ 85222-2725  
(520) 836-8201  
Fax (520) 426-9432

Pinetop  
1630 East White Mountain Blvd.  
Suite C2  
Pinetop, AZ 85935-7040  
(928) 367-2591  
Fax (928) 367-3501

[www.henryandhorne.com](http://www.henryandhorne.com)

The Honorable Mayor and Council  
City of Avondale, Arizona

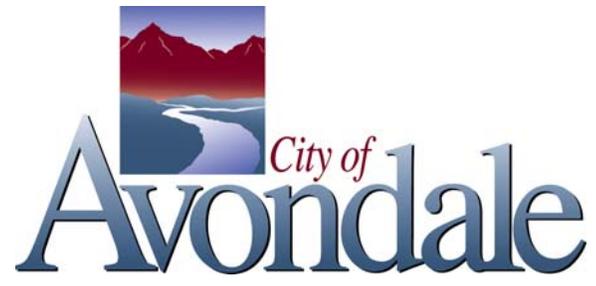
The management's discussion and analysis and budgetary comparison information on pages 3 through 15 and 73 through 84, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have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

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



November 19, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Avondale, Arizona (the City) we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2004.

This discussion and analysis is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions for the fiscal year ended June 30, 2004. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter as well as the City's basic financial statements.

### **Financial Highlights**

- The City's assets exceeded its liabilities at the close of fiscal year 2004 by \$151.9 million (net assets). Of this amount, \$30.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$40.1 million (35.9%) in fiscal year 2004, \$22.2 million (a 129.8% increase) in governmental activities and \$17.9 million (a 18.9% increase) in business-type activities.
- Total revenues for the governmental funds increased by \$7.8 million (a 15.2% increase) over the previous year.
- At June 30, 2004, the total fund balance of the governmental funds was \$44.6 million, an increase of \$3.7 million (9.1%) from the previous year.
- At June 30, 2004, unreserved fund balance for the General Fund was \$12.9 million, or 48.3% of General Fund expenditures for fiscal year 2004.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

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

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

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

## **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole for the year ended June 30, 2004 with comparative information for the previous year.

### **Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government’s financial position. For the City, assets exceeded liabilities by \$151.9 million, at the close of the most recent fiscal year.

The largest portion of the City’s net assets reflects its investment of \$64.4 million or 42.4% in capital assets (e.g. land, buildings, equipment, and current year infrastructure), less any related outstanding debt used to acquire those assets, for fiscal year 2004. The City uses those capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities. The following table reflects the City’s condensed Statement of Net Assets.

	Governmental Activities		Business-type Activities		Total (Primary Government)	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 53,068,842	\$ 58,049,293	\$ 50,782,091	\$ 47,732,135	\$ 103,850,933	\$ 105,781,428
Capital assets	64,393,151	46,055,900	87,870,202	75,652,195	152,263,353	121,708,095
Total assets	<u>117,461,993</u>	<u>104,105,193</u>	<u>138,652,293</u>	<u>123,384,330</u>	<u>256,114,286</u>	<u>227,489,523</u>
Other liabilities	7,707,012	16,155,368	3,179,613	2,571,883	10,886,625	18,727,251
Long-term liabilities	70,515,087	70,887,153	22,784,135	26,039,427	93,299,222	96,926,580
Total liabilities	<u>78,222,099</u>	<u>87,042,521</u>	<u>25,963,748</u>	<u>28,611,310</u>	<u>104,185,847</u>	<u>115,653,831</u>
Net assets:						
Invested in capital assets, net of related debt	(728,546)	(7,765,135)	65,140,765	49,659,313	64,412,219	41,894,178
Restricted	26,113,620	17,748,348	31,097,385	29,627,827	57,211,005	47,376,175
Unrestricted	13,854,820	7,079,459	16,450,395	15,485,880	30,305,215	22,565,339
Total net assets	<u>\$ 39,239,894</u>	<u>\$ 17,062,672</u>	<u>\$ 112,688,545</u>	<u>\$ 94,773,020</u>	<u>\$ 151,928,439</u>	<u>\$ 111,835,692</u>

The second largest portion of the City's net assets, \$57.2 million or 37.7% represents resources that are subject to external restrictions on how they may be used. External restrictions include those imposed by debt covenants, grantors, contributors, laws or regulations or other governments. The remaining portion of unrestricted net assets, \$30.3 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City was able to report positive net asset balances in two of three categories for the governmental activities and all three of the business-type activities. The City elected to prospectively report infrastructure assets, as required, for fiscal year ended June 30, 2004. Therefore, the deficit position of invested in capital assets, net of related debt, in the governmental activities is a result of significant debt financed infrastructure that will be capitalized in future years. The City anticipates retroactively reporting infrastructure assets in fiscal year 2006.

## Changes in Net Assets

The City's total net assets increased by \$40.1 million for the current fiscal year. The following table presents a summary of the changes in net assets for fiscal year ended June 30, 2004.

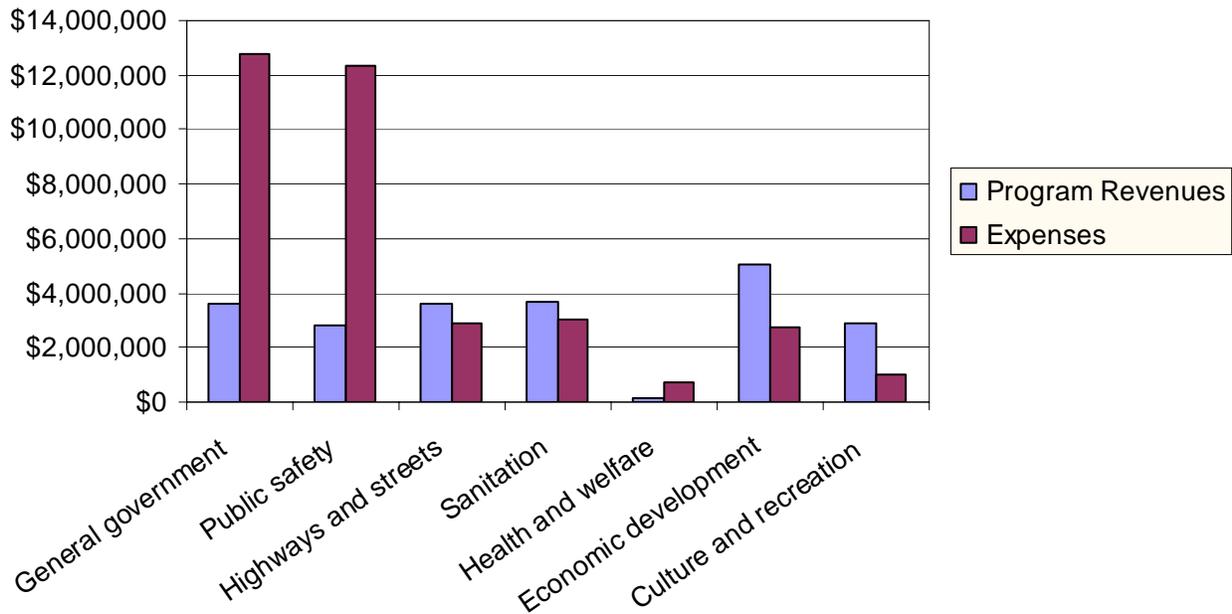
	Governmental Activities		Business-type Activities		Total (Primary Government)	
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 8,567,254	\$ 7,272,094	\$ 13,932,601	\$ 12,887,914	\$ 22,499,855	\$ 20,160,008
Operating grants and contributions	2,078,204	1,860,947	-	-	2,078,204	1,860,947
Capital grants and contributions	11,151,696	12,183,730	15,536,911	7,066,770	26,688,607	19,250,500
General revenues						
Sales and use taxes	23,177,913	16,167,320	-	-	23,177,913	16,167,320
Property taxes	2,336,907	2,023,456	-	-	2,336,907	2,023,456
Franchise taxes	640,293	558,196	-	-	640,293	558,196
State shared revenues	10,272,674	10,323,804	-	-	10,272,674	10,323,804
Investment income	378,780	534,050	440,575	577,619	819,355	1,111,669
Gain on sale of assets	372,845	31,114	-	180,736	372,845	211,850
Miscellaneous	709,802	676,905	17,206	5,085	727,008	681,990
<b>Total revenues</b>	<b>59,686,368</b>	<b>51,631,616</b>	<b>29,927,293</b>	<b>20,718,124</b>	<b>89,613,661</b>	<b>72,349,740</b>
<b>Expenses:</b>						
General government	12,773,774	10,128,809	-	-	12,773,774	10,128,809
Public safety	12,309,510	11,107,465	-	-	12,309,510	11,107,465
Highways and streets	2,885,844	2,439,612	-	-	2,885,844	2,439,612
Sanitation	3,047,585	2,746,075	-	-	3,047,585	2,746,075
Health and welfare	693,682	573,859	-	-	693,682	573,859
Economic and community development	2,718,598	2,078,521	-	-	2,718,598	2,078,521
Culture and recreation	1,013,654	945,473	-	-	1,013,654	945,473
Interest on long-term debt	2,650,407	2,386,274	-	-	2,650,407	2,386,274
Water Utility	-	-	6,137,470	5,364,526	6,137,470	5,364,526
East Avondale Water Utility	-	-	701,085	501,732	701,085	501,732
Wastewater Utility	-	-	4,589,305	5,054,347	4,589,305	5,054,347
<b>Total expenses</b>	<b>38,093,054</b>	<b>32,406,088</b>	<b>11,427,860</b>	<b>10,920,605</b>	<b>49,520,914</b>	<b>43,326,693</b>
<b>Increase in net assets before transfers</b>	<b>21,593,314</b>	<b>19,225,528</b>	<b>18,499,433</b>	<b>9,797,519</b>	<b>40,092,747</b>	<b>29,023,047</b>
<b>Transfers</b>	<b>583,908</b>	<b>(16,924,196)</b>	<b>(583,908)</b>	<b>16,924,196</b>	<b>-</b>	<b>-</b>
<b>Increase in net assets</b>	<b>22,177,222</b>	<b>2,301,332</b>	<b>17,915,525</b>	<b>26,721,715</b>	<b>40,092,747</b>	<b>29,023,047</b>
<b>Net assets - beginning</b>	<b>17,062,672</b>	<b>14,761,340</b>	<b>94,773,020</b>	<b>68,051,305</b>	<b>111,835,692</b>	<b>82,812,645</b>
<b>Net assets - ending</b>	<b>\$ 39,239,894</b>	<b>\$ 17,062,672</b>	<b>\$ 112,688,545</b>	<b>\$ 94,773,020</b>	<b>\$ 151,928,439</b>	<b>\$ 111,835,692</b>

## Governmental Activities

Governmental activities increased the City's net assets by \$22.2 million for fiscal year ended June 30, 2004. The governmental activities accounted for 55.4% of the City's net asset increase in 2004. The following graphs and narrative describe the significant factors resulting in the overall increase in net assets for governmental activities.

The following graph shows the functional revenues and expenses of the governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this graph is not intended to represent a full cost allocation to these functions. General revenues of the City cover expenses not covered by direct program revenues. In the governmental activities, the functional program revenues were \$21.8 million and general revenues were \$37.9 million.

## Governmental Program Revenues & Expenses

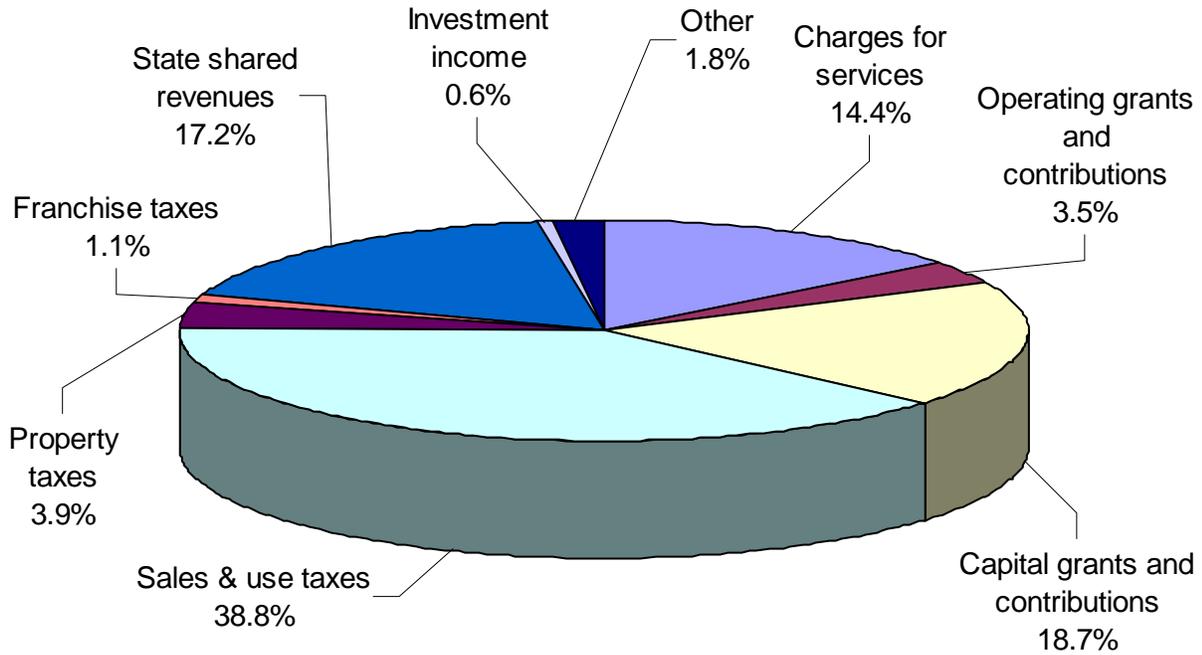


Governmental activities account for 66.6% of the total revenues of the City and 76.9% of the total expenses in fiscal year 2004. The largest revenue increases in 2004 were sales and use taxes of \$7.0 million or 43.3% followed by charges for services of \$1.3 million or 17.8%. The significant increase in sales and use tax is attributable to the City's increase in retail and restaurant activities combined with a voter approved ½ cent sales tax increase for public safety that took effect in January 2004. A series of significant automobile dealerships, retail businesses and restaurants opened in 2004. The charges for services increase is attributable to an increase in sanitation services provided to citizens.

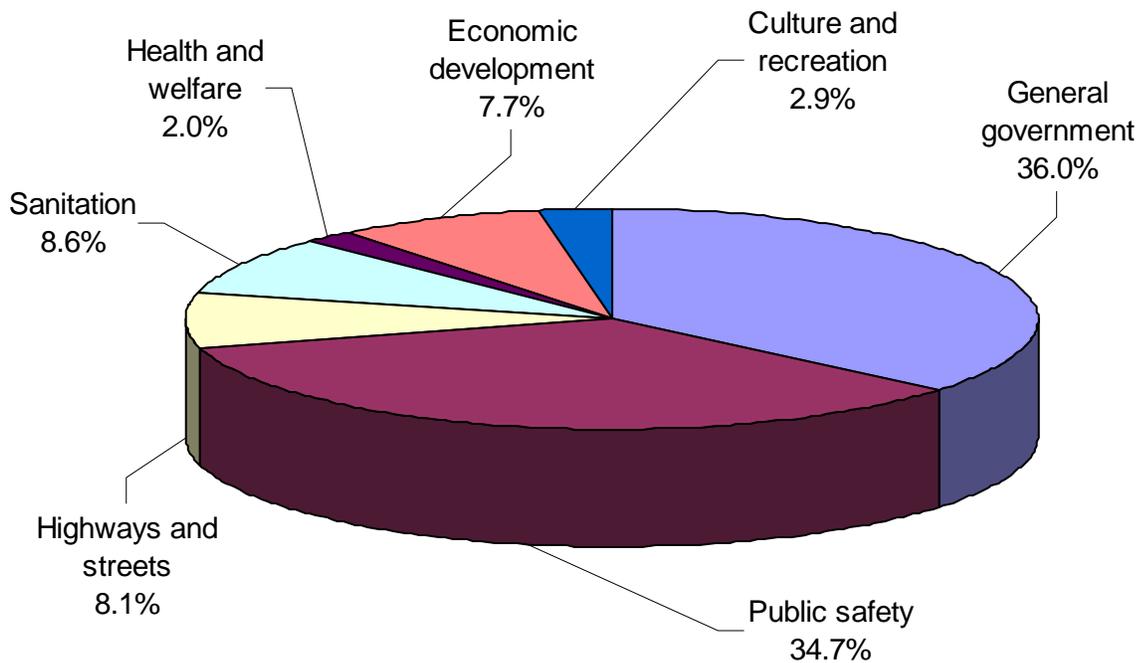
As seen in the following graph, the largest financing source for the City's governmental activities is sales and use taxes at 38.8%. Capital grants and contributions accounted for 18.7% of the City's total revenues. Charges for services contributed a significant portion of governmental activity revenues at 14.4% due primarily to development fees and charges for sanitation services.

Additionally, general government is the City's largest functional expense at 36.0% followed by public safety expenses at 34.7%.

