

CITY OF TOLLESON, ARIZONA



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF TOLLESON, ARIZONA

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Tolleson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Tolleson, Arizona, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in note 14 to the financial statements, the City of Tolleson, Arizona implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tolleson, Arizona's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of the City of Tolleson, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tolleson, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
October 20, 2015

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**CITY OF TOLLESON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

As management of the City of Tolleson, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tolleson, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$93,800,732 (net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,879,027 or 63% of total General Fund expenditures.
- The General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$2,201,383 for the fiscal year ending June 30, 2015.
- General Fund revenues exceeded expenditures by \$5,175,130; a positive variance of \$4,745,282 from the original budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net position and the Statement of Activities, present information about the following:

- Government activities – All of the City’s basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided for water, wastewater, and sanitation.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City’s two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$93,800,732 million as of June 30, 2015 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and sanitation operations in an enterprise fund which is shown as Business Activities.

City of Tolleson Statement of Net Position

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 |
| Current and other assets | \$ 19,718,339 | \$ 20,665,866 | \$ 24,532,264 | \$ 24,435,613 | \$ 44,250,603 | \$ 45,101,479 |
| Capital assets | 49,506,677 | 46,000,329 | 67,229,166 | 62,277,548 | 116,735,843 | 108,277,877 |
| Total assets | <u>69,225,016</u> | <u>66,666,195</u> | <u>91,761,430</u> | <u>86,713,161</u> | <u>160,986,446</u> | <u>153,379,356</u> |
| Deferred outflows of resources | 3,109,747 | - | 637,346 | - | 3,747,093 | - |
| Long-term liabilities outstanding | 34,281,887 | 20,925,141 | 26,304,996 | 25,862,500 | 60,586,883 | 46,787,641 |
| Other liabilities | 2,867,047 | 3,469,872 | 4,869,135 | 4,811,624 | 7,736,182 | 8,281,496 |
| Total liabilities | <u>37,148,934</u> | <u>24,395,013</u> | <u>31,174,131</u> | <u>30,674,124</u> | <u>68,323,065</u> | <u>55,069,137</u> |
| Deferred inflows of resources | 1,971,980 | - | 637,762 | - | 2,609,742 | - |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 30,954,613 | 27,534,901 | 42,351,199 | 34,835,900 | 73,305,812 | 62,370,801 |
| Restricted | 2,633,181 | 5,110,928 | 494,852 | 494,335 | 3,128,033 | 5,605,263 |
| Unrestricted | (373,945) | 9,625,353 | 17,740,832 | 20,708,802 | 17,366,887 | 30,334,155 |
| Total net position | <u>\$ 33,213,849</u> | <u>\$ 42,271,182</u> | <u>\$ 60,586,883</u> | <u>\$ 56,039,037</u> | <u>\$ 93,800,732</u> | <u>\$ 98,310,219</u> |

Governmental Activities

The City has \$160,986,446 in total assets, with \$73,305,812 invested in capital assets, net of related debt. Funds included in the Business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Sanitation. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

The City's programs include: General Government, Public Safety, Highways and Streets, Economic Development, Culture and Recreation, and Health and Welfare. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

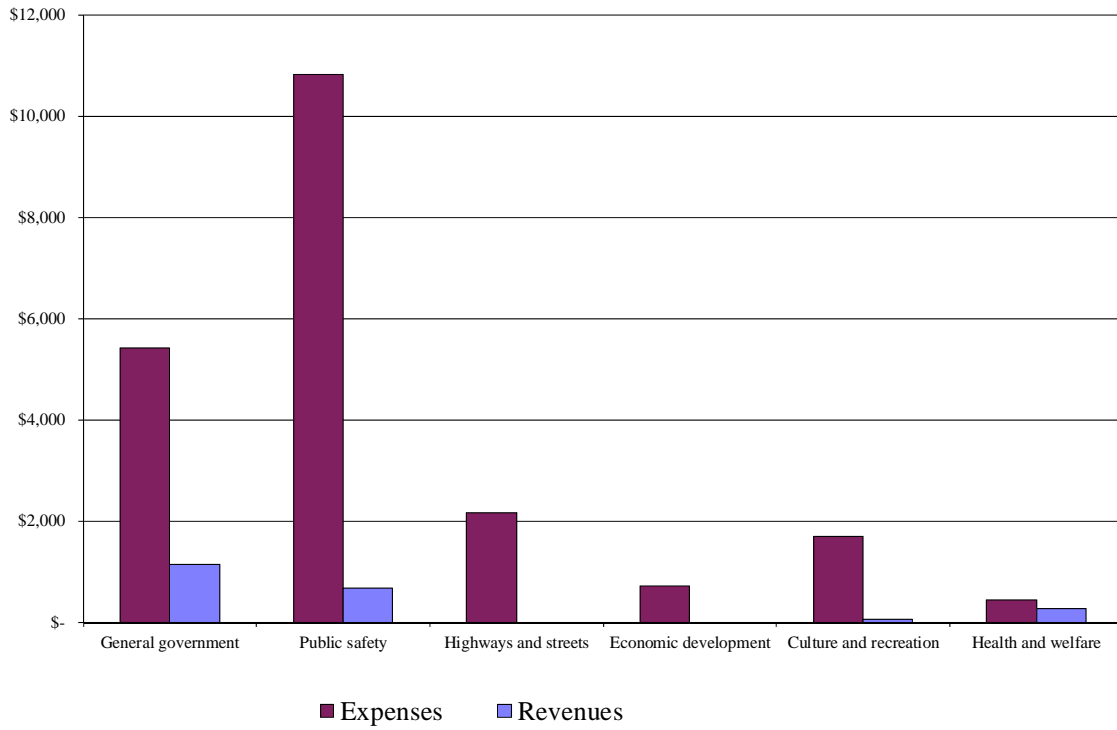
City of Tolleson
Changes in Net Position

| | Governmental activities | | Business-type activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 | 6/30/2015 | 6/30/2014 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,185,971 | \$ 1,126,015 | \$ 12,359,570 | \$ 13,704,955 | \$ 13,545,541 | \$ 14,830,970 |
| Operating grants and contributions | 916,333 | 771,285 | - | - | 916,333 | 771,285 |
| Capital grants and contributions | - | 370,799 | 4,673,401 | - | 4,673,401 | 370,799 |
| General revenues: | | | | | | |
| Taxes | 22,368,577 | 19,119,844 | 2,654,745 | 2,553,157 | 25,023,322 | 21,673,001 |
| State revenue sharing | 1,390,453 | 1,299,218 | - | - | 1,390,453 | 1,299,218 |
| Other revenue/(expense) | 75,449 | 87,434 | 92,821 | 46,348 | 168,270 | 133,782 |
| Total revenues | <u>25,936,783</u> | <u>22,774,595</u> | <u>19,780,537</u> | <u>16,304,460</u> | <u>45,717,320</u> | <u>39,079,055</u> |
| Expenses: | | | | | | |
| General government | 5,415,488 | 4,069,698 | - | - | 5,415,488 | 4,069,698 |
| Public safety | 10,820,773 | 9,342,079 | - | - | 10,820,773 | 9,342,079 |
| Public works/Streets | 2,155,241 | 4,278,584 | - | - | 2,155,241 | 4,278,584 |
| Health and welfare | 426,259 | 378,772 | - | - | 426,259 | 378,772 |
| Culture and recreation | 715,207 | 885,714 | - | - | 715,207 | 885,714 |
| Economic development | 1,691,577 | 1,464,624 | - | - | 1,691,577 | 1,464,624 |
| Redevelopment and housing | - | - | - | - | - | - |
| Interest on long-term debt | 776,981 | 812,432 | - | - | 776,981 | 812,432 |
| Water | - | - | 5,032,519 | 5,446,163 | 5,032,519 | 5,446,163 |
| Wastewater treatment/sewer | - | - | 6,408,153 | 6,238,217 | 6,408,153 | 6,238,217 |
| Sanitation and trash | - | - | 502,305 | 630,134 | 502,305 | 630,134 |
| Total expenses | <u>22,001,526</u> | <u>21,231,903</u> | <u>11,942,977</u> | <u>12,314,514</u> | <u>33,944,503</u> | <u>33,546,417</u> |
| Increase (decrease) in net position before transfers | 3,935,257 | 1,542,692 | 7,837,560 | 3,989,946 | 11,772,817 | 5,532,638 |
| Transfers | (282,785) | 110,500 | 282,785 | (110,500) | - | - |
| Increase (decrease) in net position | 3,652,472 | 1,653,192 | 8,120,345 | 3,879,446 | 11,772,817 | 5,532,638 |
| Net position, beginning | 42,271,182 | 40,651,047 | 56,039,037 | 52,024,696 | 98,310,219 | 92,675,743 |
| Prior period adjustments | (83,001) | (33,057) | - | 134,895 | (83,001) | 101,838 |
| Restatements / reclassifications | (12,626,804) | - | (3,572,499) | - | (16,199,303) | - |
| Net position, ending | <u>\$ 33,213,849</u> | <u>\$ 42,271,182</u> | <u>\$ 60,586,883</u> | <u>\$ 56,039,037</u> | <u>\$ 93,800,732</u> | <u>\$ 98,310,219</u> |

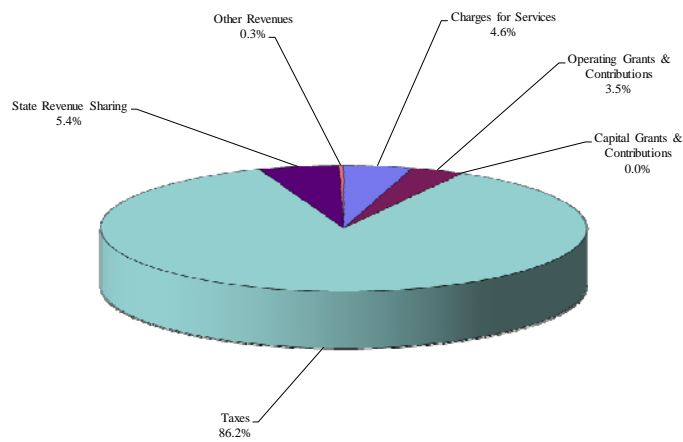
Total resources available during the year to finance governmental operations were \$68 million consisting of net position at July 1, 2014 of \$42.2 million, program revenues of \$2.1 million and General Revenues of \$23.8 million. Total Governmental Activities during the year were \$22 million; thus Governmental Net position was increased by \$3.7 million to 42.3 million before transfers, prior period adjustments, and restatements see notes 13 and 14 to the financial statements.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