## Governmental Activities - Revenue Sources Fiscal Year 2004



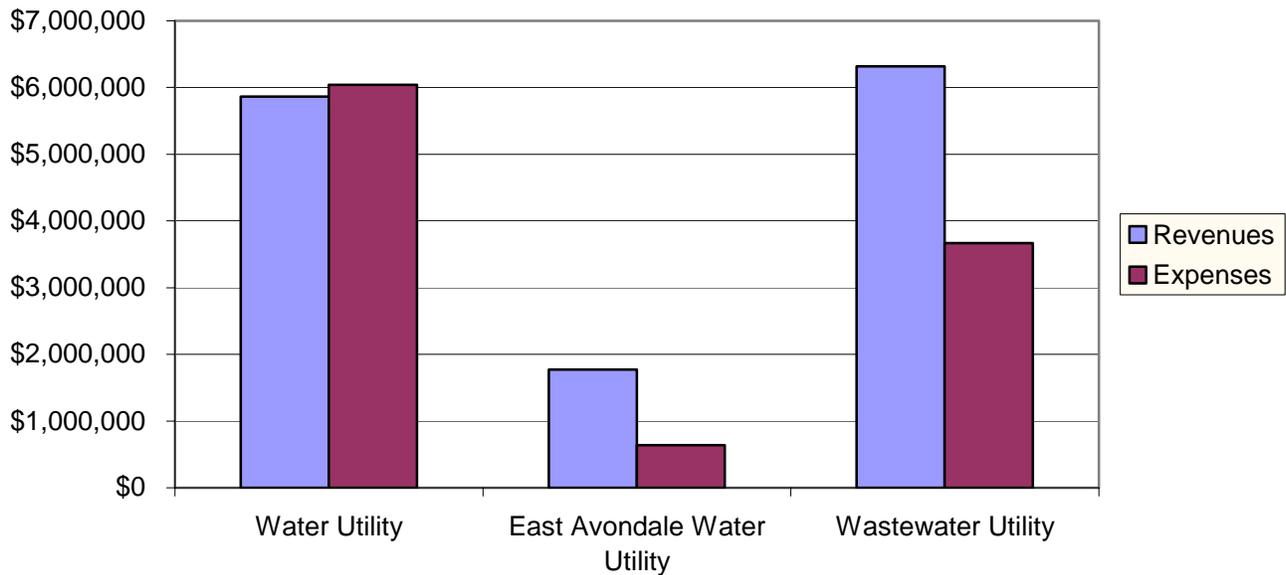
## Governmental Activities - Functional Expenses Fiscal Year 2004



## Business-type Activities

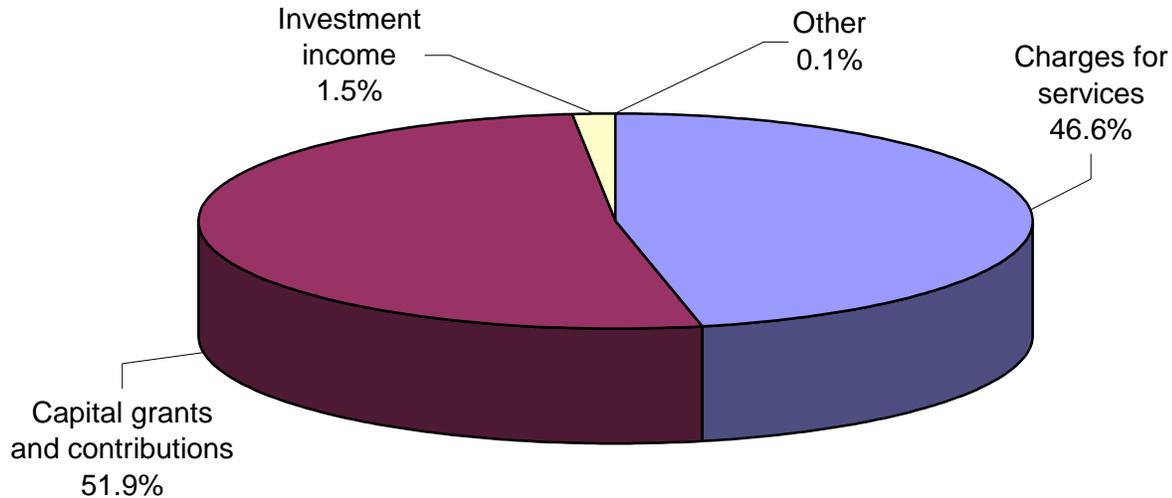
Business-type activities increased the City's net assets by \$17.9 million for fiscal year ended June 30, 2004 accounting for 44.6% of the City's growth. A significant portion of the increase in net assets is associated with an increase in charges for services from a growing customer base combined with increased capital contributions due to increased large commercial development. The following graphs and narrative describe the significant factors resulting in the overall increase in net assets or business-type activities.

### Enterprise Fund Operating Revenues and Expenses Fiscal Year 2004



The City's largest overall business-type activity is the Water Utility with \$5.9 million and \$6.0 million in operating revenues and operating expenses, respectively, in fiscal year 2004, followed by Wastewater Utility with operating revenues of \$6.3 million and operating expenses of \$3.7 million.

## Business-type Activities - Revenues by Source Fiscal year 2004



Capital grants and contributions, which are largely development fees, provided the largest share of revenues at \$15.5 million or 51.9%, followed by charges for services of \$13.9 million or 46.6% for all of the business-type activities.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44.6 million, an increase of \$3.7 million or 9.1% from the previous year. The combined ending fund balances for fiscal year 2003 were \$40.9 million. The increase in the current year's fund balance is largely attributable to increases in sales tax revenue.

Of the total ending fund balances, \$36.2 million or 81.1% constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$8.4 million is reserved to indicate that it is not available for future spending because it has already been committed.

Revenues for governmental functions overall totaled \$59.3 million and \$51.5 million in the fiscal years ended June 30, 2004, and 2003, respectively, which represents an increase of \$7.8 million or 15.1% from the previous year. For fiscal year ended June 30, 2004 expenditures for governmental functions, totaled \$59.6 million, a decrease of \$11.1 million or 15.7% over the fiscal

year 2003 total of \$70.7 million. In fiscal years ended June 30, 2004 and 2003, the deficiency of revenues under expenditures were \$0.3 million and \$19.2 million, respectively. The majority of the change was due to a significant decrease in capital outlay expenditures.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$12.9 million, while total fund balance was \$13.0 million. The unreserved and total fund balances for the General Fund at the end of fiscal year 2003 were \$9.6 million and \$9.8 million, respectively. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 48.3% of the total General Fund expenditures of \$26.7 million in fiscal year 2004.

The majority of the increase in the General Fund's fund balance in fiscal year 2004 of \$3.3 million was attributable to increases in taxes and charges for services revenue. Overall, the General Fund's revenues exceeded expenditures by \$8.2 million.

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest. At the end of the current fiscal year, the total fund balances of all Debt Service Funds of \$3.9 million was \$0.9 million higher than fiscal year 2003. The majority of the increase in fund balance in the current fiscal year is attributable to the accumulation of resources in the Dedicated Sales Tax Bond Fund to pay future debt service requirements.

The Capital Projects Funds account for the resources used to acquire, construct and improve major capital facilities, other than those financed by proprietary funds. At the end of the current fiscal year, the total fund balances of all Capital Projects Funds was \$22.1 million. The fund balance at the end of fiscal year 2003 was \$25.4 million. The decrease in fund balance is primarily due to the utilization of bond proceeds. Remaining portions of bond proceeds will be utilized in fiscal year 2005. Capital improvement expenditures in 2004 and 2003 were \$22.0 million and \$31.1 million, respectively, a decrease of 29.2%. The decrease in capital outlay is largely attributable to the City's new Government Center and Avondale Boulevard road improvements that were completed in fiscal year 2003.

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

Total unrestricted net assets of the Proprietary Funds was \$16.5 million and \$15.5 million for fiscal years 2004 and 2003, respectively. The growth in total net assets was \$17.9 million. The factors concerning the finances of these funds have been addressed previously in the discussion of the City's business-type activities. In general, the majority of the increase is due to \$15.5 million in development fees revenue to be used in future years to fund capital improvements in the Proprietary Funds.

### **Budgetary Considerations**

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

Amendments to the adopted budget may occur throughout the year between departments within individual funds (as described in Note 1). No amendments occurred during the year that affected

total expenditures of any fund. During the year the following significant changes in the adopted budget and variances between budget and actual occurred:

- A \$0.4 million and a \$0.1 million budget amendment in the General Fund moved expenditure authority from the general government line item to the public safety and sanitation line items to cover overtime costs from an unanticipated increase in detective case loads and an increase in sanitation dumping fees.
- Expenditures in the General Fund's sanitation line item exceeded budget by \$11,871 due to the unanticipated increase in bad debt expense from uncollectible accounts.

## Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2004 and 2003, amount to \$ 152.3 million and \$121.7 million, respectively (net of accumulated depreciation). Capital assets include land, buildings and improvements, roads, park facilities, vehicles, furniture and equipment, infrastructure, water system, sewer system, wastewater treatment system, and construction in progress. The majority of the increase in the City's capital assets (net of accumulated depreciation) of \$30.6 million or 25.1% is attributable to the completion of the City's new government center and Avondale Boulevard improvements. The changes are shown in the table below:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 6,960,297	\$ 7,289,192	\$ 15,596,661	\$ 14,817,798	\$ 22,556,958	\$ 22,106,990
Buildings and improvements	23,790,978	3,667,745	-	-	23,790,978	3,667,745
Vehicle, furniture and equipment	7,926,601	5,934,736	270,814	293,337	8,197,415	6,228,073
Infrastructure	15,051,562	876,577	-	-	15,051,562	876,577
Water system	-	-	19,075,141	15,435,326	19,075,141	15,435,326
Sewer system	-	-	18,889,424	14,861,565	18,889,424	14,861,565
Wastewater treatment system	-	-	25,995,385	23,515,843	25,995,385	23,515,843
Construction in progress	10,663,713	28,287,650	8,042,777	6,728,326	18,706,490	35,015,976
Total	<u>\$ 64,393,151</u>	<u>\$ 46,055,900</u>	<u>\$ 87,870,202</u>	<u>\$ 75,652,195</u>	<u>\$ 152,263,353</u>	<u>\$ 121,708,095</u>

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

## Long-term Debt

At the end of the fiscal years 2004 and 2003, the City had total long-term obligations outstanding of \$92.4 million and \$96.6 million, respectively. Of these amounts, \$19.6 million are general obligation bonds that are backed by the full faith and credit of the City. The remaining debt includes revenue bonds, Municipal Development Corporation bonds, water infrastructure improvement loans, and other obligations. The City's long term debt is shown below:

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 19,620,000	\$ 20,096,000	\$ -	\$ -	\$ 19,620,000	\$ 20,096,000
Revenue bonds	4,390,000	4,690,000	1,665,000	3,564,400	6,055,000	8,254,400
Municipal Development						
Corporation Bonds	41,608,115	42,891,088	10,031,885	10,718,912	51,640,000	53,610,000
Waster infrastructure improvement loans	-	-	11,032,552	11,709,570	11,032,552	11,709,570
Compensated absences	1,035,761	1,028,646	54,698	46,545	1,090,459	1,075,191
Claims payable	-	-	-	-	-	-
Capital leases payable	2,997,430	1,184,351	-	-	2,997,430	1,184,351
Contractual obligation	535,000	642,000	-	-	-	642,000
<b>Total</b>	<b>\$ 70,186,306</b>	<b>\$ 70,532,085</b>	<b>\$ 22,784,135</b>	<b>\$ 26,039,427</b>	<b>\$ 92,435,441</b>	<b>\$ 96,571,512</b>

The State constitution imposes certain debt limitation on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's legal debt margin at June 30, 2004 and 2003 is \$6.6 million and \$3.4 million, respectively, in the 6% capacity and \$42.8 million and \$31.9 million, respectively, in the 20% capacity. Additional information on the debt limitations and capacities may be found in the statistical section of this report.

## Economic Factors

The City of Avondale, like other Arizona cities, continues to remain dependent on sales taxes and other economically sensitive tax revenues. However, the City made huge strides in diversifying its residential and commercial base in fiscal year 2004. As a result, the City's sales and use tax revenues increased by \$7.0 million or 43.4% in fiscal year 2004. Of this increase, \$5.0 million is due to increased commercial activity from large commercial centers like the Avondale Auto Mall, Gateway Pavilions, and Coldwater Plaza. The remaining \$2.0 million increase was due to the voter approved passage of a ½ cent dedicated sales tax increase to fund public safety improvements in September 2003.

The City continues to attract new homeowners, retail businesses and restaurants. The increased growth in residential and commercial development has resulted in a significant increase in real property tax valuation. The City's secondary valuation for real property increased from \$212.3 million in fiscal year 2003 to \$265.2 million in fiscal year 2004. This represents a valuation increase of \$52.9 million or 24.9%.

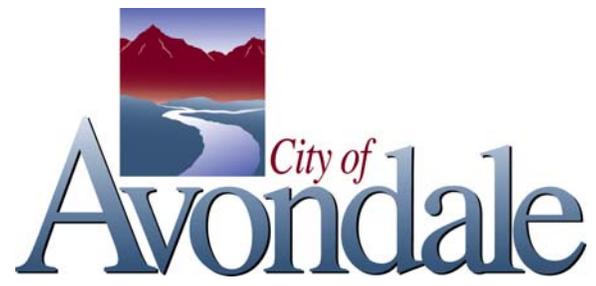
With the City's increase in commercial activity, the City is cautiously optimistic for a stronger economy in 2005. The City has budgeted for moderate increases in sales and use tax revenues for fiscal year 2005. However, the increases in revenues are likely to be largely offset by the rising costs of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

## **Request for Information**

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

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

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



**CITY OF AVONDALE, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 3,938,469	\$ 1,238,904	\$ 5,177,373
Investments	37,807,220	34,986,278	72,793,498
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	2,309,175	96,561	2,405,736
Accounts	725,827	2,696,485	3,422,312
Interest	77,694	89,753	167,447
Due from other governments	1,009,093	-	1,009,093
Internal balances	(1,746,260)	1,746,260	-
Inventories	226,439	192,565	419,004
Prepaid assets	1,852,035	921,959	2,773,994
Restricted cash with fiscal agent	6,869,150	8,813,326	15,682,476
Capital assets, non-depreciable	17,624,010	23,639,438	41,263,448
Capital assets, depreciable (net)	46,769,141	64,230,764	110,999,905
<b>Total assets</b>	<b>117,461,993</b>	<b>138,652,293</b>	<b>256,114,286</b>
<b>LIABILITIES</b>			
Accounts payable	1,263,428	1,452,737	2,716,165
Accrued payroll	866,278	101,555	967,833
Accrued liabilities	2,693,699	878,022	3,571,721
Construction contracts payable	197,108	485,072	682,180
Sales tax payable	707	90,381	91,088
Deposits held for others	1,878,814	161,249	2,040,063
Due to other funds	91,300	-	91,300
Claims payable	25,000	-	25,000
Unearned revenue	690,678	10,597	701,275
Non-current liabilities:			
Due within one year			
Compensated absences	709,635	43,758	753,393
Contractual obligations	107,000	-	107,000
Capital leases payable	489,809	-	489,809
Water infrastructure obligations	-	700,294	700,294
Bonds payable	3,434,478	815,523	4,250,001
Due in more that one year			
Compensated absences	326,126	10,940	337,066
Contractual obligations	428,000	-	428,000
Capital leases payable	2,507,621	-	2,507,621
Water infrastructure obligations	-	10,332,258	10,332,258
Bonds payable	62,183,637	10,881,362	73,064,999
Bond premium	328,781	-	328,781
<b>Total liabilities</b>	<b>78,222,099</b>	<b>25,963,748</b>	<b>104,185,847</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(728,546)	65,140,765	64,412,219
Restricted for:			
Highways and streets	2,292,667	-	2,292,667
Grants	361,963	-	361,963
Public safety	1,041,973	-	1,041,973
Debt service	4,071,870	-	4,071,870
Capital improvements	18,345,147	31,097,385	49,442,532
Unrestricted	13,854,820	16,450,395	30,305,215
<b>Total net assets</b>	<b>\$ 39,239,894</b>	<b>\$ 112,688,545</b>	<b>\$ 151,928,439</b>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 12,773,774	\$ 513,754	\$ 10,395	\$ 3,074,926
Public safety	12,309,510	12,483	756,780	2,060,342
Highways and streets	2,885,844	-	908,920	2,673,122
Sanitation	3,047,585	3,000,264	79,629	616,793
Health and welfare	693,682	-	130,878	-
Economic and community development	2,718,598	4,940,363	134,498	-
Culture and recreation	1,013,654	100,390	57,104	2,726,513
Interest on long-term debt	2,650,407	-	-	-
Total governmental activities	<u>38,093,054</u>	<u>8,567,254</u>	<u>2,078,204</u>	<u>11,151,696</u>
Business-type activities:				
Water utility	6,137,470	5,847,391	-	8,151,072
East Avondale water utility	701,085	1,770,151	-	-
Wastewater utility	4,589,305	6,315,059	-	7,385,839
Total business-type activities	<u>11,427,860</u>	<u>13,932,601</u>	<u>-</u>	<u>15,536,911</u>
Total primary government	<u>\$ 49,520,914</u>	<u>\$ 22,499,855</u>	<u>\$ 2,078,204</u>	<u>\$ 26,688,607</u>

General revenues:  
Taxes:  
Sales and use taxes  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Franchise taxes  
State shared revenues  
Investment income  
Gain on sale of capital assets  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

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

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

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ (9,174,699)	\$ -	\$ (9,174,699)
(9,479,905)	-	(9,479,905)
696,198	-	696,198
649,101	-	649,101
(562,804)	-	(562,804)
2,356,263	-	2,356,263
1,870,353	-	1,870,353
(2,650,407)	-	(2,650,407)
<u>(16,295,900)</u>	<u>-</u>	<u>(16,295,900)</u>
-	7,860,993	7,860,993
-	1,069,066	1,069,066
-	9,111,593	9,111,593
-	18,041,652	18,041,652
<u>(16,295,900)</u>	<u>18,041,652</u>	<u>1,745,752</u>
23,177,913	-	23,177,913
884,323	-	884,323
1,452,584	-	1,452,584
640,293	-	640,293
10,272,674	-	10,272,674
378,780	440,575	819,355
372,845	-	372,845
709,802	17,206	727,008
583,908	(583,908)	-
<u>38,473,122</u>	<u>(126,127)</u>	<u>38,346,995</u>
<u>22,177,222</u>	<u>17,915,525</u>	<u>40,092,747</u>
<u>17,062,672</u>	<u>94,773,020</u>	<u>111,835,692</u>
<u>\$ 39,239,894</u>	<u>\$ 112,688,545</u>	<u>\$ 151,928,439</u>

**CITY OF AVONDALE, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
<b>ASSETS</b>			
Cash	\$ 72,738	\$ 330,861	\$ 171,256
Investments	14,036,812	1,369,036	2,917,040
Receivables (Net where applicable of allowance for uncollectible)			
Taxes	1,459,065	-	401,979
Accounts	675,566	-	-
Interest	25,888	2,656	5,424
Due from other funds	172,000	-	-
Due from other governments	684,062	214,638	-
Inventories	114,146	23,706	-
Prepaid items	25,037	552	-
Cash with fiscal agent	-	-	-
Total assets	<u>\$ 17,265,314</u>	<u>\$ 1,941,449</u>	<u>\$ 3,495,699</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 443,555	\$ 45,870	\$ 132
Accrued payroll and employee benefits	721,763	46,546	-
Accrued liabilities	1,898,453	-	-
Claims payable	-	-	-
Deposits held for others	820,586	-	-
Sales tax payable	548	-	-
Due to other funds	301,340	-	-
Construction contracts payable	-	-	-
Deferred revenue	44,917	37,541	-
Total liabilities	<u>4,231,162</u>	<u>129,957</u>	<u>132</u>
Fund balances (deficit):			
Reserved for:			
Inventory	114,146	23,706	-
Prepaid items	25,037	552	-
Debt service	-	-	-
Capital improvements	-	-	-
Reserved for cash with fiscal agent	-	-	-
Unreserved reported in:			
General Fund	12,894,969	-	-
Special Revenue Funds	-	1,787,234	3,495,567
Capital Projects Funds	-	-	-
Total fund balances	<u>13,034,152</u>	<u>1,811,492</u>	<u>3,495,567</u>
Total liabilities and fund balance	<u>\$ 17,265,314</u>	<u>\$ 1,941,449</u>	<u>\$ 3,495,699</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 252,616	\$ 1,579,031	\$ 1,531,967	\$ 3,938,469
800,276	14,747,586	3,936,470	37,807,220
371,399	-	76,732	2,309,175
-	-	50,261	725,827
1,772	33,577	8,377	77,694
-	63,780	-	235,780
-	-	110,393	1,009,093
-	88,587	-	226,439
2,760	-	1,170,030	1,198,379
-	3,781,238	3,087,912	6,869,150
<u>\$ 1,428,823</u>	<u>\$ 20,293,799</u>	<u>\$ 9,972,142</u>	<u>\$ 54,397,226</u>