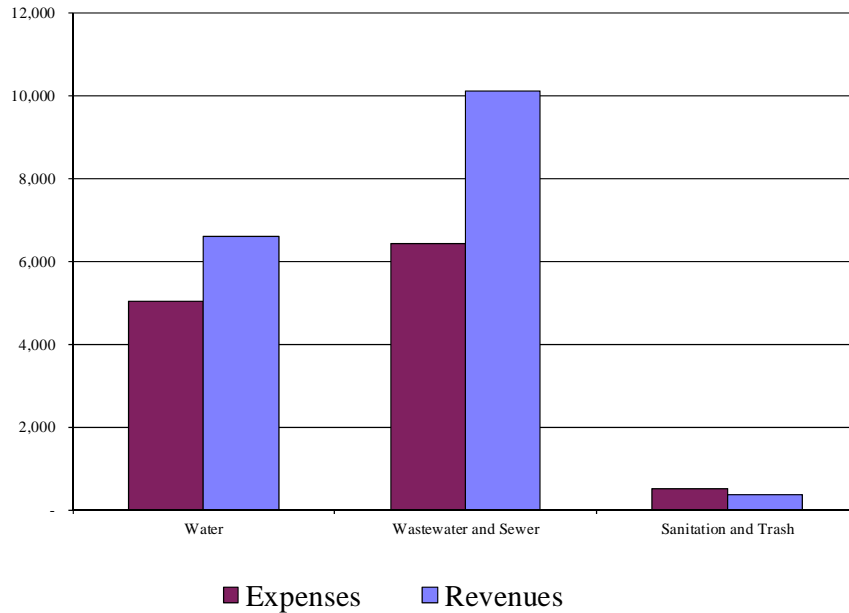
Revenue By Source - Governmental Activities



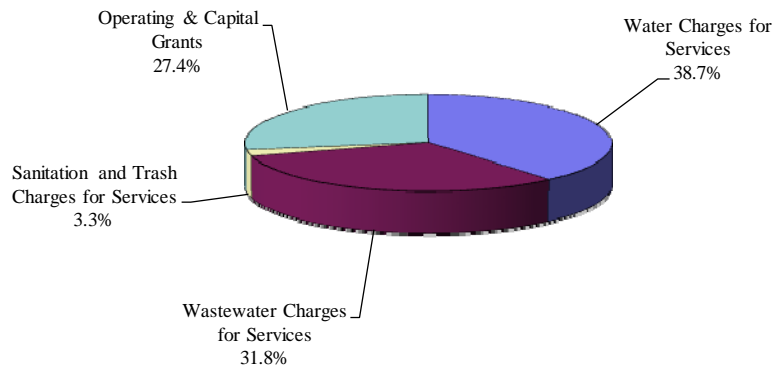
Business Type Activities

Net position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was \$60.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$11.9 million. As shown in the statement of Changes in Net position, the amounts paid by users of the system were \$12.3 million. Capital contributions were \$4.6 million, property tax revenues were \$2,654,745 and interest earnings and other revenues totaled \$92,821. The net position increased by \$8,120,345 before transfers and restatements, see note 14 in the financial statements.

Expenses and Program Revenues - Business-Type Activities
(in Thousands)



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the City of Tolleson's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City of Tolleson's financing requirements. In particular, unassigned 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 of Tolleson's governmental funds reported combined ending fund balances of \$16,793,934 a decrease of \$245,427 in comparison with the prior year. Approximately, 58% of this total amount, \$9,879,027 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is non-spendable, restricted, committed, or assigned in accordance with GASB 54.

The general fund is the chief operating fund of the City of Tolleson. At the end of the current fiscal year, unassigned fund balance in the general fund was \$9,879,027, while total fund balance is \$10,368,487. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 63% of total general fund expenditures, while total fund balance represents 67% of the same amount.

During the year, the City of Tolleson's general fund balance increased by \$2,381,174. The key factor to the increase was sales tax revenues in excess of projected amounts.

The Public Safety Tax Fund balance increased by \$702,989. The key factor to the increase was sales tax revenues in excess of projected amounts.

The Capital Projects Fund balance decreased by (\$3,243,974) during the fiscal year because of the significant work being done on the Paseo Luces Downtown Redevelopment project.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted amounts by \$2,201,383 primarily due to sales tax revenues in excess of projections. The City's total expenditures in the general fund were less than the budgeted amounts by \$2,543,899.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2015, net capital assets of the government activities totaled \$49.5 million and the net capital assets of the business-type activities totaled \$67.2 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

Debt

At year-end, the City had \$34.1 million in governmental type debt, and \$26.3 million in business-type debt. During the current fiscal year, the City's total debt decreased by \$3.9 million. (See note 8 to the financial statements for detailed descriptions.) See also Notes 10 and 14.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Many factors were considered by the City's Officials during the process of developing the Fiscal Year 2015-2016 budget. The primary factors include:

The overall economy continues to improve in Tolleson.

Primary Property tax is projected to increase by 2%.

Sales tax revenues and tax on construction is expected to increase by 11%.

The City was able to negotiate a 2% increase in medical benefits costs.

An average 4% increase in wages and related costs were included.

Overall, the financial condition of the City is improving and the actions of the City Council will help to ensure this continues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Chief Financial Officer, City of Tolleson, 9555 West Van Buren, Tolleson, Arizona, 85252 or visit our website at www.tollesonaz.org.

BASIC FINANCIAL STATEMENTS

CITY OF TOLLESON, ARIZONA
Statement of Net Position
June 30, 2015

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 17,158,005 | \$ 18,086,005 | \$ 35,244,010 |
| Cash with paying agent | 1,236,789 | 3,045,995 | 4,282,784 |
| Receivables (net of allowance) | 845,047 | 2,806,749 | 3,651,796 |
| Prepaid items/Inventory | 4,446 | - | 4,446 |
| Temporarily restricted assets: | | | |
| Cash and cash equivalents | 474,052 | 593,515 | 1,067,567 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 2,406,061 | 3,933,202 | 6,339,263 |
| Buildings | 15,112,525 | 30,315,932 | 45,428,457 |
| Improvements | - | 10,912,312 | 10,912,312 |
| Machinery and equipment | 3,905,187 | 13,956,818 | 17,862,005 |
| Vehicles | - | 288,664 | 288,664 |
| Infrastructure/Roads | 28,082,904 | - | 28,082,904 |
| Construction in progress | - | 7,822,238 | 7,822,238 |
| Total assets | <u>69,225,016</u> | <u>91,761,430</u> | <u>160,986,446</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | <u>3,109,747</u> | <u>637,346</u> | <u>3,747,093</u> |
| Total deferred outflows of resources | <u>3,109,747</u> | <u>637,346</u> | <u>3,747,093</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 1,630,182 | 1,691,096 | 3,321,278 |
| Interest payable | 401,789 | 464,024 | 865,813 |
| Unearned revenue | 76 | 4,015 | 4,091 |
| Matured debt principal payable | 835,000 | 2,710,000 | 3,545,000 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,200,442 | 3,419,971 | 4,620,413 |
| Due in more than one year | 33,081,445 | 22,885,025 | 55,966,470 |
| Total liabilities | <u>37,148,934</u> | <u>31,174,131</u> | <u>68,323,065</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | <u>1,971,980</u> | <u>637,762</u> | <u>2,609,742</u> |
| Total deferred inflows of resources | <u>1,971,980</u> | <u>637,762</u> | <u>2,609,742</u> |
| Net Position | | | |
| Net investment in capital assets | 30,954,613 | 42,351,199 | 73,305,812 |
| Restricted for: | | | |
| General government | 306,020 | | 306,020 |
| Public safety | 30,321 | | 30,321 |
| Highways and streets | 884,657 | - | 884,657 |
| Debt service | 938,131 | 494,852 | 1,432,983 |
| Capital projects and other | 474,052 | - | 474,052 |
| Unrestricted | <u>(373,945)</u> | <u>17,740,832</u> | <u>17,366,887</u> |
| Total net position | <u>\$ 33,213,849</u> | <u>\$ 60,586,883</u> | <u>\$ 93,800,732</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------|----------------------|----------------------------------|--------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 5,415,488 | \$ 888,639 | \$ 245,708 | \$ - | \$ (4,281,141) | \$ - | \$ (4,281,141) |
| Public safety | 10,820,773 | 273,624 | 392,167 | - | (10,154,982) | - | (10,154,982) |
| Highways and streets | 2,155,241 | - | - | - | (2,155,241) | - | (2,155,241) |
| Economic development | 715,207 | - | - | - | (715,207) | - | (715,207) |
| Culture and recreation | 1,691,577 | 14,458 | 30,431 | - | (1,646,688) | - | (1,646,688) |
| Health and welfare | 426,259 | 9,250 | 248,027 | - | (168,982) | - | (168,982) |
| Interest on long-term debt | 776,981 | - | - | - | (776,981) | - | (776,981) |
| Total governmental activities | 22,001,526 | 1,185,971 | 916,333 | - | (19,899,222) | - | (19,899,222) |
| Business-type activities: | | | | | | | |
| Water | 5,032,519 | 6,583,969 | - | - | - | 1,551,450 | 1,551,450 |
| Wastewater and Sewer | 6,408,153 | 5,420,273 | - | 4,673,401 | - | 3,685,521 | 3,685,521 |
| Sanitation and Trash | 502,305 | 355,328 | - | - | - | (146,977) | (146,977) |
| Total business-type activities | 11,942,977 | 12,359,570 | - | 4,673,401 | - | 5,089,994 | 5,089,994 |
| Total primary government | \$ 33,944,503 | \$ 13,545,541 | \$ 916,333 | \$ 4,673,401 | | | |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales tax | | | | | 17,564,422 | - | 17,564,422 |
| Property tax | | | | | 4,103,951 | 2,654,745 | 6,758,696 |
| Auto lieu tax | | | | | 249,830 | - | 249,830 |
| Franchise tax | | | | | 45,765 | - | 45,765 |
| Motor vehicle tax | | | | | 404,609 | - | 404,609 |
| State revenue sharing | | | | | 792,313 | - | 792,313 |
| State income taxes - revenue sharing (unrestricted) | | | | | 598,140 | - | 598,140 |
| Other revenues | | | | | - | 77,861 | 77,861 |
| Unrestricted investment earnings | | | | | 38,073 | 14,960 | 53,033 |
| Gain (loss) on sale of capital assets | | | | | 37,376 | - | 37,376 |
| Transfers | | | | | (282,785) | 282,785 | - |
| Total general revenues & transfers | | | | | 23,551,694 | 3,030,351 | 26,582,045 |
| Change in net position | | | | | 3,652,472 | 8,120,345 | 11,772,817 |
| Net position - beginning | | | | | 42,271,182 | 56,039,037 | 98,310,219 |
| Prior period adjustment | | | | | (83,001) | - | (83,001) |
| Restatement adjustments | | | | | (12,626,804) | (3,572,499) | (16,199,303) |
| Net position - ending | | | | | \$ 33,213,849 | \$ 60,586,883 | \$ 93,800,732 |

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

CITY OF TOLLESON, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

| | General | Public Safety Tax | Capital Projects | Total Non-major Funds | Total Governmental Funds |
|---|----------------------|----------------------|---------------------|-----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 10,786,046 | \$ 3,872,150 | \$ 61,974 | \$ 2,437,835 | \$ 17,158,005 |
| Cash with paying agent | - | - | - | 1,236,789 | 1,236,789 |
| Receivables: | | | | | |
| Accounts receivable | 24,126 | - | - | 37,799 | 61,925 |
| Taxes receivable | 57,338 | - | - | 54,057 | 111,395 |
| Intergovernmental receivable | 588,863 | - | - | 82,864 | 671,727 |
| Prepaid items | 4,446 | - | - | - | 4,446 |
| Restricted assets | - | - | 474,052 | - | 474,052 |
| Total assets | \$ 11,460,819 | \$ 3,872,150 | \$ 536,026 | \$ 3,849,344 | \$ 19,718,339 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 617,156 | \$ 50,353 | \$ 61,974 | \$ 420,512 | \$ 1,149,995 |
| Accrued wages and benefits | 446,591 | - | - | 32,679 | 479,270 |
| Interest payable | - | - | - | 401,789 | 401,789 |
| Intergovernmental payable | 917 | - | - | - | 917 |
| Unearned revenue | - | - | - | 76 | 76 |
| Matured debt principal payable | - | - | - | 835,000 | 835,000 |
| Total liabilities | 1,064,664 | 50,353 | 61,974 | 1,690,056 | 2,867,047 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 27,668 | - | - | 29,690 | 57,358 |
| Total deferred inflows of resources | 27,668 | - | - | 29,690 | 57,358 |
| FUND BALANCES | | | | | |
| Nonspendable | | | | | |
| Prepaid items | 4,446 | - | - | - | 4,446 |
| Restricted | | | | | |
| General government | 306,020 | - | - | - | 306,020 |
| Public safety | 30,321 | - | - | - | 30,321 |
| Highways and streets | 148,673 | - | - | 884,657 | 1,033,330 |
| Debt service | - | - | - | 938,131 | 938,131 |
| Capital projects | - | - | 474,052 | - | 474,052 |
| Assigned | | | | | |
| Public safety | - | 3,821,797 | - | - | 3,821,797 |
| Other purposes | - | - | - | 306,810 | 306,810 |
| Unassigned | 9,879,027 | - | - | - | 9,879,027 |
| Total fund balances | 10,368,487 | 3,821,797 | 474,052 | 2,129,598 | 16,793,934 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 11,460,819 | \$ 3,872,150 | \$ 536,026 | \$ 3,849,344 | \$ 19,718,339 |

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

CITY OF TOLLESON, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

| | | |
|---|----|--------------------------|
| Total governmental fund balances | \$ | 16,793,934 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p> | | |
| Governmental capital assets | \$ | 84,385,781 |
| Less accumulated depreciation | | <u>(34,879,104)</u> |
| | | 49,506,677 |
| <p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p> | | |
| Bonds payable | \$ | (18,552,064) |
| Compensated absences | | (1,661,769) |
| Net pension liabilities | | <u>(14,068,054)</u> |
| | | (34,281,887) |
| <p>Some revenues are unavailable in the governmental fund financial statements but recognized when earned in the statement of activities</p> | | |
| | | 57,358 |
| <p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p> | | |
| Deferred outflows | \$ | 3,109,747 |
| Deferred inflows | | <u>(1,971,980)</u> |
| | | <u>1,137,767</u> |
| Total net position of governmental activities | \$ | <u><u>33,213,849</u></u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | General | Public Safety Tax | Capital Projects | Total Non-major Funds | Total Governmental Funds |
|--|----------------------|----------------------|---------------------|-----------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Sales taxes | \$ 14,250,667 | \$ 2,575,755 | \$ - | \$ 738,000 | \$ 17,564,422 |
| Property taxes | 3,412,049 | - | - | 708,175 | 4,120,224 |
| Franchise taxes | 45,765 | - | - | - | 45,765 |
| Intergovernmental revenue | 1,532,212 | - | - | 1,207,808 | 2,740,020 |
| Fines and forfeitures | 236,270 | - | - | - | 236,270 |
| Licenses and permits | 462,220 | - | - | - | 462,220 |
| Charges for services | 495,524 | 41,590 | - | - | 537,114 |
| Rents and royalties | 11,340 | - | - | - | 11,340 |
| Other revenues: | | | | | |
| Contributions and donations | 126,881 | - | - | - | 126,881 |
| Interest | 31,192 | 3,466 | 1,267 | 2,152 | 38,077 |
| Other | 33,349 | - | - | 22,353 | 55,702 |
| Total revenues | <u>20,637,469</u> | <u>2,620,811</u> | <u>1,267</u> | <u>2,678,488</u> | <u>25,938,035</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 5,073,604 | - | - | 4,425 | 5,078,029 |
| Public safety | 7,566,784 | 1,767,845 | - | 148,221 | 9,482,850 |
| Highways and streets | - | - | 4,962,456 | 1,175,141 | 6,137,597 |
| Culture and recreation | 1,509,987 | - | - | - | 1,509,987 |
| Economic development | 725,924 | - | - | - | 725,924 |
| Health and welfare | - | - | - | 405,236 | 405,236 |
| Debt service: | | | | | |
| Principal | - | - | - | 835,000 | 835,000 |
| Interest and fiscal charges | - | - | - | 803,637 | 803,637 |
| Capital outlay | 586,040 | 149,977 | - | 201,423 | 937,440 |
| Total expenditures | <u>15,462,339</u> | <u>1,917,822</u> | <u>4,962,456</u> | <u>3,573,083</u> | <u>25,915,700</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,175,130</u> | <u>702,989</u> | <u>(4,961,189)</u> | <u>(894,595)</u> | <u>22,335</u> |
| Other financing sources (uses): | | | | | |
| Transfers out | (2,808,979) | - | (282,785) | (282,785) | (3,374,549) |
| Transfers in | - | - | 2,000,000 | 1,091,764 | 3,091,764 |
| Sale of assets | 15,023 | - | - | - | 15,023 |
| Total other financing sources (uses) | <u>(2,793,956)</u> | <u>-</u> | <u>1,717,215</u> | <u>808,979</u> | <u>(267,762)</u> |
| Net change in fund balances | 2,381,174 | 702,989 | (3,243,974) | (85,616) | (245,427) |
| Fund balances, beginning of year | 7,987,313 | 3,118,808 | 3,718,026 | 2,298,215 | 17,122,362 |
| Prior period adjustment | - | - | - | (83,001) | (83,001) |
| Fund balances, end of year | <u>\$ 10,368,487</u> | <u>\$ 3,821,797</u> | <u>\$ 474,052</u> | <u>\$ 2,129,598</u> | <u>\$ 16,793,934</u> |

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

CITY OF TOLLESON, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

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

| | | |
|--|----|-------------------------|
| Net change in fund balances - total governmental funds | \$ | (245,427) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p> | | |
| Capital outlay | \$ | 5,856,072 |
| Depreciation expense | | <u>(2,349,724)</u> |
| | | 3,506,348 |
| <p>Governmental funds report the effect of premiums, discounts and other similar items when debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.</p> | | |
| | | 26,656 |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred inflows in the statement of activities.</p> | | |
| | | (16,275) |
| <p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p> | | |
| | | 835,000 |
| <p>Pension contributions are recorded as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p> | | |
| Pension contributions | \$ | 1,299,471 |
| Pension expense | | <u>(1,602,953)</u> |
| | | (303,482) |
| <p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| | | <u>(150,348)</u> |
| Change in net position of governmental activities | \$ | <u><u>3,652,472</u></u> |

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 12,340,000 | \$ 12,340,000 | \$ 14,250,667 | \$ 1,910,667 |
| Property taxes | 3,350,084 | 3,350,084 | 3,412,049 | 61,965 |
| Franchise taxes | 40,000 | 40,000 | 45,765 | 5,765 |
| Intergovernmental revenue | 1,783,662 | 1,783,662 | 1,532,212 | (251,450) |
| Fines and forfeitures | 217,150 | 217,150 | 236,270 | 19,120 |
| Licenses and permits | 278,000 | 278,000 | 462,220 | 184,220 |
| Charges for services | 320,500 | 320,500 | 495,524 | 175,024 |
| Rents and royalties | 11,340 | 11,340 | 11,340 | - |
| Other revenues: | | | | |
| Contributions and donations | 83,000 | 83,000 | 126,881 | 43,881 |
| Interest | 6,100 | 6,100 | 31,192 | 25,092 |
| Other | 6,250 | 6,250 | 33,349 | 27,099 |
| Total revenues | <u>18,436,086</u> | <u>18,436,086</u> | <u>20,637,469</u> | <u>2,201,383</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Mayor and council | 292,742 | 292,742 | 256,214 | 36,528 |
| City management | 648,568 | 708,568 | 684,506 | 24,062 |
| Public affairs | 156,422 | 156,422 | 110,161 | 46,261 |
| City clerk | 406,334 | 406,334 | 374,202 | 32,132 |
| Human resources | 369,254 | 399,254 | 359,546 | 39,708 |
| City magistrate | 585,886 | 590,386 | 520,032 | 70,354 |
| Finance | 597,654 | 597,654 | 526,207 | 71,447 |
| Fields operations | 285,284 | 285,284 | 269,262 | 16,022 |
| Public works - grounds maintenance | 505,506 | 505,506 | 483,686 | 21,820 |
| Public works - buildings maintenance | 490,589 | 490,589 | 466,540 | 24,049 |
| Information technology | 313,898 | 313,898 | 306,178 | 7,720 |
| Non-profit donations | 25,100 | 25,100 | 16,500 | 8,600 |
| TQM steering committee | 75,500 | 75,500 | 42,747 | 32,753 |
| Community service | 1,072,050 | 1,072,050 | 595,744 | 476,306 |
| Judicial collection | 115,380 | 115,380 | 62,079 | 53,301 |
| Total general government | <u>5,940,167</u> | <u>6,034,667</u> | <u>5,073,604</u> | <u>961,063</u> |
| Public safety: | | | | |
| Police administration | 223,282 | 223,282 | 200,741 | 22,541 |
| Police dispatching | 734,290 | 734,290 | 708,702 | 25,588 |
| Police investigations | 570,787 | 570,787 | 542,868 | 27,919 |
| Police field operations | 2,824,199 | 2,824,199 | 2,611,798 | 212,401 |
| Fire administration | 166,389 | 322,639 | 141,808 | 180,831 |
| Fire operations | 3,486,301 | 3,280,051 | 2,959,757 | 320,294 |
| Public works - building inspection | 349,453 | 349,453 | 339,463 | 9,990 |
| Impound | 71,207 | 71,207 | 61,647 | 9,560 |
| Total public safety | <u>8,425,908</u> | <u>8,375,908</u> | <u>7,566,784</u> | <u>809,124</u> |

(continued)