\$ 296,836	\$ 378,701	\$ 98,334	\$ 1,263,428
64,647	-	33,322	866,278
-	-	795,246	2,693,699
-	-	25,000	25,000
-	1,046,404	11,824	1,878,814
159	-	-	707
-	-	1,772,000	2,073,340
-	197,108	-	197,108
-	636,717	75,239	794,414
<u>361,642</u>	<u>2,258,930</u>	<u>2,810,965</u>	<u>9,792,788</u>

-	-	-	137,852
2,760	-	1,081,102	1,109,451
-	-	78,787	78,787
-	-	618,177	618,177
-	3,781,238	2,719,519	6,500,757
-	-	-	12,894,969
1,064,421	-	(756,352)	5,590,870
-	14,253,631	3,419,944	17,673,575
<u>1,067,181</u>	<u>18,034,869</u>	<u>7,161,177</u>	<u>44,604,438</u>
<u>\$ 1,428,823</u>	<u>\$ 20,293,799</u>	<u>\$ 9,972,142</u>	<u>\$ 54,397,226</u>

**CITY OF AVONDALE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Fund balances - total governmental funds balance sheet \$ 44,604,438

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	\$ 80,332,629	
Less accumulated depreciation	<u>(15,939,478)</u>	64,393,151

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	(65,618,115)	
Long-term leases payable	(2,997,430)	
Compensated absences	(1,035,761)	
Contractual obligations	<u>(535,000)</u>	(70,186,306)

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

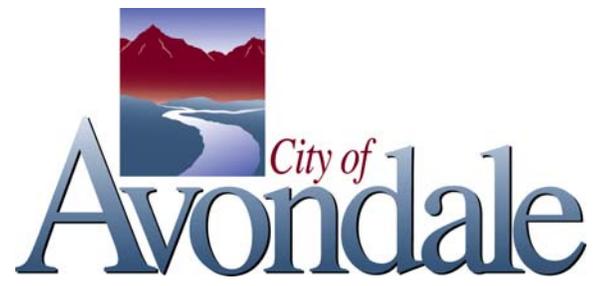
Bond premium	(328,781)	
Bond issue costs	<u>653,656</u>	324,875

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

Recognition of property tax revenue	91,200	
Grant revenue accrual	<u>12,536</u>	<u>103,736</u>

Net assets of governmental activities - statement of net assets \$ 39,239,894

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



**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Dedicated Sales Tax Revenue Fund</u>
Revenues			
Taxes	\$ 18,234,160	\$ -	\$ 4,537,274
Licenses and permits	4,222,868	-	-
Intergovernmental	7,746,462	2,547,178	-
Charges for services	3,990,339	-	-
Fines, forfeitures, and penalties	334,376	-	-
Interest	106,605	13,971	30,009
Contributions	203,482	-	-
Miscellaneous revenues	63,625	526	-
Total revenues	<u>34,901,917</u>	<u>2,561,675</u>	<u>4,567,283</u>
Expenditures			
Current:			
General government	11,161,735	-	3,768
Public safety	9,474,717	-	-
Highways and streets	-	1,955,039	-
Sanitation	2,406,162	-	-
Health and welfare	307,255	-	-
Economic and community development	2,177,974	-	-
Culture and recreation	750,796	-	-
Debt service:			
Principal	155,293	55,452	-
Interest	123,027	2,223	-
Capital outlay	167,222	8,502	-
Total expenditures	<u>26,724,181</u>	<u>2,021,216</u>	<u>3,768</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,177,736</u>	<u>540,459</u>	<u>4,563,515</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	31,304	-	-
Proceeds from capital leases	-	-	-
Transfers in	56,766	300,000	-
Transfers out	(5,004,980)	(640,000)	(4,600,000)
Total other financing sources (uses)	<u>(4,916,910)</u>	<u>(340,000)</u>	<u>(4,600,000)</u>
Net change in fund balances	3,260,826	200,459	(36,485)
Fund balances at beginning of year	<u>9,773,326</u>	<u>1,611,033</u>	<u>3,532,052</u>
Fund balances at end of year	<u>\$ 13,034,152</u>	<u>\$ 1,811,492</u>	<u>\$ 3,495,567</u>

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

Public Safety Sales Tax Revenue Fund	Development Fees Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,984,688	\$ -	\$ 1,468,939	\$ 26,225,061
-	9,184,770	-	13,407,638
-	676,512	1,313,075	12,283,227
-	-	13,523	4,003,862
-	-	-	334,376
2,467	176,725	55,236	385,013
-	1,368,940	409,122	1,981,544
5	217,820	432,653	714,629
<u>1,987,160</u>	<u>11,624,767</u>	<u>3,692,548</u>	<u>59,335,350</u>
6,255	-	472,504	11,644,262
640,382	-	880,316	10,995,415
-	89,427	311,771	2,356,237
-	-	-	2,406,162
-	-	725,910	1,033,165
-	-	-	2,177,974
-	112,756	26,982	890,534
-	621,125	2,058,973	2,890,843
-	74,288	2,450,869	2,650,407
273,342	21,589,642	556,868	22,595,576
<u>919,979</u>	<u>22,487,238</u>	<u>7,484,193</u>	<u>59,640,575</u>
<u>1,067,181</u>	<u>(10,862,471)</u>	<u>(3,791,645)</u>	<u>(305,225)</u>
-	866,146	11,746	909,196
-	2,537,949	-	2,537,949
-	4,470,000	6,399,382	11,226,148
-	(301,072)	(96,188)	(10,642,240)
<u>-</u>	<u>7,573,023</u>	<u>6,314,940</u>	<u>4,031,053</u>
1,067,181	(3,289,448)	2,523,295	3,725,828
<u>-</u>	<u>21,324,317</u>	<u>4,637,882</u>	<u>40,878,610</u>
<u>\$ 1,067,181</u>	<u>\$ 18,034,869</u>	<u>\$ 7,161,177</u>	<u>\$ 44,604,438</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, 2004**

Net change in fund balances - total governmental funds \$ 3,725,828

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

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

Expenditures for capital assets	\$ 22,447,878	
Less current year depreciation	<u>(3,574,279)</u>	18,873,599

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

Amortization of bond premium	26,287	
Amortization of debt issuance costs	(50,847)	
Proceeds from sale of capital assets	(536,351)	
Principal payments on long-term debt	2,890,843	
Proceeds from capital leases	<u>(2,537,949)</u>	(208,017)

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

Reversal of prior year revenue accruals	(161,148)	
Accrual of current year property tax revenue	91,200	
Grant revenue accrual	12,536	
Recognition of vested sick benefits	(53,972)	
Recognition of employee benefits	<u>(102,804)</u>	<u>(214,188)</u>

Change in net assets of governmental activities \$ 22,177,222

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2004**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 18,246,638	\$ 18,246,638	\$ 18,234,160	\$ (12,478)
Licenses and permits	2,908,240	2,908,240	4,222,868	1,314,628
Intergovernmental	7,524,490	7,524,490	7,746,462	221,972
Charges for services	3,540,040	3,540,040	3,990,339	450,299
Fines, forfeitures, and penalties	236,400	236,400	334,376	97,976
Interest	200,000	200,000	106,605	(93,395)
Contributions	113,300	113,300	203,482	90,182
Miscellaneous revenues	40,000	40,000	63,625	23,625
Total revenues	<u>32,809,108</u>	<u>32,809,108</u>	<u>34,901,917</u>	<u>2,092,809</u>
Expenditures				
General government	13,378,680	12,827,644	11,161,735	1,665,909
Public safety	9,065,518	9,487,568	9,474,717	12,851
Sanitation	2,294,291	2,394,291	2,406,162	(11,871)
Health and welfare	334,120	334,120	307,255	26,865
Economic and community development	2,480,515	2,461,216	2,177,974	283,242
Culture and recreation	793,820	825,093	750,796	74,297
Debt service				
Principal	155,410	155,410	155,293	117
Interest	124,500	124,500	123,027	1,473
Capital outlay	150,330	167,342	167,222	120
Total expenditures	<u>28,777,184</u>	<u>28,777,184</u>	<u>26,724,181</u>	<u>2,053,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,031,924</u>	<u>4,031,924</u>	<u>8,177,736</u>	<u>4,145,812</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	31,304	31,304
Transfers in	-	-	56,766	56,766
Transfers out	(5,009,390)	(5,009,390)	(5,004,980)	4,410
Total other financing sources (uses)	<u>(5,009,390)</u>	<u>(5,009,390)</u>	<u>(4,916,910)</u>	<u>92,480</u>
Net change in fund balance	(977,466)	(977,466)	3,260,826	4,238,292
Fund balance at beginning of year	<u>6,237,155</u>	<u>6,237,155</u>	<u>9,773,326</u>	<u>3,536,171</u>
Fund balance at end of year	<u>\$ 5,259,689</u>	<u>\$ 5,259,689</u>	<u>\$ 13,034,152</u>	<u>\$ 7,774,463</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
HIGHWAY USER REVENUE FUND  
YEAR ENDED JUNE 30, 2004**

	Highway User Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 2,485,210	\$ 2,485,210	\$ 2,547,178	\$ 61,968
Interest	12,000	12,000	13,971	1,971
Miscellaneous revenues	-	-	526	526
Total revenues	<u>2,497,210</u>	<u>2,497,210</u>	<u>2,561,675</u>	<u>64,465</u>
Expenditures				
Highways and streets	2,320,390	2,311,390	1,955,039	356,351
Debt service				
Principal	55,500	55,500	55,452	48
Interest	2,500	2,500	2,223	277
Capital outlay	-	9,000	8,502	498
Total expenditures	<u>2,378,390</u>	<u>2,378,390</u>	<u>2,021,216</u>	<u>357,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>118,820</u>	<u>118,820</u>	<u>540,459</u>	<u>421,639</u>
Other financing sources (uses)				
Transfers in	300,000	300,000	300,000	-
Transfers out	(640,000)	(640,000)	(640,000)	-
Total other financing sources (uses)	<u>(340,000)</u>	<u>(340,000)</u>	<u>(340,000)</u>	<u>-</u>
Net change in fund balance	(221,180)	(221,180)	200,459	421,639
Fund balance at beginning of year	<u>1,214,060</u>	<u>1,214,060</u>	<u>1,611,033</u>	<u>396,973</u>
Fund balance at end of year	<u>\$ 992,880</u>	<u>\$ 992,880</u>	<u>\$ 1,811,492</u>	<u>\$ 818,612</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEDICATED SALES TAX REVENUE FUND  
YEAR ENDED JUNE 30, 2004**

	Dedicated Sales Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 3,400,000	\$ 3,400,000	\$ 4,537,274	\$ 1,137,274
Interest	-	-	30,009	30,009
Total revenues	<u>3,400,000</u>	<u>3,400,000</u>	<u>4,567,283</u>	<u>1,167,283</u>
Expenditures				
General government	-	-	3,768	(3,768)
Total expenditures	<u>-</u>	<u>-</u>	<u>3,768</u>	<u>(3,768)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,400,000</u>	<u>3,400,000</u>	<u>4,563,515</u>	<u>1,163,515</u>
Other financing sources (uses)				
Transfers out	<u>(4,600,000)</u>	<u>(4,600,000)</u>	<u>(4,600,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,600,000)</u>	<u>(4,600,000)</u>	<u>(4,600,000)</u>	<u>-</u>
Net change in fund balance	(1,200,000)	(1,200,000)	(36,485)	1,163,515
Fund balance at beginning of year	<u>2,864,880</u>	<u>2,864,880</u>	<u>3,532,052</u>	<u>667,172</u>
Fund balance at end of year	<u>\$ 1,664,880</u>	<u>\$ 1,664,880</u>	<u>\$ 3,495,567</u>	<u>\$ 1,830,687</u>

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

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
PUBLIC SAFETY TAX REVENUE FUND  
YEAR ENDED JUNE 30, 2004**

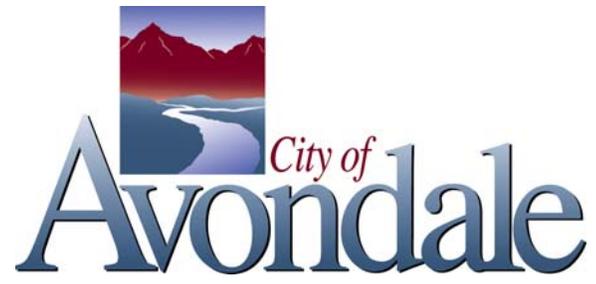
	Public Safety Tax Revenue Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,984,688	\$ 284,688
Interest	-	-	2,467	2,467
Miscellaneous	-	-	5	5
Total revenues	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,987,160</u>	<u>287,160</u>
Expenditures				
General government	-	67,436	6,255	61,181
Public safety	1,700,000	1,337,364	640,382	696,982
Capital outlay	-	295,200	273,342	21,858
Total expenditures	<u>1,700,000</u>	<u>1,700,000</u>	<u>919,979</u>	<u>780,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,067,181</u>	<u>1,067,181</u>
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>-</u>	<u>-</u>	<u>\$ 1,067,181</u>	<u>\$ 1,067,181</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004**

	Business-type Activities - Enterprise Funds			
	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 350,912	\$ 18,477	\$ 869,515	\$ 1,238,904
Investments	18,836,524	1,714,669	14,435,085	34,986,278
Receivables				
Accounts, net	1,236,529	309,338	1,150,618	2,696,485
Miscellaneous state and county taxes receivable	73,055	23,506	-	96,561
Interest	59,187	3,444	27,122	89,753
Due from other funds	1,675,180	-	71,080	1,746,260
Inventories	165,516	18,391	8,658	192,565
Prepaid items	140,414	-	781,545	921,959
Total current assets	<u>22,537,317</u>	<u>2,087,825</u>	<u>17,343,623</u>	<u>41,968,765</u>
Non-current assets:				
Restricted assets				
Cash with fiscal agent	7,981,051	-	832,275	8,813,326
Capital assets:				
Capital assets, non-depreciable	19,455,398	1,043,325	3,140,715	23,639,438
Capital assets, depreciable (net)	17,861,422	1,364,212	45,005,130	64,230,764
Total non-current assets	<u>45,297,871</u>	<u>2,407,537</u>	<u>48,978,120</u>	<u>96,683,528</u>
Total assets	<u>67,835,188</u>	<u>4,495,362</u>	<u>66,321,743</u>	<u>138,652,293</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,197,455	35,562	219,720	1,452,737
Accrued payroll and employee benefits	62,790	4,695	34,070	101,555
Accrued liabilities	405,303	3,785	468,934	878,022
Construction contracts payable	501,705	-	27,125	528,830
Sales tax payable	69,950	20,283	148	90,381
Deposits held in custody for others	134,249	27,000	-	161,249
Unearned revenue	9,726	871	-	10,597
Water infrastructure obligations - current	-	-	700,294	700,294
Revenue bonds payable - current	109,250	-	706,273	815,523
Total current liabilities	<u>2,490,428</u>	<u>92,196</u>	<u>2,156,564</u>	<u>4,739,188</u>
Non-current liabilities:				
Compensated absences	7,976	825	2,139	10,940
Water infrastructure obligations	-	-	10,332,258	10,332,258
Revenue bonds payable	1,327,100	-	9,554,262	10,881,362
Total long term liabilities	<u>1,335,076</u>	<u>825</u>	<u>19,888,659</u>	<u>21,224,560</u>
Total liabilities	<u>3,825,504</u>	<u>93,021</u>	<u>22,045,223</u>	<u>25,963,748</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	35,880,470	2,407,537	26,852,758	65,140,765
Restricted				
Capital improvements	11,985,050	-	10,299,009	22,284,059
Cash with fiscal agent	7,981,051	-	832,275	8,813,326
Unrestricted	8,163,114	1,994,803	6,292,478	16,450,395
Total net assets	<u>\$ 64,009,685</u>	<u>\$ 4,402,340</u>	<u>\$ 44,276,520</u>	<u>\$ 112,688,545</u>

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



**CITY OF AVONDALE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2004**

	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
Operating Revenues				
Charges for services	\$ 5,847,391	\$ 1,770,151	\$ 6,315,059	\$ 13,932,601
Miscellaneous	16,679	44	90	16,813
Total operating revenue	<u>5,864,070</u>	<u>1,770,195</u>	<u>6,315,149</u>	<u>13,949,414</u>
Operating Expenses				
Personal services	787,169	66,578	792,557	1,646,304
Contractual services	1,287,449	388,405	1,391,485	3,067,339
Repairs and maintenance	35,737	38,234	250,674	324,645
Materials and supplies	2,561,592	35,379	140,779	2,737,750
Depreciation	1,369,045	113,122	1,093,894	2,576,061
Total operating expenses	<u>6,040,992</u>	<u>641,718</u>	<u>3,669,389</u>	<u>10,352,099</u>
Operating income (loss)	<u>(176,922)</u>	<u>1,128,477</u>	<u>2,645,760</u>	<u>3,597,315</u>
Non-operating revenues (expenses)				
Interest income	298,424	20,109	122,042	440,575
Interest expense	(96,365)	(59,087)	(919,916)	(1,075,368)
Total non-operating revenues (expenses)	<u>202,059</u>	<u>(38,978)</u>	<u>(797,874)</u>	<u>(634,793)</u>
Income before development fees and transfers	25,137	1,089,499	1,847,886	2,962,522
Development fees	8,151,072	-	7,385,839	15,536,911
Transfers in	-	-	500,000	500,000
Transfers out	(863,730)	(200,000)	(20,178)	(1,083,908)
Change in net assets	<u>7,312,479</u>	<u>889,499</u>	<u>9,713,547</u>	<u>17,915,525</u>
Net assets - beginning	<u>56,697,206</u>	<u>3,512,841</u>	<u>34,562,973</u>	<u>94,773,020</u>
Net assets - ending	<u>\$ 64,009,685</u>	<u>\$ 4,402,340</u>	<u>\$ 44,276,520</u>	<u>\$ 112,688,545</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2004**