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015 (Continued)

| | | | | |
|--|---------------------|---------------------|----------------------|---------------------|
| Culture and recreation: | | | | |
| Library | 503,416 | 528,416 | 501,097 | 27,319 |
| Parks and recreation | 464,891 | 464,891 | 407,145 | 57,746 |
| Boys and girls club | 148,271 | 148,271 | 145,801 | 2,470 |
| Teen council | 149,066 | 149,066 | 133,334 | 15,732 |
| City promotion | 305,274 | 376,274 | 322,610 | 53,664 |
| Total culture and recreation | <u>1,570,918</u> | <u>1,666,918</u> | <u>1,509,987</u> | <u>156,931</u> |
| Economic development: | | | | |
| Community revitalization | 431,052 | 456,052 | 453,716 | 2,336 |
| Planning and engineering | 290,193 | 315,193 | 272,208 | 42,985 |
| Total economic development | <u>721,245</u> | <u>771,245</u> | <u>725,924</u> | <u>45,321</u> |
| Capital outlay | | | | |
| Total expenditures | <u>1,277,000</u> | <u>1,157,500</u> | <u>586,040</u> | <u>571,460</u> |
| | <u>17,935,238</u> | <u>18,006,238</u> | <u>15,462,339</u> | <u>2,543,899</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>500,848</u> | <u>429,848</u> | <u>5,175,130</u> | <u>4,745,282</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (2,842,650) | (2,842,650) | (2,808,979) | 33,671 |
| Sale of assets | 10,000 | 10,000 | 15,023 | 5,023 |
| Total other financing sources (uses) | <u>(2,832,650)</u> | <u>(2,832,650)</u> | <u>(2,793,956)</u> | <u>38,694</u> |
| Net change in fund balance | (2,331,802) | (2,402,802) | 2,381,174 | 4,783,976 |
| Fund balance, beginning of year | <u>7,987,313</u> | <u>7,987,313</u> | <u>7,987,313</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 5,655,511</u> | <u>\$ 5,584,511</u> | <u>\$ 10,368,487</u> | <u>\$ 4,783,976</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Water | Wastewater and Sewer | (Non-major) Sanitation and Trash | Totals |
|--|----------------------|-------------------------|--|----------------------|
| Assets: | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 5,604,743 | \$ 12,359,305 | \$ 121,957 | \$ 18,086,005 |
| Cash with paying agent | 2,794,745 | 251,250 | - | 3,045,995 |
| Receivables: | | | | |
| Accounts receivable | 1,000,209 | 1,666,289 | 50,863 | 2,717,361 |
| Taxes receivable | 41,124 | 7,515 | - | 48,639 |
| Due from other funds | - | - | - | - |
| Restricted assets | 98,663 | 494,852 | - | 593,515 |
| Total current assets | <u>9,539,484</u> | <u>14,819,960</u> | <u>172,820</u> | <u>24,532,264</u> |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Non-depreciable | 1,126,798 | 10,628,642 | - | 11,755,440 |
| Depreciable, net | 9,951,459 | 45,411,610 | 110,657 | 55,473,726 |
| Total noncurrent assets | <u>11,078,257</u> | <u>56,040,252</u> | <u>110,657</u> | <u>67,229,166</u> |
| Total assets | <u>20,617,741</u> | <u>70,860,212</u> | <u>283,477</u> | <u>91,761,430</u> |
| Deferred Outflows of Resources: | | | | |
| Deferred outflows related to pensions | 177,570 | 407,673 | 52,103 | 637,346 |
| Total deferred outflows of resources | <u>177,570</u> | <u>407,673</u> | <u>52,103</u> | <u>637,346</u> |
| Liabilities: | | | | |
| Current liabilities: | | | | |
| Accounts payable | 578,755 | 771,515 | 41,209 | 1,391,479 |
| Accrued wages and benefits | 33,341 | 86,634 | 21,123 | 141,098 |
| Interest payable | 84,745 | 379,279 | - | 464,024 |
| Intergovernmental payable | 59,856 | - | - | 59,856 |
| Customer deposits payable | 98,663 | - | - | 98,663 |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | 4,015 | - | 4,015 |
| Matured bonds payable | 2,710,000 | - | - | 2,710,000 |
| Compensated absences - current portion | 40,210 | 77,342 | 4,934 | 122,486 |
| Total current liabilities | <u>3,605,570</u> | <u>1,318,785</u> | <u>67,266</u> | <u>4,991,621</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences, net of current portion | 120,629 | 232,027 | 14,803 | 367,459 |
| Bonds payable, net of deferred amounts | 2,093,136 | 12,324,906 | - | 14,418,042 |
| Loans payable | - | 7,749,925 | - | 7,749,925 |
| Net pension liability | 1,016,111 | 2,332,826 | 298,147 | 3,647,084 |
| Total noncurrent liabilities | <u>3,229,876</u> | <u>22,639,684</u> | <u>312,950</u> | <u>26,182,510</u> |
| Total liabilities | <u>6,835,446</u> | <u>23,958,469</u> | <u>380,216</u> | <u>31,174,131</u> |
| Deferred Inflows of Resources: | | | | |
| Deferred inflows related to pensions | 177,686 | 407,939 | 52,137 | 637,762 |
| Total deferred inflows of resources | <u>177,686</u> | <u>407,939</u> | <u>52,137</u> | <u>637,762</u> |
| Net Position: | | | | |
| Net investment in capital assets | 6,275,121 | 35,965,421 | 110,657 | 42,351,199 |
| Restricted for debt service | - | 494,852 | - | 494,852 |
| Unrestricted | 7,507,058 | 10,441,204 | (207,430) | 17,740,832 |
| Total net position | <u>\$ 13,782,179</u> | <u>\$ 46,901,477</u> | <u>\$ (96,773)</u> | <u>\$ 60,586,883</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

| | Water | Wastewater and Sewer | (Nonmajor) Sanitation and Trash | Totals |
|--|----------------------|-------------------------|---------------------------------------|----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 6,583,969 | \$ 5,420,273 | \$ 355,328 | \$ 12,359,570 |
| Total operating revenues | <u>6,583,969</u> | <u>5,420,273</u> | <u>355,328</u> | <u>12,359,570</u> |
| Operating expenses: | | | | |
| Cost of sales and service | 4,484,081 | 4,009,069 | 489,571 | 8,982,721 |
| Depreciation | 490,484 | 1,592,728 | 12,734 | 2,095,946 |
| Total operating expenses | <u>4,974,565</u> | <u>5,601,797</u> | <u>502,305</u> | <u>11,078,667</u> |
| Operating income (loss) | <u>1,609,404</u> | <u>(181,524)</u> | <u>(146,977)</u> | <u>1,280,903</u> |
| Non-operating revenues (expenses): | | | | |
| Property taxes | 98,602 | 2,556,143 | - | 2,654,745 |
| Investment earnings | 4,496 | 10,361 | 103 | 14,960 |
| Interest expense | (57,954) | (806,356) | - | (864,310) |
| Miscellaneous revenues | 15,656 | 62,085 | 120 | 77,861 |
| Total non-operating revenues (expenses) | <u>60,800</u> | <u>1,822,233</u> | <u>223</u> | <u>1,883,256</u> |
| Income (loss) before contributions and transfers | 1,670,204 | 1,640,709 | (146,754) | 3,164,159 |
| Capital contributions | - | 4,673,401 | - | 4,673,401 |
| Transfers out | - | (250,000) | - | (250,000) |
| Transfers in | 14,139 | 268,646 | 250,000 | 532,785 |
| Change in net position | 1,684,343 | 6,332,756 | 103,246 | 8,120,345 |
| Net position, beginning of year | 13,093,167 | 42,853,839 | 92,031 | 56,039,037 |
| Restatement adjustments | (995,331) | (2,285,118) | (292,050) | (3,572,499) |
| Net position, end of year | <u>\$ 13,782,179</u> | <u>\$ 46,901,477</u> | <u>\$ (96,773)</u> | <u>\$ 60,586,883</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

| | Water | Wastewater and Sewer | (Nonmajor) Sanitation and Trash | Totals |
|---|---------------------|-------------------------|---------------------------------------|----------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers, service fees | \$ 6,628,724 | \$ 5,589,714 | \$ 350,373 | \$ 12,568,811 |
| Cash paid to employees | (971,986) | (2,174,872) | (298,942) | (3,445,800) |
| Cash paid to suppliers | (3,549,383) | (1,863,940) | (207,289) | (5,620,612) |
| Cash received from miscellaneous sources | 15,656 | 62,085 | 120 | 77,861 |
| Net cash flows from operating activities | <u>2,123,011</u> | <u>1,612,987</u> | <u>(155,738)</u> | <u>3,580,260</u> |
| Cash flows from noncapital and related financing activities: | | | | |
| Cash received from property taxes | 98,602 | 2,556,143 | - | 2,654,745 |
| Cash received from other funds | 14,139 | 268,646 | 250,000 | 532,785 |
| Cash transferred to other funds | - | (250,000) | - | (250,000) |
| Net cash flows from noncapital and related financing activities | <u>112,741</u> | <u>2,574,789</u> | <u>250,000</u> | <u>2,937,530</u> |
| Cash flows from capital and related financing activities: | | | | |
| Capital contributions | - | 4,673,401 | - | 4,673,401 |
| Principal paid on long term debt | (150,000) | (2,954,452) | - | (3,104,452) |
| Interest paid on long term debt | (80,732) | (853,774) | - | (934,506) |
| Purchases of capital assets | (65,135) | (6,954,176) | (28,253) | (7,047,564) |
| Net cash flows from capital and related financing activities | <u>(295,867)</u> | <u>(6,089,001)</u> | <u>(28,253)</u> | <u>(6,413,121)</u> |
| Cash flows from investing activities: | | | | |
| Investment earnings | 4,496 | 10,361 | 103 | 14,960 |
| Net cash flows from investing activities | <u>4,496</u> | <u>10,361</u> | <u>103</u> | <u>14,960</u> |
| Net change in cash and cash equivalents | 1,944,381 | (1,890,864) | 66,112 | 119,629 |
| Cash and cash equivalents, including restricted cash, beginning of year | <u>3,759,025</u> | <u>14,745,021</u> | <u>55,845</u> | <u>18,559,891</u> |
| Cash and cash equivalents, including restricted cash, end of year | <u>\$ 5,703,406</u> | <u>\$ 12,854,157</u> | <u>\$ 121,957</u> | <u>\$ 18,679,520</u> |
| Reconciliation of operating income to net cash flows from operating activities: | | | | |
| Operating income (loss) | \$ 1,609,404 | \$ (181,524) | \$ (146,977) | \$ 1,280,903 |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities: | | | | |
| Depreciation/amortization | 490,484 | 1,592,728 | 12,734 | 2,095,946 |
| Pension expense | 91,095 | 209,140 | 26,729 | 326,964 |
| Employer pension contributions | (70,199) | (161,167) | (20,598) | (251,964) |
| Cash received from miscellaneous sources | 15,656 | 62,085 | 120 | 77,861 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in receivables | 31,240 | 169,199 | (4,955) | 195,484 |
| (Increase) decrease in intergovernmental receivables | 51,668 | - | - | 51,668 |
| Increase (decrease) in accounts payable | (90,819) | (76,644) | 29,979 | (137,484) |
| Increase (decrease) in accrued wages and benefits | (573) | 18,618 | 13 | 18,058 |
| Increase (decrease) in deferred revenue | - | 242 | - | 242 |
| Increase (decrease) in intergovernmental payables | (3,994) | (484) | (50,000) | (54,478) |
| Increase (decrease) in compensated absences payable | (14,466) | (19,206) | (2,783) | (36,455) |
| Increase (decrease) in customer deposits payable | 13,515 | - | - | 13,515 |
| Net cash flows from operating activities | <u>\$ 2,123,011</u> | <u>\$ 1,612,987</u> | <u>\$ (155,738)</u> | <u>\$ 3,580,260</u> |
| Supplemental schedule of non-cash financing and investing activities | | | | |
| Net change in bond premiums and deferred amounts on refunding | \$ 22,778 | \$ 40,902 | \$ - | \$ 63,680 |
| Disposal of vehicle (fully depreciated) | - | (11,412) | - | 11,412 |

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of Tolleson, Arizona (government) is a municipal corporation governed by an elected mayor and five-member council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. There are no discretely presented component units and one blended component unit.