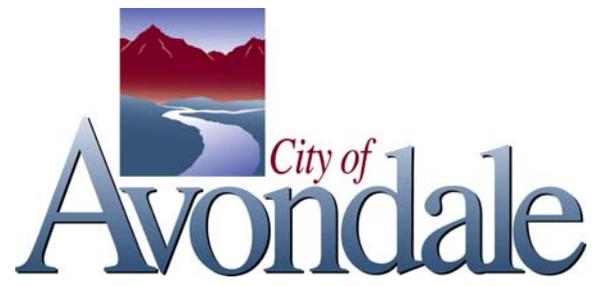
	Avondale Water Utility	East Avondale Water Utility	Wastewater Utility	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 5,584,698	\$ 1,661,636	\$ 6,051,341	\$ 13,297,675
Payments to suppliers	(4,299,134)	(386,756)	(2,232,126)	(6,918,016)
Payments to employees	(768,384)	(65,629)	(791,307)	(1,625,320)
Net cash provided by operating activities	<u>517,180</u>	<u>1,209,251</u>	<u>3,027,908</u>	<u>4,754,339</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers in	-	-	500,000	500,000
Transfers out	(863,730)	(200,000)	(20,178)	(1,083,908)
Net cash provided (used) for non-capital financing activities	<u>(863,730)</u>	<u>(200,000)</u>	<u>479,822</u>	<u>(583,908)</u>
<b>Cash flows from capital and related financing activities:</b>				
Development fees received	8,151,072	-	7,385,839	15,536,911
Acquisition and construction of capital assets	(9,846,669)	-	(4,947,400)	(14,794,069)
Principal payments on long-term debt	(670,800)	(1,259,400)	(1,333,246)	(3,263,446)
Interest paid on long-term debt	(98,692)	(59,086)	(932,135)	(1,089,913)
Net cash provided (used) for capital and related financing activities	<u>(2,465,089)</u>	<u>(1,318,486)</u>	<u>173,058</u>	<u>(3,610,517)</u>
<b>Cash flows from investing activities:</b>				
Interest received on investments	329,568	21,707	121,503	472,778
Net cash provided by investing activities	<u>329,568</u>	<u>21,707</u>	<u>121,503</u>	<u>472,778</u>
Net increase in cash and cash equivalents	(2,482,071)	(287,528)	3,802,291	1,032,692
Cash and cash equivalents, beginning of period	<u>29,650,558</u>	<u>2,020,674</u>	<u>12,334,584</u>	<u>44,005,816</u>
Cash and cash equivalents, end of period	<u>\$ 27,168,487</u>	<u>\$ 1,733,146</u>	<u>\$ 16,136,875</u>	<u>\$ 45,038,508</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (176,922)	\$ 1,128,477	\$ 2,645,760	\$ 3,597,315
Adjustment to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	1,369,045	113,122	1,093,894	2,576,061
Change in assets and liabilities:				
(Increase) decrease in receivables	(216,351)	(118,787)	(263,808)	(598,946)
(Increase) decrease in inventories	160,479	5,500	40,400	206,379
(Increase) decrease in prepaid items	58,187	60,700	(29,527)	89,360
(Increase) decrease in due from other funds	(1,675,180)	-	(71,080)	(1,746,260)
Increase (decrease) in accounts payable	272,823	4,095	(540,476)	(263,558)
Increase (decrease) in accrued payroll and employee benefits	18,785	949	1,250	20,984
Increase (decrease) in accrued liabilities	346,080	463	124,631	471,174
Increase (decrease) in construction contracts payable	431,113	-	27,125	458,238
Increase (decrease) in sales tax payable	(7,858)	4,504	(261)	(3,615)
Increase (decrease) in deposits held in custody for others	(5,930)	12,905	-	6,975
Increase (decrease) in unearned revenue	(57,091)	(2,677)	-	(59,768)
Net cash provided by operating activities	<u>\$ 517,180</u>	<u>\$ 1,209,251</u>	<u>\$ 3,027,908</u>	<u>\$ 4,754,339</u>
Reconciliation of cash and cash equivalents at end of year to Statement of Net Assets:				
Cash	\$ 350,912	\$ 18,477	\$ 869,515	\$ 1,238,904
Investments	18,836,524	1,714,669	14,435,085	34,986,278
Restricted Cash	7,981,051	-	832,275	8,813,326
Total cash and cash equivalents	<u>\$ 27,168,487</u>	<u>\$ 1,733,146</u>	<u>\$ 16,136,875</u>	<u>\$ 45,038,508</u>

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

**CITY OF AVONDALE, ARIZONA  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004**

	Volunteer Firefighters' Relief and Pension Trust Fund
	<u>                    </u>
Assets	
Cash	\$ 8,572
Investments (at fair value)	238,722
Receivables	
Due from other funds	91,300
Interest	510
Total assets	<u>339,104</u>
Liabilities	
Accounts payable	<u>91,175</u>
Net assets	
Held in trust for pension benefits	247,929
Total net assets	<u>\$ 247,929</u>

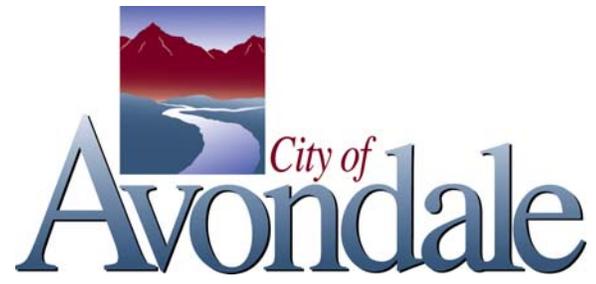
The accompanying notes are an integral part of the financial statements.



**CITY OF AVONDALE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2004**

	Volunteer Firefighters' Relief and Pension Trust Fund
<u>Additions:</u>	
Taxes	\$ 5,212
Contributions:	
Employer	1,866
Employee	1,866
Interest	2,458
Total additions	<u>11,402</u>
<u>Deductions:</u>	
Benefits paid to plan members	<u>6,012</u>
Total deductions	<u>6,012</u>
Change in net assets	5,390
Total net assets, beginning of year	<u>242,539</u>
Total net assets, end of year	<u>\$ 247,929</u>

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



**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City is a municipal entity governed by an elected mayor and a six-member council and provides a wide range of services including fire and police protection, water and sanitation services, construction and maintenance of streets and infrastructure, and recreational activities. As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements include financial activities of the City, the primary government, and its component units. Component units are legally separate entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations and data from these units are combined with data of the City, the primary government. The blended component unit presented has a June 30 year-end.

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

**B. Basis of Presentation**

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

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

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

The City reports the following major enterprise funds:

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

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

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

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

**D. Budgets and Budgetary Accounting**

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

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

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.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

2. Public hearings are conducted to obtain taxpayer comments.
3. On or before the second Monday in August, the budget is legally enacted through passage of an ordinance.
4. Budgets are adopted on a basis consistent with GAAP.
5. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for the General Fund, Highway User Revenue Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Local Transportation Assistance Fund, Juvenile Collection Enhancement Fund, Grants-in-Aid Fund, Insurance Reserve Fund, Development Fees Fund, Vehicle Replacement Fund, Equipment Replacement Fund, Other Capital Projects Fund, General Obligation Bonds, Highway User Revenue Bonds, Dedicated Sales Tax Bonds, and Other Debt Service.
6. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund or any transfers between funds must be approved by the City Council. During the year, City Council approved budgetary transfers of \$420,000 and \$100,000 from the General Government contingency line item to the Public Safety and Sanitation functions, respectively, to cover unanticipated overruns.
7. The legal level of expenditure control is at the function level for the General Fund and at the fund level for all other funds. The original budget has been amended for the year ending 2003-04 in a legally permissible manner. Budget-to-actual comparisons are provided in this report for each of the governmental funds. During the year, actual expenditures exceeded budget for the general government and sanitation functions in the General Fund and in the Insurance Reserve Fund.
8. All appropriations lapse at year-end.

**E. Cash and investments**

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

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

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

**F. Inventory**

Inventories for Governmental and Proprietary Funds consist primarily of expendable supplies. Governmental funds maintain inventories using the consumption method of accounting. All inventories are valued at cost, which approximates market. Inventories are maintained on a first-in/first out method of valuation in/first-out method of valuation. Physical inventories are conducted at year-end for financial statement purposes.

**G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Open encumbrances are not reported as reservations of fund balance at June 30, 2004, but liquidated and re-established at the beginning of the next fiscal year. Outstanding encumbrances at year-end were insignificant.

**H. Investment Income**

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

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items.

**J. Capital Assets**

Capital assets, including public domain infrastructure (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are reported in the government-wide statements and the proprietary funds. The City elected to prospectively report infrastructure assets, as required, for fiscal year ended June 30, 2004. The City anticipates retroactively reporting infrastructure assets that were purchased prior to 2003 in fiscal year 2006.

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

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

**K. Compensated Absences**

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

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

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

**L. Statement of Cash Flows**

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments with a maturity date of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2004, were cash in bank, certificates of deposit, cash and investments held by the State Treasurer, and cash held by paying agent.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 2 CASH AND INVESTMENTS**

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

The City's deposits are categorized in the following the following three categories of credit risk at June 30, 2004:

1. Insured or collateralized with securities held by the government or by its agent in the government's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.
3. Uncollateralized (This includes any bank balances that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the government's name.)

Deposits

Cash in bank - At June 30, 2004, the City's carrying amount of deposits was \$5,177,373 and the bank balance was \$6,093,013. The difference between the book and bank balance was due to outstanding checks and other reconciling items. Of the bank balance, \$200,000 was covered by federal depository insurance (category 1). The difference between bank balance and combined insurance coverage of \$5,893,013 was uncollateralized (category 3).

Restricted cash with fiscal agent - At June 30, 2004, the City had restricted cash with fiscal agent of \$15,682,476. Of this balance, \$9,480,150 (fair value) of restricted construction bond proceeds was invested with the State Treasurer's Local Government Investment Pool. The remaining cash balance of \$6,202,326 reflects cash temporarily held by fiscal agent for the City's July 1, 2004, debt service payments and was uncollateralized (category 3).

Fiduciary cash – At June 30, 2004, the Volunteer Firefighters' Relief and Pension Fund had deposits of \$8,572 and the bank balance was \$3,334. The difference between the book and bank balance was due to outstanding checks and other reconciling items. The entire balance was uncollateralized (category 3).

Investments

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

investment upon withdrawal. Investments in the Local Government Investment Pool are not subject to risk categorization.

At year end, the City's investment balances in the Local Government Investment Pool were as follows:

	Fair Value
State Treasury Pool	
Primary government	72,793,498
Fiduciary activities	238,722
Total Treasury Pool	<u>73,032,220</u>
 TOTAL INVESTMENTS	 <u><u>\$ 73,032,220</u></u>

**NOTE 3 PROPERTY TAX REVENUES**

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

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

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

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

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

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 3 PROPERTY TAX REVENUES (Concluded)**

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

**NOTE 4 RECEIVABLES**

The non-utility receivables in the General Fund and all receivables in the Special Revenue, Debt Service, Capital Projects, and Pension Trust Funds are considered to be fully collectible; therefore, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for utility-related receivables in the General Fund, Avondale Water Utility, East Avondale Water Utility and Wastewater Utility at June 30, 2004, are \$61,250, \$119,250, \$30,250 and \$115,500, respectively. Additionally, uncollectible amounts relating to revenues in the current period for the General Fund, Avondale Water Utility, East Avondale Water Utility and Wastewater Utility were \$4,250, \$0, \$14,500, and \$7,500, respectively.

**NOTE 5 CAPITAL ASSETS**

A summary of capital asset activity for the governmental activities on the government-wide financial statements for the year ended June 30, 2004, follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Non-depreciable assets:				
Land	\$ 7,289,192	\$ 21,763	\$ (350,658)	\$ 6,960,297
Construction in progress	28,287,650	5,997,225	(23,621,162)	10,663,713
Total non-depreciable capital assets	<u>35,576,842</u>	<u>6,018,988</u>	<u>(23,971,820)</u>	<u>17,624,010</u>
Depreciable assets:				
Buildings and improvements	7,819,632	21,126,195	-	28,945,827
Vehicles, furniture and equipment	14,349,877	4,264,492	(382,734)	18,231,635
Infrastructure	881,806	14,649,351	-	15,531,157
Total depreciable capital assets	<u>23,051,315</u>	<u>40,040,038</u>	<u>(382,734)</u>	<u>62,708,619</u>
Less accumulated depreciation for:				
Buildings and improvements	4,151,887	1,002,962	-	5,154,849
Vehicles, furniture and equipment	8,415,141	2,096,951	(207,058)	10,305,034
Infrastructure	5,229	474,366	-	479,595
Total accumulated depreciation	<u>12,572,257</u>	<u>3,574,279</u>	<u>(207,058)</u>	<u>15,939,478</u>
Total capital assets being depreciated, net	<u>10,479,058</u>	<u>36,465,759</u>	<u>(175,676)</u>	<u>46,769,141</u>
Total governmental activities capital assets, net	<u>\$ 46,055,900</u>	<u>\$ 42,484,747</u>	<u>\$ (24,147,496)</u>	<u>\$ 64,393,151</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 5 CAPITAL ASSETS (Concluded)**

A summary of capital asset activity for the business-type activities on the government-wide financial statements for the year ended June 30, 2004, follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Non-depreciable assets:				
Land	\$ 14,817,798	\$ 778,863	\$ -	\$ 15,596,661
Construction in progress	6,728,326	6,516,856	(5,202,405)	8,042,777
Total non-depreciable capital assets	<u>21,546,124</u>	<u>7,295,719</u>	<u>(5,202,405)</u>	<u>23,639,438</u>
Depreciable assets:				
Water system	20,405,614	5,064,033	-	25,469,647
Sewer system	15,027,181	7,572,687	-	22,599,868
Wastewater treatment system	31,725,523	-	-	31,725,523
Vehicles, furniture and equipment	1,047,740	64,034	(14,253)	1,097,521
Total depreciable capital assets	<u>68,206,058</u>	<u>12,700,754</u>	<u>(14,253)</u>	<u>80,892,559</u>
Less accumulated depreciation for:				
Water system	4,970,288	1,424,218	-	6,394,506
Sewer system	3,275,878	434,566	-	3,710,444
Wastewater treatment system	5,099,418	630,720	-	5,730,138
Vehicles, furniture and equipment	754,403	86,557	(14,253)	826,707
Total accumulated depreciation	<u>14,099,987</u>	<u>2,576,061</u>	<u>(14,253)</u>	<u>16,661,795</u>
Total business-type activities capital assets being depreciated, net	<u>54,106,071</u>	<u>10,124,693</u>	<u>-</u>	<u>64,230,764</u>
Business-type activities capital assets, net	<u>\$ 75,652,195</u>	<u>\$ 17,420,412</u>	<u>\$ (5,202,405)</u>	<u>\$ 87,870,202</u>

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

Governmental activities:	
General government	\$ 1,050,823
Public safety	1,092,900
Highways and streets	583,049
Sanitation	579,030
Health and welfare	21,863
Economic and community development	33,695
Culture and recreation	212,919
Total depreciation expenses - governmental activities	<u>\$ 3,574,279</u>
Business-type activities:	
Avondale Water utility	\$ 1,354,792
East Avondale water utility	113,122
Wastewater utility	1,108,147
Total depreciation expense - business-type activities	<u>\$ 2,576,061</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 RETIREMENT PLANS**

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

**Arizona State Retirement System**

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

Funding Policy. The Arizona State Legislature has the authority to establish and amend benefits, provisions and contributions for active plan members. For the year ended June 30, 2004, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 5.7 percent (4.1 percent retirement, 1.1 percent health benefits services and 0.5 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2004, 2003 and 2002 were \$589,327, \$243,888 and \$209,700, respectively, which were equal to the required contributions for those years.

**Public Safety Personnel Retirement System**

Plan Description. The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 E. Missouri Avenue, Phoenix, Arizona 85014-2613.

Funding Policy - The Arizona State Legislature has the authority to establish and amend benefits, provisions and contributions for active plan members. For the year ended June 30, 2004, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 RETIREMENT PLANS (Continued)**

determined rate of 11.59 percent for police and 7.78 percent for fire. The City contributed the required amount.

Annual Pension Cost - The City's pension cost for the year ended June 30, 2004, the date of the most recent actuarial valuation, and related information follow.

	PSPRS - Police	PSPRS - Fire
Contribution rates:		
City	11.59%	7.78%
Plan members	7.65%	7.65%
Annual pension cost	457,387	103,684
Contributions made	457,387	103,684
Actuarial valuation date	6/30/04	6/30/04
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	8.75%	8.75%
Projected salary increases	6.25% - 9.25%	6.25% - 9.25%
Includes inflation at cost-of-living adjustments	5.25%	5.25%
Post-retirement benefit increases	Based on Investment Income	Based on Investment Income
Amortization method	Level Percentage Open	Level Percentage Open
Remaining amortization period from 7/1/03	Open 20 Years	Open 20 Years
Asset valuation method	4-Year Smoothed Market	4-Year Smoothed Market

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

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
PSPRS – Police	2004	\$457,387	100%	-
	2003	372,656	100%	-
	2002	391,133	100%	-
PSPRS – Fire	2004	\$103,684	100%	-
	2003	146,084	100%	-
	2002	181,109	100%	-

Funding progress – An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2004, follows:

**PSPR – 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)
6/30/04	\$ 6,041,344	\$ 7,190,837	\$1,149,493	84.0%	\$ 4,111,058	-28.0%
6/30/03	5,539,272	6,748,559	1,209,287	82.1%	4,020,877	-30.1%
6/30/02	4,673,499	5,390,454	716,955	86.7%	3,316,268	-21.6%

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 RETIREMENT PLANS (Concluded)**

**PSPR – Fire**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
6/30/04	\$3,858,915	\$4,302,835	\$443,920	89.7%	\$ 2,751,694	-16.1%
6/30/03	3,590,655	3,821,193	230,538	94.0%	2,271,474	-10.2%
6/30/02	3,037,180	2,707,219	(329,961)	112.2%	1,942,617	0%

**Elected Officials' Retirement Plan**

The Elected Officials' Retirement Plan (EORP) is a multiple-employer cost sharing defined benefit pension plan. The EORP is administered by the State of Arizona to provide pension benefits for state and county elected officials, judges, and certain elected officials. The Arizona State Legislature has the authority to establish and amend benefits, provisions and contributions for active plan members. EORP provides retirement benefits, as well as death and disability benefits. The EORP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Elected Officials' Retirement Plan, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling (602) 255-5575.

The payroll for employees covered by EORP for the year ended June 30, 2004, was \$61,200. Contributions to the plan were 13.49% for the City and 7.00% for covered employees. The City's contribution to EORP for the years ended June 30, 2004, 2003 and 2002 were \$8,256, \$4,224, and \$2,844, respectively, which were equal to the required contributions for those years.

**Volunteer Firefighters' Relief and Pension Fund**

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

The payroll for employees covered by VFRPF for the year ended June 30, 2004, was \$36,323. Both the City and the employees made the required 5 percent contribution, amounting to \$1,816 each.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 7 LONG-TERM OBLIGATIONS**

A summary of changes in governmental activities long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2004, is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,028,646	\$ 156,776	\$ 149,661	\$ 1,035,761	\$ 709,635
Capital leases payable	1,184,351	2,537,949	724,870	2,997,430	489,809
Contractual obligation payable	642,000	-	107,000	535,000	107,000
Municipal Development					
Corporation Bonds	42,891,088	-	1,282,973	41,608,115	2,264,478
General Obligation Bonds	20,096,000	-	476,000	19,620,000	845,000
Highway User Revenue Bond	4,690,000	-	300,000	4,390,000	325,000
	<u>\$ 70,532,085</u>	<u>\$ 2,694,725</u>	<u>\$ 3,040,504</u>	<u>\$ 70,186,306</u>	<u>\$ 4,740,922</u>

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

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

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

The assets acquired through capital lease are as follows:

Asset:	
Buildings	\$ 588,013
Machinery and Equipment	4,103,357
Less: accumulated depreciation	<u>(1,079,294)</u>
Total	<u>\$ 3,612,076</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004, were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 489,809	\$ 120,481
2006	373,291	99,006
2007	349,243	82,699
2008	332,878	68,595
2009	284,865	54,797
2010-2014	1,167,345	111,913
Total	<u>\$ 2,997,430</u>	<u>\$ 537,492</u>

Contractual Obligations - The contractual obligations line item reflects the City's required financial contribution toward bridge repairs that occurred in fiscal year 2001-02. The City was required to make seven equal payments of \$107,000. There is no interest. Five payments remain at the end of fiscal year 2003-04.

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2004</u>
1999 series bonds	3.6-5.0%	2019	\$ 6,388,115
2002 series bonds	3.0-5.0%	2020	22,100,000
2003 series bonds	2.0-3.75%	2015	13,120,000
			<u>\$ 41,608,115</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,264,474	\$ 1,503,202
2006	2,411,451	1,435,532
2007	2,493,425	1,365,028
2008	2,617,260	1,288,006
2009	2,717,373	1,204,877
2010-2014	14,604,022	4,395,970
2015-2019	10,629,806	1,875,680
2020-2024	3,870,304	85,500
Total	<u>\$ 41,608,115</u>	<u>\$ 13,153,795</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2004
1997 series bonds	4.6 - 7.1%	2016	\$ 5,210,000
1998 series bonds	4.1 - 5.8%	2018	4,300,000
2003 series A bonds	2.0 - 4.0%	2014	3,060,000
2003 series B bonds	2.0 - 2.75%	2010	7,050,000
			<u>\$ 19,620,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 845,000	\$ 733,806
2006	1,185,000	652,969
2007	1,525,000	608,564
2008	1,910,000	556,380
2009	2,365,000	494,113
2010-2014	7,920,000	1,462,308
2015-2019	3,870,000	289,270
Total	<u>\$ 19,620,000</u>	<u>\$ 4,797,410</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2004
1985 series bonds	8.4 - 9.5%	2004	\$ 185,000
1991 series bonds	7.0 - 9.5%	2006	575,000
1998 series bonds	4.4 - 6.9%	2017	3,630,000
			<u>\$ 4,390,000</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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>
2005	\$ 325,000	\$ 213,249
2006	350,000	187,951
2007	370,000	161,071
2008	105,000	156,451
2009	260,000	144,881
2010-2014	1,495,000	522,251
2015-2019	1,485,000	116,000
Total	<u>\$ 4,390,000</u>	<u>\$ 1,501,854</u>

Refunded Highway User Revenue Bonds – In prior years, the City defeased certain highway user revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The cash and investments held in the irrevocable trust at June 30, 2004, amounted to \$373,504. The following issue is refunded.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2004</u>
1985A series bonds	9.3 – 9.4%	2005	\$ 365,000
			<u>\$ 365,000</u>

A summary of changes in long-term liabilities for the business-type activities reported in the government-wide financial statements for the year ended June 30, 2004 is as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 46,545	\$ 45,389	\$ 37,236	\$ 54,698	\$ 43,758
Water and Sewer					
Revenue Bonds	3,564,400	-	1,899,400	1,665,000	80,000
Municipal Development					
Corporation Bonds	10,718,912	-	687,027	10,031,885	735,523
Water Infrastructure					
Financing Loans	11,709,570	-	677,018	11,032,552	700,294
	<u>\$ 26,039,427</u>	<u>\$ 45,389</u>	<u>\$ 3,300,681</u>	<u>\$ 22,784,135</u>	<u>\$ 1,559,575</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2004
1998 series bonds	4.1 – 5.95%	2018	1,665,000
			<u>\$ 1,665,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 80,000	\$ 72,728
2006	85,000	68,053
2007	90,000	64,363
2008	90,000	60,673
2009	95,000	56,730
2010-2014	550,000	213,710
2015-2019	675,000	67,500
Total	<u>\$ 1,665,000</u>	<u>\$ 603,755</u>

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

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	Outstanding Principal June 30, 2004
1996 series bonds	3.45 – 5.2%	2013	\$ 6,245,000
1999 series (37% of total issue)	3.6 – 5.0%	2019	3,786,885
			<u>\$ 10,031,885</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 735,523	\$ 451,506
2006	773,549	417,290
2007	816,575	380,344
2008	847,740	341,141
2009	887,627	299,211
2010-2014	4,885,978	756,900
2015-2019	880,194	143,380
2020-2024	204,699	-
Total	<u>\$ 10,031,885</u>	<u>\$ 2,789,772</u>

Water Infrastructure Financing Loan agreements are payable from water and sewer revenues. Principal and interest payments are due semi-annually. The following issues are currently outstanding.

<u>Issue</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2004</u>
1992 series	3.40%	2012	\$ 5,361,625
1999 series	3.94%	2021	5,670,927
			<u>\$ 11,032,552</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 700,296	\$ 380,719
2006	728,014	354,607
2007	759,631	327,366
2008	790,247	299,029
2009	819,829	269,628
2010-2014	4,443,546	854,423
2015-2019	1,915,136	329,284
2020-2024	875,853	17,588
Total	<u>\$ 11,032,552</u>	<u>\$ 2,832,644</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 8 SEGMENT INFORMATION**

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

**NOTE 9 INTERFUND PAYABLES, RECEIVABLES, AND TRANSFERS**

Interfund balances as of June 30, 2004 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise Funds	General Fund	\$ 146,260
Pension Trust Fund	General Fund	91,300
Development Fees	General Fund	63,780
Avondale Water Utility	Non-major Governmental Funds	1,600,000
General Fund	Non-major Governmental Funds	172,000
		<u>\$ 2,073,340</u>

The \$91,300 receivable in the Pension Trust Fund is due to the timing of a payment. The \$1,600,000 receivable in the Avondale Water Utility was a temporary borrowing to offset a deficit cash position in one of the non-major governmental funds.

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

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental funds:		
General Fund	\$ 5,004,980	\$ 56,766
Highway User Revenue Fund	640,000	300,000
Dedicated Sales Tax Revenue Fund	4,600,000	-
Development Fees Fund	301,072	4,470,000
Non-major Governmental Funds	96,188	6,399,382
Total governmental funds	<u>10,642,240</u>	<u>11,226,148</u>
Enterprise funds:		
Water Utility Fund	863,730	-
East Avondale Water Utility	200,000	-
Wastewater Utility Fund	20,178	500,000
Total enterprise funds	<u>1,083,908</u>	<u>500,000</u>
Grand total	<u>\$ 11,726,148</u>	<u>\$ 11,726,148</u>

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 10 RISK MANAGEMENT**

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

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

**NOTE 11 CONTINGENT LIABILITIES**

Lawsuits - The City is a defendant in a number of other lawsuits as of June 30, 2004. It is the opinion of management and City counsel that the amount of losses resulting from this litigation at June 30, 2004, 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, 2004. The City expects no material disallowance of expenditures.

**NOTE 12 SUBSEQUENT EVENTS**

On July 1, 2004 the City of Avondale embarked on a Self-Insured Retention Program for general and auto liability. The program allows for the city to administer its own claims with retention of \$250,000 per claim. Claims that exceed this retention (while still administered by Risk Management) are covered by three insurance carriers, each taking a share of the total liability for a maximum coverage umbrella of \$20M.

On July 21, 2004, the City issued \$12,400,000 of Municipal Development Corporation bonds. The bonds were issued for the purpose of assisting the City in financing the costs of design, acquisition, construction and equipping wells, reservoirs, booster stations and transmission lines for the water system of the city, a third fire station, and street improvements. Interest rates range from 2.5% to 4.3% with a 15-year term. Annual debt service is approximately \$1,050,000 and the bonds will be repaid using the dedicated .5% sales tax and development impact fees.

**CITY OF AVONDALE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

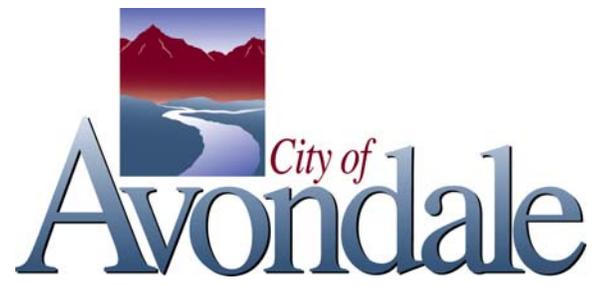
**NOTE 13 DEFICIT FUND BLANCES**

The following fund had an accumulated fund deficit at June 30, 2004:

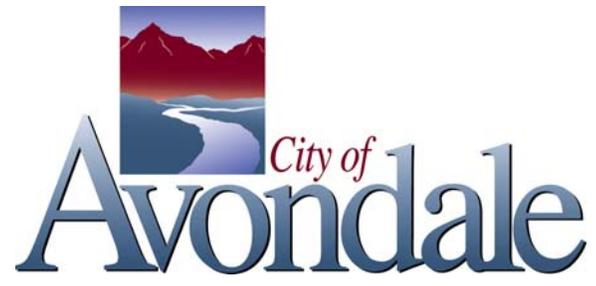
<u>Type</u>	<u>Fund Name</u>	<u>Deficit Amount</u>
Special Revenue	Insurance Reserve Fund	\$ 1,593,929

The deficit in the Insurance Reserve Fund is largely due to the settlement of the matter of *Crystal Gardens v. City of Avondale, et al.*, CV 1999-023229. The settlement of \$5,999,000 was paid in July 2003.

The City plans to eliminate this deficit during fiscal year 2005 with increased transfers from participating funds.



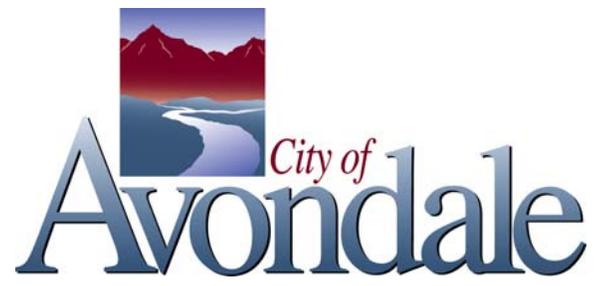
OTHER SUPPLEMENTARY INFORMATION



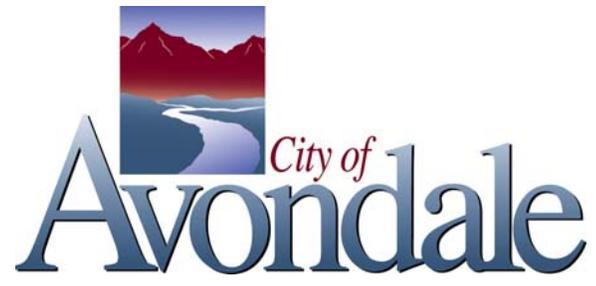
**CITY OF AVONDALE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEVELOPMENT FEES FUND  
YEAR ENDED JUNE 30, 2004**

	Development Fees Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Licenses and permits	\$ 4,679,700	\$ 4,679,700	\$ 9,184,770	\$ 4,505,070
Intergovernmental	8,430,000	8,430,000	676,512	(7,753,488)
Interest	189,100	189,100	176,725	(12,375)
Contributions	2,345,000	2,345,000	1,368,940	(976,060)
Miscellaneous revenues	-	-	217,820	217,820
Total revenues	<u>15,643,800</u>	<u>15,643,800</u>	<u>11,624,767</u>	<u>(4,019,033)</u>
Expenditures				
Highways and streets	140,000	90,000	89,427	573
Economic and community development	175,000	175,000	112,756	62,244
Debt service				
Principal	185,070	185,070	621,125	(436,055)
Interest	-	-	74,288	(74,288)
Capital outlay	<u>40,430,410</u>	<u>40,480,410</u>	<u>21,589,642</u>	<u>18,890,768</u>
Total expenditures	<u>40,930,480</u>	<u>40,930,480</u>	<u>22,487,238</u>	<u>18,443,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,286,680)</u>	<u>(25,286,680)</u>	<u>(10,862,471)</u>	<u>14,424,209</u>
Other financing sources (uses)				
Proceeds from capital leases	-	-	2,537,949	2,537,949
Proceeds from sale of capital assets	690,900	690,900	866,146	175,246
Transfers in	4,470,000	4,470,000	4,470,000	-
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(301,072)</u>	<u>(1,072)</u>
Total other financing sources (uses)	<u>4,860,900</u>	<u>4,860,900</u>	<u>7,573,023</u>	<u>2,712,123</u>
Net change in fund balance	(20,425,780)	(20,425,780)	(3,289,448)	17,136,332
Fund balance at beginning of year	<u>22,247,701</u>	<u>22,247,701</u>	<u>21,324,317</u>	<u>(923,384)</u>
Fund balance at end of year	<u>\$ 1,821,921</u>	<u>\$ 1,821,921</u>	<u>\$ 18,034,869</u>	<u>\$ 16,212,948</u>

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



## COMBINING STATEMENTS



**CITY OF AVONDALE, ARIZONA  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004**

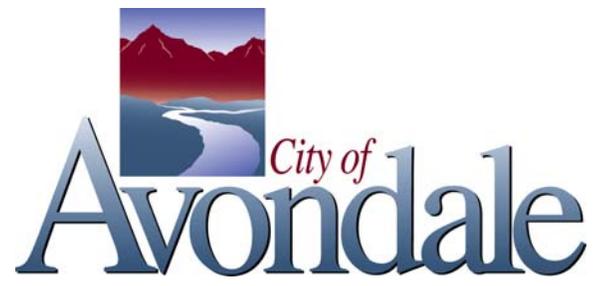
	<u>Special Revenue Funds</u>		
	<u>Local Transportation Assistance Fund</u>	<u>Senior Programs</u>	<u>Judicial Collection Enhancement Fund</u>
<b>ASSETS</b>			
Cash	\$ 304,422	\$ 69,226	\$ 43,555
Investments	202,822	-	-
Receivables			
Taxes	-	-	-
Accounts	-	26,225	-
Interest	508	-	22
Due from other governments	2,694	22,338	-
Prepaid items	-	-	-
Restricted cash with fiscal agent	-	-	-
Total assets	<u>\$ 510,446</u>	<u>\$ 117,789</u>	<u>\$ 43,577</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 22,296	\$ 10,964	\$ -
Accrued payroll and employee benefits	-	7,908	-
Accrued liabilities	-	-	-
Claims payable	-	-	-
Deposits held for others	-	-	-
Due to other funds	-	-	-
Deferred revenues	-	-	-
Total liabilities	<u>22,296</u>	<u>18,872</u>	<u>-</u>
Fund balances (deficit):			
Reserved for:			
Prepaid items	-	-	-
Debt service	-	-	-
Reserved for capital improvements	-	-	-
Reserved for cash with fiscal agent	-	-	-
Unreserved	488,150	98,917	43,577
Total fund balances (deficit)	<u>488,150</u>	<u>98,917</u>	<u>43,577</u>
Total liabilities and fund balances	<u>\$ 510,446</u>	<u>\$ 117,789</u>	<u>\$ 43,577</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA  
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2004**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Grants-in-Aid</u>	<u>Insurance Reserve</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>
<b>ASSETS</b>				
Cash	\$ 219,204	\$ 19,323	\$ 13,851	\$ 63,092
Investments	-	12,746	3,307,844	43,571
Receivables				
Taxes	-	-	-	-
Accounts	7,235	11,231	-	-
Interest	79	-	6,133	105
Due from other governments	85,361	-	-	-
Prepaid items	-	-	-	-
Restricted cash with fiscal agent	-	-	-	-
Total assets	<u>\$ 311,879</u>	<u>\$ 43,300</u>	<u>\$ 3,327,828</u>	<u>\$ 106,768</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 37,709	\$ 11,516	\$ 525	\$ 14,127
Accrued payroll and employee benefits	25,414	-	-	-
Accrued liabilities	11,143	713	-	-
Claims payable	-	25,000	-	-
Deposits held for others	11,824	-	-	-
Due to other funds	-	1,600,000	-	-
Deferred revenues	18,856	-	-	-
Total liabilities	<u>104,946</u>	<u>1,637,229</u>	<u>525</u>	<u>14,127</u>
Fund balances (deficit):				
Reserved for:				
Prepaid items	-	-	-	-
Debt service	-	-	-	-
Reserved for capital improvements	-	-	-	-
Reserved for cash with fiscal agent	-	-	-	-
Unreserved	206,933	(1,593,929)	3,327,303	92,641
Total fund balances (deficit)	<u>206,933</u>	<u>(1,593,929)</u>	<u>3,327,303</u>	<u>92,641</u>
Total liabilities and fund balances	<u>\$ 311,879</u>	<u>\$ 43,300</u>	<u>\$ 3,327,828</u>	<u>\$ 106,768</u>