Blended component unit. The City of Tolleson Municipal Facilities Corporation (MFC) is a nonprofit corporation that is organized under the laws of the State of Arizona to assist the City in the acquisition and financing of municipal projects and facilities. The corporation is governed by a board of directors which is responsible for approving the corporation's bond sales. Bond sales must also be approved by the City Council. Although it is legally separate from the City, the corporation is reported as if it is part of the primary government because its sole purpose is to finance the acquisition and or construction of public facilities for the City. Separate financial statements for the corporation are not prepared.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (if any), even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds (if any) and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. 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 nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The **general fund** is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **public safety tax special revenue fund** accounts for the government’s sales tax revenues set aside for public safety purposes and related expenditures.

The **capital projects fund** is used to account for major capital projects of the government and includes proceeds and expenditures of impact fees.

The government reports the following major enterprise funds:

The **water fund** accounts for the activities related to the government’s water operations.

The **wastewater treatment and sewer fund** accounts for the activities related to the government’s wastewater and sewer operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the accrual basis of accounting.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Investments

The government's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Arizona State Statutes. Investments for the government are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a-7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

Inventories and prepaid items

Inventories are recorded as expenditures at the time of purchase. Because the amounts on hand at year end were not significant, they are not included in the government-wide or fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Building and improvements | 40 years |
| Water plant | 50 years |
| Sewer plant | 50 years |
| Furniture, equipment and vehicles | 5 to 20 years |
| Infrastructure | 50 years |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has one type of item that qualifies for reporting in this category. It is a pension related item reported on the government-wide financial statements. See footnote 10 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. It is a pension related item reported on the government-wide financial statement. See footnote 10 for more information.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Maricopa County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on October 1 of the current year and March 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. The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

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

Use of estimates

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

New pronouncements

For the year ended June 30, 2015, the government implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the government's government-wide financial statements (see Note 14).

Reclassification

The City reclassified some departmental activity previously reported in the Highway User Revenue Fund to the General Fund. The prior year fund balance associated with this department was also reclassified causing the Highway User Revenue Fund and General Fund beginning fund balances to be restated by \$88,982 from the previous audited financial statements.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the government. The use of budgets and monitoring of equity status facilitate the government's compliance with legal requirements.

Budgets and budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental. All annual appropriations lapse at year end. The council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the government is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total government expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provides the government with a final expenditure limit for the coming fiscal year.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the government adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to council approval, may, at any time, transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without council approval.
6. The government has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The government is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the government to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The government complied with this law during the year.

Three supplementary budgetary appropriations were necessary during the year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the government.

Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the required supplementary and supplementary information present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

Highway user revenue funds

Highway user revenue fund monies received by the government pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments

Deposits and investments of the City at June 30, 2015 consist of the following:

| | |
|-----------------------------------|----------------------|
| Deposits: | |
| Cash on Hand | \$ 3,600 |
| Cash in Bank | (218,766) |
| Cash on Deposit with Paying Agent | 4,282,784 |
| Investments | |
| Investment Sweep Account | 16,524,873 |
| Local Government Investment Pool | <u>20,001,870</u> |
| | <u>\$ 40,594,361</u> |

A reconciliation of cash and investments as shown on the statement of net position is as follows:

| | |
|--------------------------------------|----------------------|
| Cash and cash equivalents | \$ 35,244,010 |
| Restricted cash and cash equivalents | 1,067,567 |
| Cash on Deposit with Paying Agent | <u>4,282,784</u> |
| | <u>\$ 40,594,361</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

Deposits

Custodial credit risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a formal policy for custodial credit risk. As of June 30, 2015, \$0 of the government's bank balance of \$11,187,414 was exposed to custodial credit risk because it was either fully insured by FDIC insurance or collateralized by securities held by Wells Fargo Bank.

Investments

Investment Fund

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2015, the government had the following investments, ratings, and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Credit Rating</u> | <u>Weighted Average Maturity (years)</u> |
|-----------------------------------|---------------------|----------------------|--|
| Cash on deposit | \$ 4,395,536 | N/A | N/A |
| Cash on hand | 3,600 | N/A | N/A |
| Sweep Account (US Gov Securities) | 16,524,873 | AAA | Less than 1 year |
| Government Investment Pool 5 | 20,001,870 | AAAF/S1+ | 25 days |
| Total Fair Value | <u>\$40,925,879</u> | | |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
- (2) Interest Rate Risk is estimated using the weighted average days to maturity.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the government's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 5. Restricted Assets

Restricted assets consisted of the following at June 30, 2015:

Governmental Activities:

Capital Project Funds:

| | |
|-------------------------------|-------------------|
| Reserved for capital outlay | \$ 474,052 |
| Total Governmental Activities | <u>\$ 474,052</u> |

Business-Type Activities:

Water Fund:

| | |
|-------------------|-----------|
| Customer deposits | \$ 98,663 |
|-------------------|-----------|

Wastewater and Sewer Fund:

| | |
|--------------------------------|-------------------|
| WIFA Loan Reserve | 494,852 |
| Total Business-Type Activities | <u>\$ 593,515</u> |

Note 6. Receivables

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues. Receivables in the proprietary fund are service billings receivable and are shown net of an allowance for doubtful accounts.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

| Governmental Activities: | Balance 6/30/2014 | Additions | Deletions | Balance 6/30/2015 |
|--|------------------------------|----------------------|------------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,336,979 | \$ 69,082 | \$ - | \$ 2,406,061 |
| Construction in progress | 5,777,581 | 4,962,456 | (10,740,037) | - |
| Total capital assets, not being depreciated | <u>8,114,560</u> | <u>5,031,538</u> | <u>(10,740,037)</u> | <u>2,406,061</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 18,637,627 | 143,313 | - | 18,780,940 |
| Furniture, Equipment, and Vehicles | 10,331,487 | 586,286 | (162,208) | 10,755,565 |
| Infrastructure | 41,608,243 | 10,834,972 | - | 52,443,215 |
| Total capital assets, being depreciated | <u>70,577,357</u> | <u>11,564,571</u> | <u>(162,208)</u> | <u>81,979,720</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (3,208,411) | (460,004) | - | (3,668,415) |
| Furniture, Equipment, and Vehicles | (5,991,091) | (1,021,495) | 162,208 | (6,850,378) |
| Infrastructure | (23,492,086) | (868,225) | - | (24,360,311) |
| Total accumulated depreciation | <u>(32,691,588)</u> | <u>(2,349,724)</u> | <u>162,208</u> | <u>(34,879,104)</u> |
| Total capital assets, being depreciated, net | <u>37,885,769</u> | <u>9,214,847</u> | <u>-</u> | <u>47,100,616</u> |
| Governmental activities capital assets, net | <u>\$ 46,000,329</u> | <u>\$ 14,246,385</u> | <u>\$ (10,740,037)</u> | <u>\$ 49,506,677</u> |

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

| Governmental Activities: | |
|--|---------------------|
| General government | \$ 238,752 |
| Public safety | 1,153,532 |
| Highways and Streets | 792,087 |
| Culture & recreation | 152,227 |
| Health and Welfare | 13,126 |
| Total depreciation expense - governmental activities | <u>\$ 2,349,724</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

| Business Type Activities: | Balance 6/30/2014 | Additions | Deletions | Reclassifications | Balance 6/30/2015 |
|--|------------------------------|---------------------|---------------------|--------------------------|------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,933,202 | \$ - | \$ - | \$ - | \$ 3,933,202 |
| Construction in progress | 1,569,534 | 6,875,920 | (623,216) | - | 7,822,238 |
| Total capital assets, not being depreciated | <u>5,502,736</u> | <u>6,875,920</u> | <u>(623,216)</u> | <u>-</u> | <u>11,755,440</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 42,489,756 | - | - | | 42,489,756 |
| Improvements other than buildings | 17,171,333 | - | - | | 17,171,333 |
| Machinery and equipment | 32,511,254 | 797,136 | - | 120,161 | 33,428,551 |
| Vehicles | 1,572,791 | 44,326 | (11,411) | (120,161) | 1,485,545 |
| Total capital assets, being depreciated | <u>93,745,134</u> | <u>841,462</u> | <u>(11,411)</u> | <u>-</u> | <u>94,575,185</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (11,318,501) | (855,323) | - | - | (12,173,824) |
| Improvements other than buildings | (5,912,509) | (346,512) | - | - | (6,259,021) |
| Machinery and equipment | (18,587,126) | (881,889) | - | (2,718) | (19,471,733) |
| Vehicles | (1,152,186) | (58,824) | 11,411 | 2,718 | (1,196,881) |
| Total accumulated depreciation | <u>(36,970,322)</u> | <u>(2,142,548)</u> | <u>11,411</u> | <u>-</u> | <u>(39,101,459)</u> |
| Total capital assets, being depreciated, net | <u>56,774,812</u> | <u>(1,301,086)</u> | <u>-</u> | <u>-</u> | <u>55,473,726</u> |
| Business-type activities capital assets, net | <u>\$ 62,277,548</u> | <u>\$ 5,574,834</u> | <u>\$ (623,216)</u> | <u>\$ -</u> | <u>\$ 67,229,166</u> |