Debt Service Funds					Total Non-Major Governmental Funds
Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	
\$ 556,013	\$ 3,357	\$ 317	\$ 238,836	\$ 771	\$ 1,531,967
56,260	54,599	820	212,849	44,959	3,936,470
-	76,732	-	-	-	76,732
5,570	-	-	-	-	50,261
334	482	132	491	91	8,377
-	-	-	-	-	110,393
-	845,030	325,000	-	-	1,170,030
-	-	-	1,447,241	1,640,671	3,087,912
<u>\$ 618,177</u>	<u>\$ 980,200</u>	<u>\$ 326,269</u>	<u>\$ 1,899,417</u>	<u>\$ 1,686,492</u>	<u>\$ 9,972,142</u>
\$ -	\$ -	\$ 1,197	\$ -	\$ -	\$ 98,334
-	-	-	-	-	33,322
-	-	-	460,100	323,290	795,246
-	-	-	-	-	25,000
-	-	-	-	-	11,824
-	-	89,000	-	83,000	1,772,000
-	56,383	-	-	-	75,239
<u>-</u>	<u>56,383</u>	<u>90,197</u>	<u>460,100</u>	<u>406,290</u>	<u>2,810,965</u>
-	845,030	236,072	-	-	1,081,102
-	78,787	-	-	-	78,787
618,177	-	-	-	-	618,177
-	-	-	1,439,317	1,280,202	2,719,519
-	-	-	-	-	2,663,592
<u>618,177</u>	<u>923,817</u>	<u>236,072</u>	<u>1,439,317</u>	<u>1,280,202</u>	<u>7,161,177</u>
<u>\$ 618,177</u>	<u>\$ 980,200</u>	<u>\$ 326,269</u>	<u>\$ 1,899,417</u>	<u>\$ 1,686,492</u>	<u>\$ 9,972,142</u>



**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

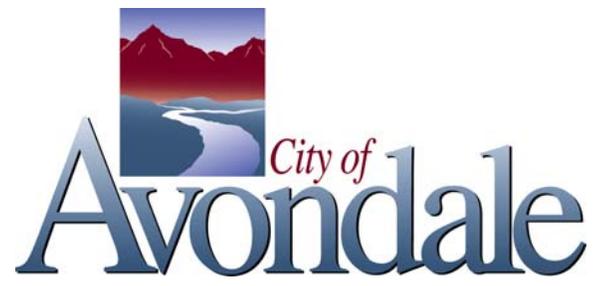
	<u>Special Revenue Funds</u>		
	Local Transportation Assistance Fund	Senior Programs	Judicial Collection Enhancement Fund
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	305,150	238,655	-
Charges for services	-	-	13,523
Interest	2,774	-	178
Contributions	-	20,612	-
Miscellaneous revenue	-	251	-
Total revenue	<u>307,924</u>	<u>259,518</u>	<u>13,701</u>
Expenditures			
Current:			
General government	-	-	28,409
Public safety	-	-	-
Highway and streets	311,771	-	-
Sanitation	-	-	-
Health and welfare	-	350,896	-
Economic and community development	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	1,534	-
Total expenditures	<u>311,771</u>	<u>352,430</u>	<u>28,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,847)</u>	<u>(92,912)</u>	<u>(14,708)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	-	-
Transfers in	130,500	110,520	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>130,500</u>	<u>110,520</u>	<u>-</u>
Net change in fund balances	126,653	17,608	(14,708)
Fund balances at beginning of year	<u>361,497</u>	<u>81,309</u>	<u>58,285</u>
Fund balances at end of year	<u>\$ 488,150</u>	<u>\$ 98,917</u>	<u>\$ 43,577</u>

(continued on next page)

**CITY OF AVONDALE, ARIZONA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2004**

	Special Revenue Funds		Capital Projects Funds	
	Grants-in-Aid	Insurance Reserve	Vehicle Replacement	Equipment Replacement
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	769,270	-	-	-
Charges for services	-	-	-	-
Interest	-	-	32,969	691
Contributions	27,766	-	-	-
Miscellaneous revenue	2,375	430,027	-	-
Total revenue	<u>799,411</u>	<u>430,027</u>	<u>32,969</u>	<u>691</u>
Expenditures				
Current:				
General government	12,233	431,862	-	-
Public safety	880,316	-	-	-
Highway and streets	-	-	-	-
Sanitation	-	-	-	-
Health and welfare	375,014	-	-	-
Economic and community development	-	-	-	-
Culture and recreation	26,982	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	169,894	-	284,321	101,119
Total expenditures	<u>1,464,439</u>	<u>431,862</u>	<u>284,321</u>	<u>101,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(665,028)</u>	<u>(1,835)</u>	<u>(251,352)</u>	<u>(100,428)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	11,746	-
Transfers in	336,433	2,000,000	183,860	50,000
Transfers out	(59,579)	-	-	-
Total other financing sources (uses)	<u>276,854</u>	<u>2,000,000</u>	<u>195,606</u>	<u>50,000</u>
Net change in fund balances	(388,174)	1,998,165	(55,746)	(50,428)
Fund balances at beginning of year	<u>595,107</u>	<u>(3,592,094)</u>	<u>3,383,049</u>	<u>143,069</u>
Fund balances at end of year	<u>\$ 206,933</u>	<u>\$ (1,593,929)</u>	<u>\$ 3,327,303</u>	<u>\$ 92,641</u>

Debt Service Funds					
Other Capital Projects	General Obligation Bonds	Highway User's Bonds	Dedicated Sales Tax	Other Debt Service	Total Non- Major Governmental Funds
\$ -	\$ 1,468,939	\$ -	\$ -	\$ -	\$ 1,468,939
-	-	-	-	-	1,313,075
-	-	-	-	-	13,523
2,467	3,198	150	8,152	4,657	55,236
58,662	-	-	-	302,082	409,122
-	-	-	-	-	432,653
<u>61,129</u>	<u>1,472,137</u>	<u>150</u>	<u>8,152</u>	<u>306,739</u>	<u>3,692,548</u>
-	-	-	-	-	472,504
-	-	-	-	-	880,316
-	-	-	-	-	311,771
-	-	-	-	-	-
-	-	-	-	-	725,910
-	-	-	-	-	-
-	-	-	-	-	26,982
-	476,000	300,000	900,000	382,973	2,058,973
-	748,076	241,763	922,200	538,830	2,450,869
-	-	-	-	-	556,868
<u>-</u>	<u>1,224,076</u>	<u>541,763</u>	<u>1,822,200</u>	<u>921,803</u>	<u>7,484,193</u>
<u>61,129</u>	<u>248,061</u>	<u>(541,613)</u>	<u>(1,814,048)</u>	<u>(615,064)</u>	<u>(3,791,645)</u>
-	-	-	-	-	11,746
-	-	540,000	1,936,657	1,111,412	6,399,382
(36,530)	-	-	-	(79)	(96,188)
<u>(36,530)</u>	<u>-</u>	<u>540,000</u>	<u>1,936,657</u>	<u>1,111,333</u>	<u>6,314,940</u>
24,599	248,061	(1,613)	122,609	496,269	2,523,295
<u>593,578</u>	<u>675,756</u>	<u>237,685</u>	<u>1,316,708</u>	<u>783,933</u>	<u>4,637,882</u>
<u>\$ 618,177</u>	<u>\$ 923,817</u>	<u>\$ 236,072</u>	<u>\$ 1,439,317</u>	<u>\$ 1,280,202</u>	<u>\$ 7,161,177</u>



**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
LOCAL TRANSPORTATION ASSISTANCE FUND  
YEAR ENDED JUNE 30, 2004**

	Local Transportation Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 315,970	\$ 315,970	\$ 305,150	\$ (10,820)
Interest	-	-	2,774	2,774
Total revenues	<u>315,970</u>	<u>315,970</u>	<u>307,924</u>	<u>(8,046)</u>
Expenditures				
Highways and streets	<u>446,470</u>	<u>446,470</u>	<u>311,771</u>	<u>134,699</u>
Total expenditures	<u>446,470</u>	<u>446,470</u>	<u>311,771</u>	<u>134,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,500)</u>	<u>(130,500)</u>	<u>(3,847)</u>	<u>126,653</u>
Other financing sources (uses)				
Transfers in	<u>130,500</u>	<u>130,500</u>	<u>130,500</u>	<u>-</u>
Total other financing sources (uses)	<u>130,500</u>	<u>130,500</u>	<u>130,500</u>	<u>-</u>
Net change in fund balance	-	-	126,653	126,653
Fund balance at beginning of year	<u>310,760</u>	<u>310,760</u>	<u>361,497</u>	<u>50,737</u>
Fund balance at end of year	<u>\$ 310,760</u>	<u>\$ 310,760</u>	<u>\$ 488,150</u>	<u>\$ 177,390</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
SENIOR PROGRAMS FUND  
YEAR ENDED JUNE 30, 2004**

	Senior Programs Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 237,220	\$ 237,220	\$ 238,655	\$ 1,435
Contributions	19,180	19,180	20,612	1,432
Miscellaneous revenues	-	-	251	251
Total revenues	<u>256,400</u>	<u>256,400</u>	<u>259,518</u>	<u>3,118</u>
Expenditures				
Health and welfare	370,150	370,150	350,896	19,254
Economic and community development	-	-	1,534	(1,534)
Total expenditures	<u>370,150</u>	<u>370,150</u>	<u>352,430</u>	<u>17,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,750)</u>	<u>(113,750)</u>	<u>(92,912)</u>	<u>20,838</u>
Other financing sources (uses)				
Transfers in	114,930	114,930	110,520	(4,410)
Total other financing sources (uses)	<u>114,930</u>	<u>114,930</u>	<u>110,520</u>	<u>(4,410)</u>
Net change in fund balance	1,180	1,180	17,608	16,428
Fund balance at beginning of year	<u>80,000</u>	<u>80,000</u>	<u>81,309</u>	<u>1,309</u>
Fund balance at end of year	<u>\$ 81,180</u>	<u>\$ 81,180</u>	<u>\$ 98,917</u>	<u>\$ 17,737</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, 2004**

	Judicial Collection Enhancement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Charges for services	\$ -	\$ -	\$ 13,523	\$ 13,523
Interest	-	-	178	178
Total revenues	<u>-</u>	<u>-</u>	<u>13,701</u>	<u>13,701</u>
Expenditures				
General government	<u>69,500</u>	<u>69,500</u>	<u>28,409</u>	<u>41,091</u>
Total expenditures	<u>69,500</u>	<u>69,500</u>	<u>28,409</u>	<u>41,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,500)</u>	<u>(69,500)</u>	<u>(14,708)</u>	<u>54,792</u>
Fund balance at beginning of year	<u>69,500</u>	<u>69,500</u>	<u>58,285</u>	<u>(11,215)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,577</u>	<u>\$ 43,577</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
OTHER GRANTS-IN-AID FUND  
YEAR ENDED JUNE 30, 2004**

	Other Grants-in-Aid			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Intergovernmental	\$ 1,083,110	\$ 1,210,606	\$ 769,270	\$ (441,336)
Interest	-	-	-	-
Contributions	5,000,000	4,934,670	27,766	(4,906,904)
Miscellaneous revenues	-	(39,106)	2,375	41,481
Total revenues	<u>6,083,110</u>	<u>6,106,170</u>	<u>799,411</u>	<u>(5,306,759)</u>
Expenditures				
General government	5,390,550	4,781,043	12,233	4,768,810
Public safety	1,027,480	1,105,368	880,316	225,052
Sanitation	-	16,510	-	16,510
Health and welfare	385,000	374,550	375,014	(464)
Economic and community development	-	-	-	-
Culture and recreation	-	35,435	26,982	8,453
Capital outlay	-	490,124	169,894	320,230
Total expenditures	<u>6,803,030</u>	<u>6,803,030</u>	<u>1,464,439</u>	<u>5,338,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(719,920)</u>	<u>(696,860)</u>	<u>(665,028)</u>	<u>31,832</u>
Other financing sources (uses)				
Transfers in	333,620	333,620	336,433	2,813
Transfers out	-	-	(59,579)	(59,579)
Total other financing sources (uses)	<u>333,620</u>	<u>333,620</u>	<u>276,854</u>	<u>(56,766)</u>
Net change in fund balance	(386,300)	(363,240)	(388,174)	(24,934)
Fund balance at beginning of year	<u>519,540</u>	<u>519,540</u>	<u>595,107</u>	<u>75,567</u>
Fund balance at end of year	<u>\$ 133,240</u>	<u>\$ 156,300</u>	<u>\$ 206,933</u>	<u>\$ 50,633</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
INSURANCE RESERVE FUND  
YEAR ENDED JUNE 30, 2004**

	Insurance Reserve Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenues	-	-	430,027	430,027
Total revenues	<u>-</u>	<u>-</u>	<u>430,027</u>	<u>430,027</u>
Expenditures				
General government	4,200,000	4,200,000	431,862	3,768,138
Total expenditures	<u>4,200,000</u>	<u>4,200,000</u>	<u>431,862</u>	<u>3,768,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,200,000)</u>	<u>(4,200,000)</u>	<u>(1,835)</u>	<u>4,198,165</u>
Other financing sources (uses)				
Transfers in	2,000,000	2,000,000	2,000,000	-
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Net change in fund balance	(2,200,000)	(2,200,000)	1,998,165	4,198,165
Fund balance at beginning of year	<u>2,342,940</u>	<u>2,342,940</u>	<u>(3,592,094)</u>	<u>(5,935,034)</u>
Fund balance at end of year	<u>\$ 142,940</u>	<u>\$ 142,940</u>	<u>\$ (1,593,929)</u>	<u>\$ (1,736,869)</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
VEHICLE REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2004**

	Vehicle Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 32,969	\$ 32,969
Miscellaneous revenues	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>32,969</u>	<u>32,969</u>
Expenditures				
Capital outlay	<u>800,000</u>	<u>800,000</u>	<u>284,321</u>	<u>515,679</u>
Total expenditures	<u>800,000</u>	<u>800,000</u>	<u>284,321</u>	<u>515,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,000)</u>	<u>(800,000)</u>	<u>(251,352)</u>	<u>548,648</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	11,746	11,746
Transfers in	<u>183,860</u>	<u>183,860</u>	<u>183,860</u>	<u>-</u>
Total other financing sources (uses)	<u>183,860</u>	<u>183,860</u>	<u>195,606</u>	<u>11,746</u>
Net change in fund balance	(616,140)	(616,140)	(55,746)	560,394
Fund balance at beginning of year	<u>2,650,952</u>	<u>2,650,952</u>	<u>3,383,049</u>	<u>732,097</u>
Fund balance at end of year	<u>\$ 2,034,812</u>	<u>\$ 2,034,812</u>	<u>\$ 3,327,303</u>	<u>\$ 1,292,491</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
EQUIPMENT REPLACEMENT FUND  
YEAR ENDED JUNE 30, 2004**

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 691	\$ 691
Total revenues	<u>-</u>	<u>-</u>	<u>691</u>	<u>691</u>
Expenditures				
Capital outlay	100,000	100,000	101,119	(1,119)
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>101,119</u>	<u>(1,119)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,428)</u>	<u>(428)</u>
Other financing sources (uses)				
Transfers in	50,000	50,000	50,000	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	(50,000)	(50,000)	(50,428)	(428)
Fund balance at beginning of year	<u>125,870</u>	<u>125,870</u>	<u>143,069</u>	<u>17,199</u>
Fund balance at end of year	<u>\$ 75,870</u>	<u>\$ 75,870</u>	<u>\$ 92,641</u>	<u>\$ 16,771</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, 2004**

	Other Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 2,467	\$ 2,467
Contributions	12,000,000	12,000,000	58,662	(11,941,338)
Total revenues	<u>12,000,000</u>	<u>12,000,000</u>	<u>61,129</u>	<u>(11,938,871)</u>
Expenditures				
Capital outlay	12,264,412	12,264,412	-	12,264,412
Total expenditures	<u>12,264,412</u>	<u>12,264,412</u>	<u>-</u>	<u>12,264,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(264,412)</u>	<u>(264,412)</u>	<u>61,129</u>	<u>325,541</u>
Other financing sources (uses)				
Transfers out	-	-	(36,530)	(36,530)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(36,530)</u>	<u>(36,530)</u>
Net change in fund balance	(264,412)	(264,412)	24,599	289,011
Fund balance at beginning of year	<u>276,521</u>	<u>276,521</u>	<u>593,578</u>	<u>317,057</u>
Fund balance at end of year	<u>\$ 12,109</u>	<u>\$ 12,109</u>	<u>\$ 618,177</u>	<u>\$ 606,068</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
GENERAL OBLIGATION BOND FUND  
YEAR ENDED JUNE 30, 2004**

	General Obligation Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Taxes	\$ 1,455,440	\$ 1,455,440	\$ 1,468,939	\$ 13,499
Interest	-	-	3,198	3,198
Total revenues	<u>1,455,440</u>	<u>1,455,440</u>	<u>1,472,137</u>	<u>16,697</u>
Expenditures				
Debt service				
Principal	455,440	455,440	476,000	(20,560)
Interest	<u>1,000,000</u>	<u>1,000,000</u>	<u>748,076</u>	<u>251,924</u>
Total expenditures	<u>1,455,440</u>	<u>1,455,440</u>	<u>1,224,076</u>	<u>231,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>248,061</u>	<u>248,061</u>
Fund balance at beginning of year	<u>609,770</u>	<u>609,770</u>	<u>675,756</u>	<u>65,986</u>
Fund balance at end of year	<u>\$ 609,770</u>	<u>\$ 609,770</u>	<u>\$ 923,817</u>	<u>\$ 314,047</u>

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
HIGHWAY USER REVENUE BOND FUND  
YEAR ENDED JUNE 30, 2004**

	Highway User Revenue Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 150	\$ 150
Total revenues	<u>-</u>	<u>-</u>	<u>150</u>	<u>150</u>
Expenditures				
Debt service				
Principal	300,000	300,000	300,000	-
Interest	240,000	240,000	241,763	(1,763)
Total expenditures	<u>540,000</u>	<u>540,000</u>	<u>541,763</u>	<u>(1,763)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(540,000)</u>	<u>(540,000)</u>	<u>(541,613)</u>	<u>(1,613)</u>
Other financing sources (uses)				
Transfers in	540,000	540,000	540,000	-
Total other financing sources (uses)	<u>540,000</u>	<u>540,000</u>	<u>540,000</u>	<u>-</u>
Net change in fund balance	-	-	(1,613)	(1,613)
Fund balance at beginning of year	<u>238,620</u>	<u>238,620</u>	<u>237,685</u>	<u>(935)</u>
Fund balance at end of year	<u>\$ 238,620</u>	<u>\$ 238,620</u>	<u>\$ 236,072</u>	<u>\$ (2,548)</u>

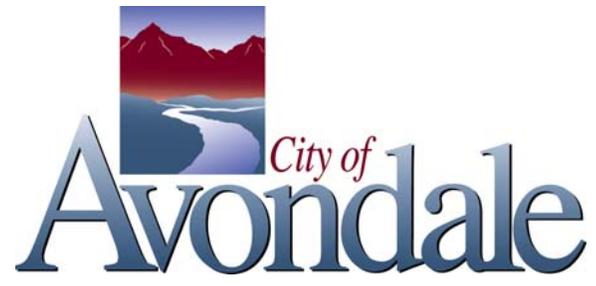
**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
DEDICATED SALES TAX BOND FUND  
YEAR ENDED JUNE 30, 2004**

	Dedicated Sales Tax Bond Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 8,152	\$ 8,152
Total revenues	<u>-</u>	<u>-</u>	<u>8,152</u>	<u>8,152</u>
Expenditures				
Debt service				
Principal	900,000	900,000	900,000	-
Interest	<u>1,000,000</u>	<u>1,000,000</u>	<u>922,200</u>	<u>77,800</u>
Total expenditures	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,822,200</u>	<u>77,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,900,000)</u>	<u>(1,900,000)</u>	<u>(1,814,048)</u>	<u>85,952</u>
Other financing sources (uses)				
Transfers in	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,936,657</u>	<u>36,657</u>
Total other financing sources (uses)	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,936,657</u>	<u>36,657</u>
Net change in fund balance	-	-	122,609	122,609
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>1,316,708</u>	<u>1,316,708</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439,317</u>	<u>\$ 1,439,317</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, 2004**

	Other Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Interest	\$ -	\$ -	\$ 4,657	\$ 4,657
Contributions	-	-	302,082	302,082
Total revenues	<u>-</u>	<u>-</u>	<u>306,739</u>	<u>306,739</u>
Expenditures				
Debt service				
Principal	945,870	945,870	382,973	562,897
Interest	292,370	292,370	538,830	(246,460)
Total expenditures	<u>1,238,240</u>	<u>1,238,240</u>	<u>921,803</u>	<u>316,437</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,238,240)</u>	<u>(1,238,240)</u>	<u>(615,064)</u>	<u>623,176</u>
Other financing sources (uses)				
Transfers in	1,110,340	1,110,340	1,111,412	1,072
Transfers out	-	-	(79)	(79)
Total other financing sources (uses)	<u>1,110,340</u>	<u>1,110,340</u>	<u>1,111,333</u>	<u>993</u>
Net change in fund balance	(127,900)	(127,900)	496,269	624,169
Fund balance at beginning of year	<u>290,407</u>	<u>290,407</u>	<u>783,933</u>	<u>493,526</u>
Fund balance at end of year	<u>\$ 162,507</u>	<u>\$ 162,507</u>	<u>\$ 1,280,202</u>	<u>\$ 1,117,695</u>

CAPITAL ASSETS USED IN THE  
OPERATION OF GOVERNMENTAL FUNDS



**CITY OF AVONDALE, ARIZONA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULES BY SOURCE  
 JUNE 30, 2004**

Governmental funds capital assets:	
Land and improvements	\$ 6,960,297
Buildings and improvements	28,945,827
Vehicles, furniture and equipment	18,231,635
Infrastructure	15,531,157
Construction in progress	10,663,713
Total	<u>\$ 80,332,629</u>

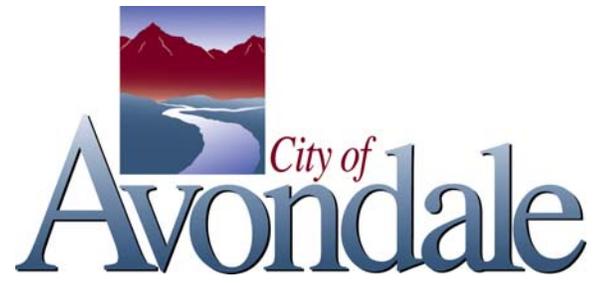
Investments in governmental funds capital assets by source:	
General Fund	\$ 17,916,786
Special Revenue Funds	3,004,279
Capital Projects Funds	59,411,564
Total	<u>\$ 80,332,629</u>

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2004**

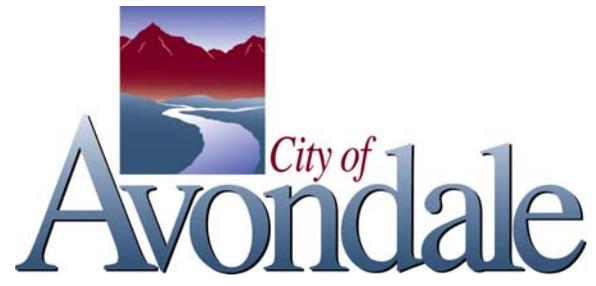
Function and Activity	Asset Classification					Total
	Land and Improvements	Buildings and Improvements	Vehicles, Furniture and Equipment	Infrastructure	Construction in Progress	
General government	\$ 2,850,581	\$ 16,880,000	\$ 6,919,908	\$ 53,364	\$ 209,191	\$ 26,913,044
Public safety	247,185	7,863,494	6,293,489	-	465,183	14,869,351
Highways and streets	218,376	139,731	1,596,593	15,477,793	2,846,621	20,279,114
Sanitation	-	53,727	2,784,416	-	-	2,838,143
Health and welfare	215,948	965,458	83,982	-	-	1,265,388
Culture and recreation	3,428,207	3,043,417	553,247	-	7,142,718	14,167,589
<b>Total</b>	<b>\$ 6,960,297</b>	<b>\$ 28,945,827</b>	<b>\$ 18,231,635</b>	<b>\$ 15,531,157</b>	<b>\$ 10,663,713</b>	<b>\$ 80,332,629</b>

**CITY OF AVONDALE, ARIZONA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Function and Activity</u>	<u>Capital Assets July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2004</u>
General government	\$ 11,046,563	\$ 16,174,972	\$ 517,682	\$ 26,703,853
Public safety	8,214,051	6,351,741	161,624	14,404,168
Highways and streets	2,022,309	15,456,983	46,799	17,432,493
Sanitation	2,306,782	534,914	3,553	2,838,143
Health and welfare	860,747	408,174	3,533	1,265,388
Culture and recreation	5,890,055	1,135,017	201	7,024,871
Construction in Progress	<u>28,287,650</u>	<u>5,997,225</u>	<u>23,621,162</u>	<u>10,663,713</u>
Totals	<u>\$ 58,628,157</u>	<u>\$ 46,059,026</u>	<u>\$ 24,354,554</u>	<u>\$ 80,332,629</u>



## STATISTICAL SECTION



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**CITY OF AVONDALE, ARIZONA  
 GOVERNMENT-WIDE REVENUES  
 YEAR ENDED JUNE 30, 2004**

<b>Fiscal Year</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Sales and Use taxes</b>
2003-04	\$ 22,499,855	\$ 2,066,226	\$ 26,688,607	\$ 23,177,913
2002-03	\$ 20,160,008	\$ 1,860,947	\$ 19,250,500	\$ 16,167,320

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

<b>Property Taxes</b>	<b>Franchise Taxes</b>	<b>State Shared Revenues</b>	<b>Investment Income</b>	<b>Other/ Miscellaneous</b>	<b>Total</b>
\$ 2,336,907	\$ 640,293	\$ 10,272,674	\$ 828,503	\$ 1,099,853	\$ 89,610,831
\$ 2,023,456	\$ 558,196	\$ 10,323,804	\$ 1,111,669	\$ 893,840	\$ 72,349,740

**CITY OF AVONDALE, ARIZONA  
 GOVERNMENT-WIDE EXPENSES BY FUNCTION  
 YEAR ENDED JUNE 30, 2004**

<b>Governmental Activities</b>						
<b>Fiscal Year</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Sanitation</b>	<b>Health and Welfare</b>	<b>Economic and Community Development</b>
2003-04	\$ 12,770,944	\$ 12,309,510	\$ 2,885,844	\$ 3,047,585	\$ 693,682	\$ 2,718,598
2002-03	\$ 10,128,809	\$ 11,107,465	\$ 2,439,612	\$ 2,746,075	\$ 573,859	\$ 2,078,521

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>			<b>Total</b>
<b>Culture and Recreation</b>	<b>Interest on Long-term Debt</b>	<b>Water Utility</b>	<b>East Avondale Water Utility</b>	<b>Wastewater Utility</b>	
\$ 1,013,654	\$ 2,650,407	\$ 6,137,470	\$ 701,085	\$ 4,589,305	\$ 49,518,084
\$ 945,473	\$ 2,386,274	\$ 5,364,526	\$ 501,732	\$ 5,054,347	\$ 43,326,693

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

<b>Fiscal Year</b>		<b>General Government</b>	<b>Public Safety</b>	<b>Highways and Streets</b>	<b>Sanitation</b>	<b>Health and Welfare</b>
2003-04	\$	11,751,262	\$ 10,995,415	\$ 2,356,237	\$ 2,406,162	\$ 1,033,165
2002-03		16,574,345	10,209,532	2,226,206	2,454,368	530,698
2001-02		8,505,547	8,479,739	2,292,530	1,699,393	594,409
2000-01		3,926,882	7,282,438	1,780,400	1,540,569	306,109
1999-00		3,233,932	6,099,367	2,105,616	1,365,616	278,542
1998-99		4,667,890	4,739,006	1,781,527	1,301,842	299,117
1997-98		3,730,304	4,103,779	1,226,703	896,324	306,523
1996-97		3,529,373	3,480,597	1,212,306	882,017	275,518
1995-96		2,734,963	3,092,171	1,071,781	760,411	298,417
1994-95		2,531,944	2,526,031	1,009,847	660,890	277,188

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

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

<b>Culture and Recreation</b>	<b>Public Services</b>	<b>Economic &amp; Community Development</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total</b>
\$ 890,534	\$ - **	\$ 2,177,974	\$ 620,494	\$ 5,434,250	\$ 37,665,493
768,906	- **	2,078,510	1,209,458	3,583,782	39,635,805
639,035	- **	1,683,260	1,388,987	2,562,547	27,845,447
1,140,231	898,922	1,480,929	234,078	3,404,955	21,995,513
695,132	953,404	1,755,315	561,033	4,332,647	21,380,604
501,203	387,183	26,336	2,585,930	3,351,130	19,641,164
232,099	336,979	61,409	2,676,408	2,279,140	15,849,668
223,689	308,820	50,785	1,197,322	2,004,379	13,164,806
235,583	455,849	90,400	700,099	2,804,011	12,243,685
278,978	332,985	120,760	690,417	1,982,419	10,411,459

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

<b>Fiscal Year</b>	<b>Taxes</b>	<b>Licenses &amp; Permits</b>	<b>Inter-governmental</b>	<b>Charges for Services</b>	<b>Fines and Forfeits</b>
2003-04	\$ 26,225,061	\$ 4,222,868	\$ 11,606,715	\$ 4,003,862	\$ 334,376
2002-03	18,736,691	4,049,502	12,238,176	2,957,895	262,032
2001-02	16,522,695	4,194,488	11,538,326	2,637,134	297,233
2000-01	9,009,499	6,783,500	8,976,753	2,546,843	296,037
1999-00	7,790,709	3,141,234	8,651,974	2,179,204	284,784
1998-99	6,821,890	1,825,608	7,587,410	2,084,559	320,592
1997-98	4,736,307	1,282,725	7,413,960	1,594,746	309,495
1996-97	3,904,635	752,246	6,564,687	1,273,386	397,725
1995-96	3,713,968	531,786	5,580,278	1,187,679	281,409
1994-95	2,912,894	406,083	5,438,174	907,856	294,138

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

<u>Interest</u>	<u>Contributions</u>	<u>Total</u>
\$ 172,161	\$ 553,942	\$ 47,118,985
275,996	200,169	38,720,461
386,616	12,347	35,588,839
631,373	58,000	28,302,005
528,545	317,397	22,893,847
408,932	436,599	19,485,590
349,214	1,019,043	16,705,490
212,502	268,152	13,373,333
257,231	210,478	11,762,829
208,896	105,522	10,273,563

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

<b>Fiscal Year</b>	<b>Original Property Tax Levy</b>	<b>Collected to June 30th End of Tax Fiscal Year</b>		<b>Collected to June 30, 2003</b>	
		<b>Amount</b>	<b>Percent of Levy</b>	<b>Amount</b>	<b>Percent of Levy</b>
2003-04	\$ 2,406,999	\$ 2,374,955	98.67 %	\$ 2,396,960	99.58 %
2002-03	2,014,427	1,976,098	98.10	1,997,640	99.17
2001-02	1,607,427	1,502,020	93.44	1,528,950	95.12
2000-01	1,290,209	1,260,264	97.68	1,267,795	98.26
1999-00	1,273,147	1,259,546	98.93	1,268,655	99.65
1998-99	1,103,916	1,062,957	96.29	1,068,549	96.80
1997-98	799,004	717,389	89.79	763,896	95.61
1996-97	767,197	720,393	93.90	766,899	99.96
1995-96	601,944	567,283	94.24	601,944	100.00
1994-95	537,032	476,126	88.66	525,381	97.83

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

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

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

<b>Fiscal Year</b>	<b>Net Secondary Assessed Value</b>	<b>Estimated Full-Cash Value</b>	<b>Ratio of Net Secondary Assessed to Estimated Full-Cash Value</b>	
2003-04	\$ 265,228,109	\$ 2,430,772,423	10.91	%
2002-03	212,252,060	1,981,422,235	10.71	
2001-02	156,198,776	1,474,541,801	10.59	
2000-01	129,300,380	1,180,235,350	10.96	
1999-00	104,336,139	938,408,667	11.12	
1998-99	67,117,423	600,345,095	11.18	
1997-98	60,895,900	569,686,926	10.69	
1996-97	49,197,335	450,087,491	10.93	
1995-96	45,909,426	419,672,908	10.94	
1994-95	41,263,879	373,733,031	11.04	

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

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

<u>Fiscal Year</u>	<u>State of Arizona</u>	<u>County</u>		<u>Tolleson Elementary School District No. 17</u>	<u>Tolleson Union High School District No. 214</u>	<u>Pendergast Elementary School District No. 92</u>
		<u>County- wide</u>	<u>Junior College</u>			
2003-04 Primary	-0-	1.21	0.94	3.30	3.24	2.39
Secondary	-0-	0.07	0.14	2.31	1.03	3.98
2002-03 Primary	-0-	1.21	0.96	3.06	3.59	2.81
Secondary	-0-	0.08	0.15	2.20	1.31	4.67
2001-02 Primary	-0-	1.18	0.96	2.56	2.76	2.40
Secondary	-0-	0.09	0.15	2.87	1.48	4.88
2000-01 Primary	-0-	1.16	0.97	3.27	2.81	2.50
Secondary	-0-	0.12	0.15	3.06	1.66	4.90
1999-00 Primary	-0-	1.19	0.97	2.41	2.13	2.68
Secondary	-0-	1.00	0.15	3.33	1.63	4.89
1998-99 Primary	-0-	1.15	0.99	2.68	2.39	2.62
Secondary	-0-	0.13	0.13	2.97	1.81	5.11
1997-98 Primary	-0-	1.66	0.97	2.59	2.69	3.19
Secondary	-0-	0.14	0.16	3.06	1.80	4.57
1996-97 Primary	-0-	1.49	0.98	2.43	2.50	2.20
Secondary	-0-	0.16	0.07	2.73	2.25	4.36
1995-96 Primary	0.47	1.68	0.95	2.36	3.11	2.62
Secondary	-0-	0.15	0.17	1.14	2.05	4.45
1994-95 Primary	0.47	1.77	0.85	2.97	2.60	3.11
Secondary	-0-	-0-	-0-	2.21	1.94	3.95

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

<b>Litchfield Elementary School District No. 79</b>	<b>Avondale Elementary School District No. 44</b>	<b>Agua Fria Union High School District No. 216</b>	<b>City of Avondale, Arizona</b>	<b>Littleton Elementary School District No. 65</b>
2.38	3.45	2.42	0.48	3.90
1.89	0.79	1.37	0.69	2.02
2.13	2.25	2.83	0.54	2.33
2.14	0.77	1.39	0.73	1.56
2.61	2.91	2.47	0.55	2.88
2.21	1.11	1.41	0.73	1.77
2.62	2.57	3.62	0.60	2.29
2.51	1.93	1.57	0.68	1.82
2.31	2.87	2.99	0.64	2.31
2.93	2.10	1.51	1.00	1.37
2.71	2.69	2.95	0.63	2.89
3.04	2.10	1.68	1.15	1.24
2.53	2.66	2.96	0.63	2.38
2.47	1.88	1.19	0.72	1.79
2.67	2.56	2.80	0.67	2.71
2.37	2.03	1.34	0.91	1.46
2.58	3.00	3.06	0.67	2.60
2.09	2.22	1.47	0.69	1.37
2.92	3.17	3.44	0.67	2.25
2.30	2.08	1.15	0.65	0.95

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Net Secondary Assessed Value</b>	<b>Net General Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Secondary Assessed Value</b>	<b>Bonded Debt Per Capita</b>
2003-04	53,925	\$ 265,228,109	\$ 19,620,000	7.40 %	\$ 364
2002-03	47,610	212,252,060	19,926,000	9.39	419
2001-02	40,445	156,198,776	13,370,000	8.56	331
2000-01	35,883	129,300,380	13,759,000	10.64	383
1999-00	32,270	104,336,139	14,123,000	13.54	438
1998-99	30,800	67,117,423	14,436,000	21.51	469
1997-98	26,020	60,895,900	10,359,000	17.01	398
1996-97	25,000	49,197,335	10,482,000	21.31	419
1995-96	23,500	45,909,426	3,970,000	8.65	169
1994-95	22,855	41,263,879	4,073,000	9.87	178

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

**CITY OF AVONDALE, ARIZONA  
COMPUTATION OF LEGAL DEBT MARGIN\*  
JUNE 30, 2004**

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

	<b>Water, Sewer, Lights Preserves, Parks, Playgrounds Recreational Facilities Bonds</b>	<b>All Other General Obligation Bonds</b>
Net assessed value	<u>\$ 265,228,109</u>	<u>\$ 265,228,109</u>
Debt limit	53,045,622	15,913,687
Net Bonds Outstanding	<u>10,270,000</u>	<u>9,350,000</u>
Legal debt margin	<u>\$ 42,775,622</u>	<u>\$ 6,563,687</u>

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\* The source of this information is City records.