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

| Business-Type Activities: | |
|---|---------------------|
| Wastewater & Sewer | \$ 1,639,332 |
| Water | 490,482 |
| Sanitation & Trash | 12,734 |
| Total depreciation expense - business-type activities | <u>\$ 2,142,548</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

| | Balance 6/30/2014 | Additions | Retirements | Balance 6/30/2015 | Due Within One Year |
|----------------------------------|----------------------|-------------------|-----------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds payable | \$ 19,140,000 | \$ - | \$ (835,000) | \$ 18,305,000 | \$ 785,000 |
| Plus (Less) deferred amounts: | | | | | |
| Bond premiums | 273,720 | - | (26,656) | 247,064 | - |
| Total bonds payable | 19,413,720 | - | (861,656) | 18,552,064 | 785,000 |
| Net pension liabilities | 13,892,536 | 175,518 | - | 14,068,054 | - |
| Accrued compensated absences | 1,511,421 | 625,707 | (475,359) | 1,661,769 | 415,442 |
| Total Governmental Activities | <u>\$ 34,817,677</u> | <u>\$ 801,225</u> | <u>\$ (1,337,015)</u> | <u>\$ 34,281,887</u> | <u>\$ 1,200,442</u> |
| Business-Type Activities: | | | | | |
| Bonds payable | \$ 16,930,000 | \$ - | \$ (2,710,000) | \$ 14,220,000 | \$ 3,297,485 |
| Plus(Less) deferred amounts: | | | | | |
| Bond premiums | 600,660 | - | (176,661) | 423,999 | - |
| Deferred amount on refunding | (338,937) | - | 112,980 | (225,957) | - |
| Total bonds payable | 17,191,723 | - | (2,773,681) | 14,418,042 | 3,297,485 |
| Loans payable | 8,144,378 | - | (394,453) | 7,749,925 | - |
| Net pension liabilities | 3,810,238 | - | (163,155) | 3,647,083 | - |
| Accrued compensated absences | 526,400 | 66,901 | (103,356) | 489,945 | 122,486 |
| Total Business-Type Activities | <u>\$ 29,672,739</u> | <u>\$ 66,901</u> | <u>\$ (3,434,645)</u> | <u>\$ 26,304,995</u> | <u>\$ 3,419,971</u> |
| Total Long-Term Liabilities | <u>\$ 64,490,416</u> | <u>\$ 868,126</u> | <u>\$ (4,771,660)</u> | <u>\$ 60,586,882</u> | <u>\$ 4,620,413</u> |

Long term debt service requirements to maturity are as follows:

| Fiscal Year Ended June 30 | Governmental Activities | | Business-Type Activities | |
|------------------------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2016 | 785,000 | 819,803 | 3,297,485 | 771,549 |
| 2017 | 2,035,000 | 796,041 | 2,265,948 | 635,522 |
| 2018 | 1,406,500 | 753,346 | 3,083,356 | 509,834 |
| 2019 | 958,000 | 677,578 | 3,426,225 | 411,271 |
| 2020-2024 | 8,715,500 | 2,236,830 | 6,338,310 | 1,124,227 |
| 2025-2029 | 4,405,000 | 664,143 | 2,916,280 | 401,432 |
| 2030-2034 | - | - | 642,321 | 21,222 |
| Totals | <u>\$ 18,305,000</u> | <u>\$ 5,947,741</u> | <u>\$ 21,969,925</u> | <u>\$ 3,875,057</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2015:

| | <u>Business Type</u> | <u>Governmental</u> | <u>Total</u> |
|---|----------------------|----------------------|----------------------|
| Loans Payable | | | |
| Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. | \$ 4,520,790 | \$ - | \$ 4,520,790 |
| Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. | <u>3,229,135</u> | <u>-</u> | <u>3,229,135</u> |
| Total Loans Payable | <u>7,749,925</u> | <u>-</u> | <u>7,749,925</u> |
| Bonds Payable: | | | |
| General Obligation Bonds, Series 2006, due in annual principal and semi-annual interest installments ranging from \$11,000 to \$290,200, bearing interest at 4.0%, maturing on July 1, 2021. | \$ 7,485,000 | \$ 2,440,000 | \$ 9,925,000 |
| Public Safety and Excise Tax Revenue Bonds, Series 2009, due in annual principal and semi-annual interest installments ranging from \$16,875 to \$193,505, bearing interest at 2.0% to 5.0%, maturing on July 1, 2029. | - | 7,070,000 | 7,070,000 |
| General Obligation Bonds, Series 2009A, due in annual principal and semi-annual interest installments ranging from \$7,053 to \$72,591, bearing interest at 3.0% to 5.0%, maturing on July 1, 2029. | - | 2,915,000 | 2,915,000 |
| General Obligation Refunding Bonds, Series 2011, due in annual principal and semi-annual interest installments ranging from \$36,900 to \$277,852, bearing interest at 2.0% to 4.0%, maturing on July, 1 2017. | 4,735,000 | - | 4,735,000 |
| General Obligation Bonds, Series 2011, due in annual principal payments beginning 7/1/2018 and semi-annual interest installments beginning 7/1/2012 ranging from \$30,800 to \$211,023, bearing interest at 3.0% to 4.0%, maturing on July 1, 2024. | <u>2,000,000</u> | <u>5,880,000</u> | <u>7,880,000</u> |
| Total Bonds Payable | <u>14,220,000</u> | <u>18,305,000</u> | <u>32,525,000</u> |
| Total Loans and Bonds Payable | 21,969,925 | 18,305,000 | 40,274,925 |
| Net Pension Liabilities | 3,647,083 | 14,068,054 | 17,715,137 |
| Accrued Compensated Absences | 489,945 | 1,661,769 | 2,151,714 |
| Bond Premiums | 423,999 | 247,064 | 671,063 |
| Deferred Charges | <u>(225,957)</u> | <u>-</u> | <u>(225,957)</u> |
| Total Long-Term Debt | 26,304,995 | 34,281,887 | 60,586,882 |
| Less Current Portion: | <u>(1,200,442)</u> | <u>(3,419,971)</u> | <u>(4,620,413)</u> |
| Net Long-Term Debt | <u>\$ 25,104,553</u> | <u>\$ 30,861,916</u> | <u>\$ 55,966,469</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2015, there were no interfund receivables and payables resulting from interfund transactions:

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

| | Transfers In | | | | | Total Transfers Out |
|-----------------------------|-----------------------------|-----------------------------------|--------------------|------------------|--------------------------------|------------------------|
| | Capital Projects Fund | Nonmajor Governmental Funds | Wastewater Fund | Water Fund | Nonmajor Sanitation Fund | |
| Transfers Out: | | | | | | |
| General Fund | \$2,000,000 | \$ 808,979 | \$ - | \$ - | \$ - | \$ 2,808,979 |
| Capital Projects Fund | - | 282,785 | - | - | - | 282,785 |
| Nonmajor Governmental Funds | - | - | 268,646 | 14,139 | - | 282,785 |
| Wastewater Fund | - | - | - | - | 250,000 | 250,000 |
| Total Transfers In | <u>\$2,000,000</u> | <u>\$ 1,091,764</u> | <u>\$ 268,646</u> | <u>\$ 14,139</u> | <u>\$ 250,000</u> | <u>\$ 3,624,549</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan description – The government participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | Initial Membership Date Before July 1, 2011 | Initial Membership Date On or After July 1, 2011 |
|--|--|--|
| Years of service and age required to receive benefit | Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65 | 30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65 |
| Final average salary is based on | Highest 36 consecutive months of last 120 months | Highest 60 consecutive months of last 120 months |
| Benefit percent per year of service | 2.1% to 2.3% | 2.1% to 2.3% |

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the government was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

In addition, the Government was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Government in positions that would typically be filled by an employee who contributes to the ASRS.

The government's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

| Year Ended June 30, | Retirement Fund | Health Benefit Supplement Fund | Long-Term Disability Fund |
|------------------------|--------------------|-----------------------------------|------------------------------|
| 2013 | \$ 631,045 | \$ 40,017 | \$ 14,776 |
| 2014 | 716,159 | 40,158 | 16,063 |
| 2015 | 759,009 | 41,122 | 8,364 |

Pension liability – At June 30, 2015, the government reported a liability of \$10,986,414 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The government's proportion of the net pension liability was based on the government's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The government's proportion measured as of June 30, 2014, was 0.074250 percent, which was an increase of 0.005207 percent from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the government recognized pension expense for ASRS of \$984,943. At June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to ASRS pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 558,362 | \$ - |
| Changes in assumptions | - | - |
| Changes in proportion and differences between contributions and proportional share of contributions | 602,553 | - |
| Contributions subsequent to the measurement date | 759,009 | - |
| Total | <u>\$ 1,919,924</u> | <u>\$ 1,921,185</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

The \$759,009 reported as deferred outflows of resources related to ASRS pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| <u>Year Ended December 31</u> | <u>Deferred Outflows (Inflows) of Resources</u> |
|-----------------------------------|---|
| 2015 | \$ 24,449 |
| 2016 | 24,449 |
| 2017 | (328,873) |
| 2018 | (480,295) |
| 2019 | - |
| Thereafter | - |

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|-----------------------------|-------------------|
| Actuarial valuation date | June 30, 2013 |
| Actuarial roll forward date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8% |
| Projected salary increases | 3-6.75% |
| Inflation | 3% |
| Permanent benefit increase | Included |
| Mortality rates | 1994 GAM Scale BB |

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
|--------------|------------------------------------|------------------------------|--|
| Equity | 63% | 7.03% | 4.43% |
| Fixed income | 25% | 3.20% | 0.80% |
| Commodities | 4% | 4.50% | 0.18% |
| Real Estate | 8% | 4.75% | 0.38% |
| Totals | 100% | | 5.79% |
| | Inflation | | 3.00% |
| | Expected arithmetic nominal return | | 8.79% |

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the government's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the government's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

| | 1% Decrease (7.00%) | Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|------------------------|--------------------------|------------------------|
| Proportionate share of Net pension (asset) / liability | \$ 13,886,263 | \$ 10,986,414 | \$ 9,413,100 |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The government contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

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CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

| | Initial Membership Date Before January 1, 2012 | Initial Membership Date On or After January 1, 2012 |
|--|--|--|
| Retirement and Disability | | |
| Years of service and age required to receive benefit | 20 years any age 15 years age 62 | 25 years age 52.5 |
| Final average salary is based on | Highest 36 consecutive months of last 20 years | Highest 60 consecutive months of last 20 years months |
| Benefit percent | | |
| Normal Retirement | 50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80% | 2.5% per year of credited service, not to exceed 80% |
| Accidental Disability Retirement | 50% or normal retirement, whichever is greater | |
| Catastrophic Disability Retirement | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater | |
| Ordinary Disability Retirement | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 | |
| Survivor Benefit | | |
| Retired Members | 80% to 100% of retired member's pension benefit | |
| Active Members | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job | |

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

| | PSPRS Police | PSPRS Fire |
|--|-----------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 8 | 5 |
| Inactive employees entitled to but not yet receiving benefits | 3 | 3 |
| Active employees | 28 | 27 |
| Total | 39 | 35 |

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPSR members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the government was required to contribute 41.31 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent.

In addition, the Government was required by statute to contribute at the actuarially determined rate of 19.65 percent of annual covered payroll of retired members who worked for the Government in positions that would typically be filled by an employee who contributes to the PSPRS.

For the agent plans, the government’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

| | PSPRS Police | PSPRS Fire |
|----------------------------|--------------|------------|
| Employee contribution rate | 11.05% | 11.05% |
| City rate | 22.07% | 17.08% |
| Health Ins prem portion | 1.02% | 0.89% |

Pension liability – At June 30, 2015, the government reported a net pension liability related to PSPRS of \$6,728,723. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2014 |
| Actuarial cost method | Individual Entry Age Normal |
| Discount rate | 7.85% |
| Projected salary increases | 4.0% to 8.0% including inflation |
| Inflation | 4.0% |
| Permanent benefit increase | Included |
| Mortality rates | RP-2000 mortality table (adjusted by 105% for both males and females) |

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| U.S. Equity | 16.00% | 7.60% |
| Non-U.S. Equity | 14.00% | 8.63% |
| Private Equity | 11.00% | 9.50% |
| Fixed Income | 7.00% | 4.75% |
| Credit Opportunities | 13.00% | 8.00% |
| Absolute Return | 4.00% | 6.75% |
| GTAA | 10.00% | 5.73% |
| Real Assets | 8.00% | 5.96% |
| Real Estate | 11.00% | 6.50% |
| Risk Parity | 4.00% | 6.04% |
| Short Term Inv | 2.00% | 3.25% |
| Total | <u>100.00%</u> | |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

| | PSPRS Police | | | PSPRS Fire | | |
|---|-----------------------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2014 | \$ 7,744,801 | \$ 4,098,786 | \$ 3,646,015 | \$ 9,171,957 | \$ 6,593,098 | \$ 2,578,859 |
| Changes for the year: | | | | | | |
| Service cost | 381,895 | - | 381,895 | 416,879 | - | 416,879 |
| Interest on total pension liability | 606,076 | - | 606,076 | 721,067 | - | 721,067 |
| Changes of benefit terms* | 164,727 | - | 164,727 | (63,500) | - | (63,500) |
| Difference between expected and actual experience in the measurement of the pension liability | (166,928) | - | (166,928) | (67,804) | - | (67,804) |
| Changes of assumptions** | 792,851 | - | 792,851 | 414,674 | - | 414,674 |
| Contributions - employer | - | 426,364 | (426,364) | - | 360,947 | (360,947) |
| Contributions - employee | - | 201,353 | (201,353) | - | 232,876 | (232,876) |
| Net investment income | - | 577,456 | (577,456) | - | 913,806 | (913,806) |
| Benefit payments, including refunds of employee contributions | (430,081) | (430,081) | - | (389,667) | (389,667) | - |
| Other changes | - | (4,650) | 4,650 | - | (12,064) | 12,064 |
| Net changes | 1,348,540 | 770,442 | 578,098 | 1,031,649 | 1,105,898 | (74,249) |
| Balances at June 30, 2015 | \$ 9,093,341 | \$ 4,869,228 | \$ 4,224,113 | \$ 10,203,606 | \$ 7,698,996 | \$ 2,504,610 |

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –

The following table presents the government’s net pension liability calculated using the discount rate noted above, as well as what the government’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|--------------|--------------------------|--------------|
| | 6.85% | 7.85% | 8.85% |
| PSPRS Police | | | |
| Net pension (asset) / liability | \$ 5,414,694 | \$ 4,224,113 | \$ 3,235,290 |
| PSPRS Fire | | | |
| Net pension (asset) / liability | 3,856,999 | 2,504,610 | 1,380,716 |

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the government recognized pension expense for PSPRS of \$944,975. At June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to PSPRS pensions from the following sources:

| | Police | | Fire | |
|--|---|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 141,400 | \$ - | \$ 59,378 |
| Changes in assumptions | 671,601 | - | 363,141 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 188,881 | - | 298,898 |
| Contributions subsequent to the measurement date | 444,200 | - | 348,225 | - |
| Total | \$ 1,115,801 | \$ 330,281 | \$ 711,366 | \$ 358,276 |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

The \$792,425 reported as deferred outflows of resources related to PSPRS pensions resulting from government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Deferred Outflows (Inflows) of Resources | |
|--------------------------------|---|-------------------|
| | PSPRS Police | PSPRS Fire |
| 2016 | \$ 48,502 | \$ (31,617) |
| 2017 | 48,502 | (31,617) |
| 2018 | 48,502 | (31,671) |
| 2019 | 48,502 | (31,617) |
| 2020 | 95,722 | 43,107 |
| Thereafter | 51,590 | 88,280 |

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the government and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the government and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

| | |
|-------------------------------|--|
| Actuarial valuation date | June 30, 2013 |
| Actuarial cost method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Pay, Closed |
| Remaining Amortization Period | 23 years for unfunded liabilities; 20 years for excess |
| Asset valuation method | 7-Year smoothed market; 20% corridor |
| Actuarial assumptions: | |
| Investment rate of return | 7.85% |
| Projected salary increases | 4.5%-8.5% |
| Wage growth | 4.50% |

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

| Plan | Year Ended June 30, | Annual Pension/ OPEB Cost | Percentage of Annual Cost Contributed | Net Pension/ OPEB Obligation |
|--------------|------------------------|---------------------------------|---|------------------------------------|
| PSPRS Police | 2013 | \$ 21,393 | 1.11% | - |
| | 2014 | 18,743 | 0.93% | - |
| | 2015 | 21,611 | 1.02% | - |
| PSPRS Fire | 2013 | \$ 18,577 | 0.86% | - |
| | 2014 | 18,282 | 0.82% | - |
| | 2015 | 20,887 | 0.89% | - |

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

| | PSPRS Police | PSPRS Fire |
|---|--------------------|------------------|
| Actuarial accrued liability (AAL) | \$ 213,722 | \$ 253,331 |
| Actuarial value of plan assets | 225,126 | 234,430 |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ (11,404)</u> | <u>\$ 18,901</u> |
| Funded ratio (actuarial value of plan assets/AAL) | 105.34% | 92.54% |
| Covered payroll (active plan members) | \$ 1,956,233 | \$ 2,274,468 |
| UAAL as a percentage of covered payroll | -0.58% | 0.83% |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 10. Retirement and Pension Plans, Continued

The actuarial methods and assumptions used for the most recent valuation date are as follows:

| | |
|-------------------------------|--|
| Actuarial valuation date | June 30, 2014 |
| Actuarial cost method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Pay, Closed |
| Remaining Amortization Period | 22 years for unfunded liabilities; 20 years for excess |
| Asset valuation method | 7-Year smoothed market; 20% corridor |
| Actuarial assumptions: | |
| Investment rate of return | 7.85% |
| Projected salary increases | 4.0%-8.0% |
| Wage growth | 4.0% |

Note 11. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The government's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the government is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$8,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The government is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

Note 12. Contingent Liabilities and Commitments

The government is a defendant in various lawsuits incidental to its normal operations. Management, with concurrence of government's outside legal counsel, is of the opinion that settlement of these lawsuits will not have a material effect on the financial position of the City. Therefore, no specific provision has been reflected in the accompanying basic financial statements.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 13. Prior Period Adjustments

Subsequent to the fiscal year ended June 30, 2015, and before the issuance of these statements, the government discovered that excess revenues of a pass-through grant from Tolleson Elementary District recorded in the grants fund should be refunded. Accordingly, the beginning fund balance has been restated to exclude these items that were included from the previous financial statements. The prior years' statements of revenues, expenditures, and changes in fund balance for the Grants Fund overstated revenues in the amount of \$83,001. The overall effect of the change in fund balance was \$83,001.

Note 14. Restatement Adjustments

As mentioned in Note 1 to the financial statements, the Government implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

| | Governmental Activities | Business-Type Activities |
|---|------------------------------------|-------------------------------------|
| Restatement adjustment - implementation of GASB 68: | | |
| Net pension liability | \$ (13,892,536) | \$ (3,810,237) |
| Deferred outflows - contributions made during fiscal year 2014 | 1,265,732 | 237,738 |
| Total Restatement Adjustment | <u>\$ (12,626,804)</u> | <u>\$ (3,572,499)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOLLESON, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

| Arizona State Retirement System | Reporting Fiscal Year | |
|--|------------------------------|---------------|
| | (Measurement Date) | |
| | 2015 | (2014) |
| Proportion of the net pension liability (asset) | 0.074250% | |
| Proportionate share of the net pension liability (asset) | \$ | 10,986,414 |
| Covered employee payroll | \$ | 14,102,407 |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 77.90% | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.49% | |

Note: The government implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF TOLLESON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015

| Public Safety Personnel Retirement System | PSPRS Police | PSPRS Fire |
|---|------------------------------|------------------------------|
| | Reporting Fiscal Year | Reporting Fiscal Year |
| | (Measurement Date) | (Measurement Date) |
| | 2015 | 2015 |
| | (2014) | (2014) |
| Total pension liability | | |
| Service cost | \$ 381,895 | \$ 416,879 |
| Interest on total pension liability | 606,076 | 721,067 |
| Changes of benefit terms | 164,727 | (63,500) |
| Difference between expected and actual experience of the total net pension liability | (166,928) | (67,804) |
| Changes of assumptions | 792,851 | 414,674 |
| Benefit payments, including refunds of employee contributions | (430,081) | (389,667) |
| Net change in total pension liability | 1,348,540 | \$ 1,031,649 |
| Total pension liability - beginning | 7,744,801 | 9,171,957 |
| Total pension liability - ending (a) | \$ 9,093,341 | \$ 10,203,606 |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 426,364 | \$ 360,947 |
| Contributions - employee | 201,353 | 232,876 |
| Net investment income | 577,456 | 913,806 |
| Benefit payments, including refunds of employee contributions | (430,081) | (389,667) |
| Other (net transfer) | (4,650) | (12,064) |
| Net change in plan fiduciary net position | 770,442 | \$ 1,105,898 |
| Plan fiduciary net position - beginning | 4,098,786 | 6,593,098 |
| Plan fiduciary net position - ending (b) | \$ 4,869,228 | \$ 7,698,996 |
| Net pension liability - ending (a) - (b) | \$ 4,224,113 | \$ 2,504,610 |
| Plan fiduciary net position as a percentage of the total pension liability | 53.55% | 75.45% |
| Covered employee payroll | \$ 1,956,233 | \$ 2,274,469 |
| Net pension liability as a percentage of covered- employee payroll | 215.93% | 110.12% |

Note: The government implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF TOLLESON, ARIZONA
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2015