**CITY OF AVONDALE, ARIZONA  
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT -  
GENERAL OBLIGATION BONDS  
JUNE 30, 2004**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
State of Arizona	\$ NONE	N/A %	\$ NONE
Maricopa County	20,165,000	0.77	155,271
Maricopa County Community College District	261,015,000	0.77	2,009,816
Maricopa County Library District	NONE	N/A	NONE
Maricopa County Flood Control District	NONE	N/A	NONE
Maricopa County Fire District	NONE	N/A	NONE
Central Arizona Water Conservation District	NONE	N/A	NONE
Avondale Elementary School District No. 44	12,200,000	24.2	2,952,400
Litchfield Elementary School District No. 79	21,890,000	13.61	2,979,229
Littleton Elementary School District No. 65	1,330,000	42.71	568,043
Pendergast Elementary School District No. 92	19,325,000	37.1	7,169,575
Tolleson Elementary School District No. 17	6,552,000	4.21	275,839
Liberty Elementary School District No. 25	1,930,000	0.06	1,158
Agua Fria Union High School District No. 216	49,735,000	17.59	8,748,387
Tolleson Union High School District No. 214	49,940,000	22.56	11,266,464
City of Avondale	<u>19,620,000</u>	100.00	<u>19,620,000</u>
 Total Direct and Overlapping General Obligation Bonded Debt	 <u>\$ 463,702,000</u>		 <u>\$ 55,746,181</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Total Expenditures</u>	<u>Ratio of Debt Service To Total Expenditures</u>
2003-04	\$ 476,000	\$ 748,076	\$ 1,224,076	\$ 35,844,150	3.41 %
2002-03	409,000	668,816	1,077,816	39,635,805	2.72
2001-02	389,000	687,422	1,076,422	27,845,447	3.87
2000-01	364,000	962,680	1,326,680	22,243,788	5.96
1999-00	192,250	506,154	698,404	23,579,505	2.96
1998-99	160,900	401,826	562,726	19,641,164	2.87
1997-98	123,000	286,355	409,355	15,849,668	2.58
1996-97	118,000	226,611	344,611	13,164,806	2.62
1995-96	103,000	234,471	337,471	12,243,685	2.76
1994-95	3,000	240,579	243,579	10,411,459	2.34

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

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

<u>Year</u>	<u>Population as of July 1</u>	<u>Per Capita Income*</u>	<u>Estrella Mountain Community College Enrollment</u>	<u>Unemployment Rate</u>
2003	53,925	\$ 30,111	9,040	9.4 %
2002	47,610	30,597	5,193	10.6
2001	40,445	29,133	4,958	7.4
2000	35,883	28,962	4,300	8.2
1999	32,270	27,582	4,400	4.9
1998	30,800	27,028	4,222	5.2
1997	26,020	25,505	3,010	5.7
1996	25,000	24,032	2,734	7.0
1995	23,500	22,858	2,451	7.0
1994	22,855	21,763	2,207	8.5

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

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

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

<b>Fiscal Year</b>	<b>City of Avondale</b>	<b>Maricopa County</b>	<b>Percent of Primary Assessed Value to Maricopa</b>	
2003-04	\$ 243,152,268	\$ 28,070,870,432	0.87	%
2002-03	195,727,504	25,447,850,971	0.77	
2001-02	143,810,720	22,955,864,822	0.63	
2000-01	119,820,404	21,355,326,477	0.56	
1999-00	97,804,983	19,603,718,629	0.50	
1998-99	67,117,423	16,813,017,261	0.40	
1997-98	60,895,900	15,723,498,194	0.39	
1996-97	47,398,284	13,975,668,204	0.34	
1995-96	42,974,598	13,493,736,826	0.32	
1994-95	40,367,782	13,302,326,609	0.30	

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

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Secured Personal</b>	<b>Unsecured Personal</b>	<b>Utilities</b>	<b>Gross Valuation</b>
2003-04	\$ 263,163,054	\$ -	\$ 5,753,659	\$ 12,073,255	\$ 280,989,968
2002-03	204,837,474	-	3,930,453	9,085,315	217,853,242
2001-02	147,931,646	-	3,897,155	8,103,395	159,932,196
2000-01	120,334,155	-	4,307,650	6,854,516	131,496,321
1999-00	99,158,316	-	3,597,795	3,958,060	106,714,171
1998-99	67,976,431	-	3,326,170	4,039,600	75,342,201
1997-98	62,899,557	145	2,183,145	4,095,931	69,178,778
1996-97	51,159,619	145	2,183,145	4,137,304	57,480,213
1995-96	41,463,647	710	1,862,040	2,787,055	46,113,452
1994-95	35,826,671	1,965	2,726,015	2,920,780	41,475,431

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

<u>Less Exemption</u>	<u>Net Valuation</u>
\$ (37,837,700)	\$ 243,152,268
(22,125,738)	195,727,504
(16,121,476)	143,810,720
(11,675,917)	119,820,404
(8,909,188)	97,804,983
(8,224,778)	67,117,423
(8,282,878)	60,895,900
(8,282,878)	49,197,335
(204,026)	45,909,426
(211,552)	41,263,879

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total Operating Revenues ***	\$ 8,545,713	\$ 9,624,392	\$ 10,822,148	\$ 11,579,722	\$ 12,179,219
Total Operating Expenses *****	<u>6,427,458</u>	<u>5,917,381</u>	<u>7,109,672</u>	<u>6,655,346</u>	<u>7,247,442</u>
Net Operating Income	<u>2,118,255</u>	<u>3,707,011</u>	<u>3,712,476</u>	<u>4,924,376</u>	<u>4,931,777</u>
Other Revenues	<u>\$ 873,958</u>	<u>\$ 1,382,408</u>	<u>\$ 571,524</u>	<u>\$ 740,400</u>	<u>\$ 420,466</u>
Net Revenues Before Debt Service	<u>\$ 2,992,213</u>	<u>\$ 5,089,419</u>	<u>\$ 4,284,000</u>	<u>\$ 5,664,776</u>	<u>\$ 5,352,243</u>
Debt Service ****	\$ 1,993,341	\$ 1,938,090	\$ 2,271,301	\$ 2,538,561	\$ 3,034,873
Debt Service Coverage	1.50	2.63	1.89	2.23	1.76

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

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

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

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

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

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

<b>Fiscal Year Ending June</b>	<b>Water System Capacity**</b>		<b>Water System Demand</b>		
	<b>Supply MGDs</b>	<b>Available Capacity of Supply</b>	<b>Average Daily Demand MGDs</b>	<b>Peak Demand (MGDs)</b>	
2004	21.9	29.1	10.2	15.7	
2003	20.6	28.5	8.5	16.4	
2002	13.7	10.2	7.4	10.3	**
2001	5.6	5.6	4.4	6.4	
2000	5.4	5.4	4.2	6.3	
1999	5.4	5.4	4.0	6.2	
1998	4.4	4.4	3.8	6.0	
1997	4.4	4.4	3.6	5.8	
1996	4.4	4.4	3.4	5.3	
1995	4.4	4.4	3.2	3.6	

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

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

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

<b>Fiscal Year Ending June 30</b>	<b>Average Daily Usage MGD's</b>	<b>Peak Usage (MGD's)</b>
2004	3.5	4.3
2003	3.5	5.8
2002	3.3	3.8
2001	2.9	3.2
2000	2.6	2.8
1999	2.4	2.5
1998	2.3	2.4
1997	2.1	2.2
1996	2.0	2.1
1995	1.7	1.8

---

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

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

						<u>Projected</u>
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Residential	8,672	10,213	12,398	13,937	15,266	17,430
Industrial/Commercial	348	363	384	403	596	800
Municipal and Others	<u>90</u>	<u>98</u>	<u>111</u>	<u>122</u>	<u>123</u>	<u>82</u>
Total	<u>9,110</u>	<u>10,674</u>	<u>12,893</u>	<u>14,462</u>	<u>15,985</u>	<u>18,312</u>

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

**CITY OF AVONDALE, ARIZONA  
 AVONDALE WATER AND SEWER SYSTEMS -  
 CURRENT WATER RATE STRUCTURE\*  
 JUNE 30, 2004**

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

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

\* The source of information is the City records.

**CITY OF AVONDALE, ARIZONA  
 AVONDALE AND WATER SEWER SYSTEMS -  
 CURRENT SEWER RATE STRUCTURE\*  
 JUNE 30, 2004**

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

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\* The source of information is the City records.

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

<b>Historical Percentage Rate Changes</b>				
<b>Fiscal Year</b>	<b>Water</b>		<b>Sewer</b>	
<b>Ending June 30</b>				
2004	0	%	0	%
2003	0		0	
2002	0		0	
2001	0		0	
2000	0		0	
1999	5		5	
1998	0		0	**
1997	0		5	**
1996	0		5	
1995	0		9	

<b>Revenue from Connection Fees</b>			
<b>Fiscal Year</b>	<b>Water</b>		<b>Sewer</b>
<b>Ending June 30</b>			
2004	\$ 1,200,655		\$ 753,750
2003	963,083		485,850
2002	1,056,078		643,546
2001	1,052,587		631,050
2000	946,682		567,750
1999	3,334,800		2,068,775
1998	1,600,200		972,096
1997	1,043,573		656,078
1996	807,450		548,235
1995	350,000		280,000

<b>Number of Utility Connections</b>			
<b>Fiscal Year</b>	<b>Water</b>		<b>Sewer</b>
<b>Ending June 30</b>			
2004	18,052		17,765
2003	16,500		16,200
2002	13,210		14,483
2001	11,454		12,741
2000	9,269		10,596
1999	7,728		9,055
1998	6,007		7,374
1997	4,992		6,346
1996	4,505		5,852
1995	3,834		5,181

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

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

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

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

<u>Fiscal-Year</u>	<u>Street and Highway Revenue Receipts</u>
2003-04	\$ 2,484,542
2002-03	2,323,982
2001-02	2,227,397
2000-01	1,726,651
1999-00	1,630,701
1998-99	1,573,340
1997-98	1,432,158
1996-97	1,612,147
1995-96	1,434,419
1994-95	1,335,841

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\* The source of this information is City records.

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

<b>Source</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
City Sales Tax	\$ 6,072,476	\$ 7,263,241	\$ 14,342,501	\$ 15,964,921	\$ 22,875,566
State Sales Tax	2,000,163	2,147,368	2,765,159	2,806,331	3,018,844
State Revenue Sharing	2,533,854	2,808,533	3,748,916	3,770,461	3,240,789
Utility & Cable Franchise Fees	366,577	410,371	492,526	558,196	640,293
Licenses & Permits	3,141,234	3,276,107	4,194,488	4,049,503	4,833,581
Fines & Forfeitures	284,784	296,037	297,233	262,032	334,392
<b>Totals</b>	<b>\$ 14,399,088</b>	<b>\$ 16,201,657</b>	<b>\$ 25,840,823</b>	<b>\$ 27,411,443</b>	<b>\$ 34,943,465</b>

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\* The source of this information is City records

**CITY OF AVONDALE, ARIZONA  
MUNICIPAL DEVELOPMENT CORPORTION  
DEBT SERVICE COVERAGE  
JUNE 30,2004**

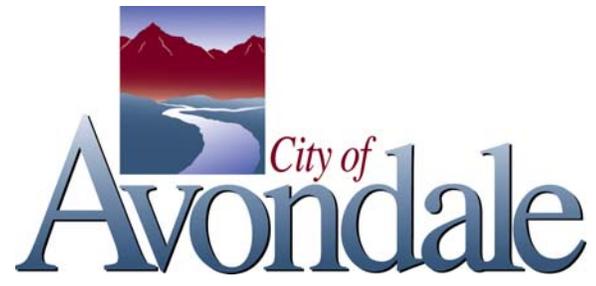
<b>Debt service payable during year ended June 30</b>	<b>Actual Excise tax Revenues</b>	<b>Total estimated Annual Debt Service Requirements</b>	<b>Debt Service Coverage Ratio</b>
2004	\$ 34,943,465	4,079,119	8.57 %
2005	N/A	4,954,707	7.05
2006	N/A	5,037,823	6.94
2007	N/A	5,055,373	6.91
2008	N/A	5,094,147	6.86
2009	N/A	5,109,088	6.84
2010	N/A	5,157,050	6.78
2011	N/A	5,167,030	6.76
2012	N/A	5,165,060	6.77
2013	N/A	4,797,380	7.28
2014	N/A	4,356,350	8.02
2015	N/A	3,249,560	10.75
2016	N/A	3,217,938	10.86
2017	N/A	2,374,438	14.72
2018	N/A	2,347,188	14.89
2019	N/A	2,339,938	14.93
2020	N/A	2,360,500	14.80
2021	N/A	1,800,000	19.41

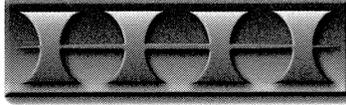
**CITY OF AVONDALE, ARIZONA  
MISCELLANEOUS STATISTICS\*  
JUNE 30, 2004**

Date of Incorporation	12/13/1946
Form of government	Council/Manager
Number of employees:	453
Full-time	345
Part-time	108
Area in square miles	64
Facilities and Services:	
Miles of Streets	220
Culture and Recreation:	
Community Centers	2
Parks	11
Park acreage	118
Tennis courts	2
Basketball Courts	11
Volleyball Courts	4
Baseball Fields	4
Softball Fields	3
Soccer Fields	10
Fire Protection:	
Number of stations	2
Number of fire personnel and officers (including reserves)	137
Number of calls answered yearly	6,152
Police Protection:	
Number of stations	2
Number of police personnel and officers (including reserves)	125
Number of patrol units	47
Sewerage Systems:	
Miles of sanitary sewers	329.0
Number of service connections	18,066
Water Systems:	
Miles of water mains	335.2
Number of service connections:	18,417
Avondale	13,908
East Avondale	4,509
Daily average consumption in gallons	10,200,000
Maximum storage capacity of plant in gallons	7,900,000
Facilities and services not included in the reporting entity:	
Education:	
Number of elementary schools	9
Number of secondary schools	5
Number of community colleges	1

\* The source of information is the City records.

SINGLE AUDIT SECTION





HENRY & HORNE, P.L.C.  
Advisors to Business

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

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

We have audited the financial statements of City of Avondale, Arizona as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

Tempe  
2055 East Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-3624

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

Casa Grande  
711 East Cottonwood Lane  
Suite C  
Casa Grande, AZ 85222-2725  
(520) 836-8201  
Fax (520) 426-9432

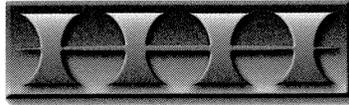
Pinetop  
1630 East White Mountain Blvd.  
Suite C2  
Pinetop, AZ 85935-7040  
(928) 367-2591  
Fax (928) 367-3501

www.henryandhorne.com

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

*Henry. Home, LLC*

November 19, 2004



HENRY & HORNE, P.L.C.  
Advisors to Business

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

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

Compliance

We have audited the compliance of City of Avondale, Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. City of Avondale, Arizona's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Avondale, Arizona's management. Our responsibility is to express an opinion on City of Avondale, Arizona's compliance based on our audit.

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

As described in items 04-1 and 04-2 in the accompanying schedule of findings and questioned costs, the City of Avondale, Arizona did not comply with requirements regarding certifications and reporting that are applicable to its Community Oriented Policing program. Compliance with such requirements is necessary, in our opinion, for the City of Avondale, Arizona to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Avondale, Arizona complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Tempe  
2055 East Warner Road  
Suite 101  
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(480) 839-4900  
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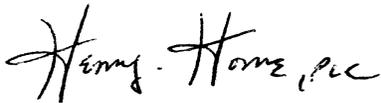
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Internal Control Over Compliance

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

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

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



November 19, 2004

**CITY OF AVONDALE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

Federal Grantor/Pass- Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Maricopa County Community Development Agency Community Development Block Grant	14.218	DG0301	\$ <u>23,736</u>
<b>U.S. Department of Justice</b>			
Local Law Enforcement Block Grant	16.592		43,579
Bulletproof Vest Partnership Program	16.607		12,536
COPS Universal Hiring Fund	16.710		118,726 *
COPS In Schools	16.710		138,410 *
Federal Equitable Sharing Program	16.Unknown		4,109
Passed through Arizona Department of Public Safety Crime Victim Assistance	16.575	2000-916	<u>37,689</u>
Total U.S. Department of Justice			<u>355,049</u>
<b>U.S. Department of Transportation</b>			
Passed through the Arizona State Library, Archives and Public Records State Library Program	45.31	23-030, 23-031	<u>21,543</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Arizona department of Economic Security and Area Agency on Aging Support Services and Senior Centers	93.044	2003-08 AVO	17,936
Nutrition Services	93.045	2003-08 AVO	47,666
National Family Caregiver Support	93.052	2003-08 AVO	868
Nutrition Services Incentive Program	93.053	2003-08 AVO	13,323
Social Services Block Grant	93.667	2003-08 AVO	559
Medical Assistance Program	93.778	2003-08 AVO	19,643
Passed Through Maricopa County Division of Human Services Temporary Assistance for Needy Families (TANF)	95.558	C-22-02-046-2-01	25,932
Community Services Block Grant	93.569	C-22-02-046-2-01	17,917
Social Services Block Grant	93.667	C-22-02-046-2-01	<u>28,610</u>
Total U.S. Department of Health and Human Services			<u>172,454</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 572,782</u>

\* Denotes major program

**CITY OF AVONDALE, ARIZONA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

**NOTE 1 BASIS OF ACCOUNTING**

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

**NOTE 2 CATATOG OF FEDERAL DOMESTIC ASSTANCE (CFDA) NUMBERS**

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

CITY OF AVONDALE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2004

**Summary of Auditor's Results**

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

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

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

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

The auditor's report on compliance for the major federal award programs for the City of Avondale, Arizona expresses a qualified opinion on the major federal program.

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

The program tested as a major program include:  
Community Oriented Policing (CFDA 16.710)

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

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

**Findings**

04-1 Personnel activity certifications

Condition: Although the City maintains time and attendance records for employees whose salaries are charged to Federal grant funds, these time sheets are not consistently signed by the employee and his/her supervisor or department head.

Criteria: Per OMB Circular A-87, a supervisor or other official having first hand knowledge of the work performed by the employee should sign personnel activity certifications.

Effect: Because of the failure to require approval from proper level of management, there is no certification that employees are performing their duties in accordance with the grant requirements.

Recommendation: The City's policies regarding timesheet certifications should be followed.

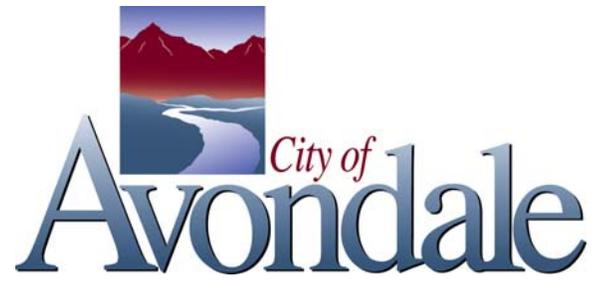
#### 04-2 Reporting

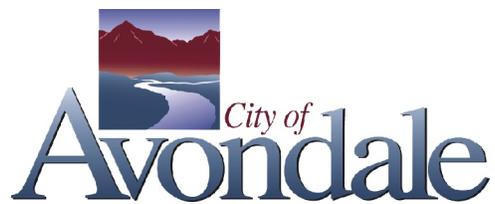
Condition: The City did not timely submit FSR's for the major program.

Criteria: The reports are required to be submitted within 45 days of each calendar quarter.

Effect: Because of the failure to submit timely reports, the requirements of the grants are not complied with.

Recommendation: Controls should be implemented to ensure that all grant reports are submitted by their due dates.





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