ARIZONA STATE RETIREMENT SYSTEM

| | Reporting Fiscal Year (Measurement Date) | |
|--|---|------------|
| | 2015 (2014) | |
| | | |
| Contractually required contribution | \$ | 716,159 |
| Contributions in relation to the contractually required contribution | \$ | (716,159) |
| Contribution deficiency (excess) | \$ | (0) |
| Covered employee payroll | \$ | 14,102,407 |
| Contributions as a percentage of covered-employee payroll | | 5.08% |

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

| | PSPRS Police Reporting Fiscal Year (Measurement Date) | | PSPRS Fire Reporting Fiscal Year (Measurement Date) | |
|--|--|-----------|--|-----------|
| | 2015 (2014) | | 2015 (2014) | |
| | | | | |
| Actuarially determined contribution | \$ | 426,364 | \$ | 360,947 |
| Contributions in relation to the actuarially determined contribution | \$ | (426,364) | \$ | (360,947) |
| Contribution deficiency (excess) | \$ | - | \$ | - |
| Covered-employee payroll | \$ | 1,956,233 | \$ | 2,274,469 |
| Contributions as a percentage of covered-employee payroll | | 21.80% | | 15.87% |

Note: The government implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF TOLLESON, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

Note 1. Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

| | |
|-------------------------------|--|
| Actuarial cost method | Individual Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 24 years for unfunded liabilities; 20 years for excess |
| Asset valuation method | 7-Year smoothed market; 20% corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2014 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85% |
| Projected salary increases | In the 2014 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.0%-8.0% |
| Wage growth | In the 2014 actuarial valuation, wage growth was decreased from 5.0% to 4.0% |
| Retirement age | Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011. |
| Mortality | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females) |

Note 2. Factors that Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

CITY OF TOLLESON, ARIZONA
PUBLIC SAFETY TAX FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|----------------------------------|----------------------------|----------------------------|----------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 1,900,000 | \$ 1,900,000 | \$ 2,575,755 | \$ 675,755 |
| Charges for services | - | - | 41,590 | 41,590 |
| Other revenues: | | | | |
| Interest | 3,200 | 3,200 | 3,466 | (266) |
| Total revenues | <u>1,903,200</u> | <u>1,903,200</u> | <u>2,620,811</u> | <u>717,079</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 1,874,000 | 1,874,000 | 1,767,845 | 106,155 |
| Capital outlay | 178,900 | 178,900 | 149,977 | 28,923 |
| Total expenditures | <u>2,052,900</u> | <u>2,052,900</u> | <u>1,917,822</u> | <u>135,078</u> |
| Net change in fund balance | (149,700) | (149,700) | 702,989 | 852,689 |
| Fund balance, beginning of year | <u>3,118,808</u> | <u>3,118,808</u> | <u>3,118,808</u> | - |
| Fund balance, end of year | <u><u>\$ 2,969,108</u></u> | <u><u>\$ 2,969,108</u></u> | <u><u>\$ 3,821,797</u></u> | <u><u>\$ 852,689</u></u> |

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS AND INDIVIDUAL FUND BUDGETARY COMPARISON SCHEDULES

MAJOR FUNDS

Capital Project Funds

The **Capital Project Fund** is used to account for the government's major capital improvement projects including the expenditure of impact fees.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds not accounted for elsewhere.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Highway User Revenue Special Revenue Fund** is used to account for the government's share of motor fuel tax revenues and lottery proceeds.
- The **Grants Fund** accounts for the activity of the government's grants.

CITY OF TOLLESON, ARIZONA
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|--------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Impact fees | \$ - | \$ - | \$ - | \$ - |
| Other revenues: | | | | |
| Interest | 3,100 | 3,100 | 1,267 | (1,833) |
| Total revenues | <u>3,100</u> | <u>3,100</u> | <u>1,267</u> | <u>(1,833)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and streets | 5,000,000 | 5,000,000 | 4,962,456 | 37,544 |
| Total expenditures | <u>5,000,000</u> | <u>5,000,000</u> | <u>4,962,456</u> | <u>37,544</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,996,900)</u> | <u>(4,996,900)</u> | <u>(4,961,189)</u> | <u>35,711</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (282,785) | (282,785) | (282,785) | - |
| Transfers in | 2,000,000 | 2,000,000 | 2,000,000 | - |
| Total other financing sources (uses) | <u>1,717,215</u> | <u>1,717,215</u> | <u>1,717,215</u> | <u>-</u> |
| Net change in fund balance | (3,279,685) | (3,279,685) | (3,243,974) | 35,711 |
| Fund balance, beginning of year | <u>3,718,026</u> | <u>3,718,026</u> | <u>3,718,026</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 438,341</u> | <u>\$ 438,341</u> | <u>\$ 474,052</u> | <u>\$ 35,711</u> |

CITY OF TOLLESON, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

| | Special Revenue | | | Total Nonmajor Funds |
|--|----------------------|-------------------------|-------------------|----------------------------|
| | Debt Service Fund | Highway User Revenue | Grants | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 738,000 | \$ - | \$ - | \$ 738,000 |
| Property taxes | 708,175 | - | - | 708,175 |
| Intergovernmental revenue | - | 654,439 | 553,369 | 1,207,808 |
| Other revenues: | | | | |
| Interest | 1,549 | 603 | - | 2,152 |
| Other | - | 22,353 | - | 22,353 |
| Total revenues | 1,447,724 | 677,395 | 553,369 | 2,678,488 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 4,425 | - | - | 4,425 |
| Public safety | - | - | 148,221 | 148,221 |
| Highways and streets | - | 1,175,141 | - | 1,175,141 |
| Health and welfare | - | - | 405,236 | 405,236 |
| Debt service: | | | | |
| Principal | 835,000 | - | - | 835,000 |
| Interest and fiscal charges | 803,637 | - | - | 803,637 |
| Capital outlay | - | - | 201,423 | 201,423 |
| Total expenditures | 1,643,062 | 1,175,141 | 754,880 | 3,573,083 |
| Excess (deficiency) of revenues over (under) expenditures | (195,338) | (497,746) | (201,511) | (894,595) |
| Other financing sources (uses): | | | | |
| Transfers out | (282,785) | - | - | (282,785) |
| Transfers in | 282,785 | 600,000 | 208,979 | 1,091,764 |
| Total other financing sources (uses) | - | 600,000 | 208,979 | 808,979 |
| Net change in fund balances | (195,338) | 102,254 | 7,468 | (85,616) |
| Fund balances, beginning of year | 1,133,469 | 782,403 | 382,343 | 2,298,215 |
| Prior period adjustment | - | - | (83,001) | (83,001) |
| Fund balances, end of year | \$ 938,131 | \$ 884,657 | \$ 306,810 | \$ 2,129,598 |

CITY OF TOLLESON, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 744,000 | \$ 744,000 | \$ 738,000 | \$ (6,000) |
| Property taxes | 2,861,000 | 2,861,000 | 708,175 | (2,152,825) |
| Other revenues: | | | | |
| Interest | 520 | 520 | 1,549 | 1,029 |
| Total revenues | <u>3,605,520</u> | <u>3,605,520</u> | <u>1,447,724</u> | <u>(2,157,796)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,000 | 6,000 | 4,425 | 1,575 |
| Debt service: | | | | |
| Principal | 3,545,000 | 3,545,000 | 835,000 | 2,710,000 |
| Interest and fiscal charges | 1,401,443 | 1,401,443 | 803,637 | 597,806 |
| Total expenditures | <u>4,952,443</u> | <u>4,952,443</u> | <u>1,643,062</u> | <u>3,309,381</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,346,923)</u> | <u>(1,346,923)</u> | <u>(195,338)</u> | <u>1,151,585</u> |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (282,785) | (282,785) |
| Transfers in | 858,785 | 858,785 | 282,785 | (576,000) |
| Total other financing sources (uses) | <u>858,785</u> | <u>858,785</u> | <u>-</u> | <u>(858,785)</u> |
| Net change in fund balance | (488,138) | (488,138) | (195,338) | 292,800 |
| Fund balance, beginning of year | <u>1,133,469</u> | <u>1,133,469</u> | <u>1,133,469</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 645,331</u> | <u>\$ 645,331</u> | <u>\$ 938,131</u> | <u>\$ 292,800</u> |

CITY OF TOLLESON, ARIZONA
HIGHWAY USER
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental revenue | \$ 621,169 | \$ 621,169 | \$ 654,439 | \$ 33,270 |
| Other revenues: | | | | |
| Interest | - | - | 603 | 603 |
| Total revenues | <u>621,169</u> | <u>621,169</u> | <u>677,395</u> | <u>56,226</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and streets | 1,294,388 | 1,294,388 | 1,175,141 | 119,247 |
| Total expenditures | <u>1,294,388</u> | <u>1,294,388</u> | <u>1,175,141</u> | <u>119,247</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(673,219)</u> | <u>(673,219)</u> | <u>(497,746)</u> | <u>175,473</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 600,000 | 600,000 | 600,000 | - |
| Total other financing sources (uses) | <u>600,000</u> | <u>600,000</u> | <u>600,000</u> | <u>-</u> |
| Net change in fund balance | (73,219) | (73,219) | 102,254 | 175,473 |
| Fund balance, beginning of year | <u>782,403</u> | <u>782,403</u> | <u>782,403</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 709,184</u> | <u>\$ 709,184</u> | <u>\$ 884,657</u> | <u>\$ 175,473</u> |

CITY OF TOLLESON, ARIZONA
GRANTS FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental revenue | \$ 983,723 | \$ 983,723 | \$ 553,369 | \$ (430,354) |
| Total revenues | <u>983,723</u> | <u>983,723</u> | <u>553,369</u> | <u>(430,354)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 249,166 | 249,166 | 148,221 | 100,945 |
| Health and welfare | 421,208 | 421,208 | 405,236 | 15,972 |
| Capital outlay | 668,580 | 547,580 | 201,423 | 346,157 |
| Total expenditures | <u>1,338,954</u> | <u>1,217,954</u> | <u>754,880</u> | <u>463,074</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(355,231)</u> | <u>(234,231)</u> | <u>(201,511)</u> | <u>32,720</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 242,650 | 242,650 | 208,979 | (33,671) |
| Total other financing sources (uses) | <u>242,650</u> | <u>242,650</u> | <u>208,979</u> | <u>(33,671)</u> |
| Net change in fund balance | (112,581) | 8,419 | 7,468 | (951) |
| Fund balance, beginning of year | 382,343 | 382,343 | 382,343 | - |
| Prior period adjustment | <u>(83,001)</u> | <u>(83,001)</u> | <u>(83,001)</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 186,761</u> | <u>\$ 307,761</u> | <u>\$ 306,810</u> | <u>\$ (951)</u> |

STATISTICAL SECTION

This part of the City of Tolleson’s annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

| Contents | Page |
|---|------|
| Financial Trends | 70 |
| <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i> | |
| Revenue Capacity | 78 |
| <i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i> | |
| Debt Capacity | 87 |
| <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information..... | 95 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i> | |
| Operating Information | 97 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i> | |
| Bond Disclosures | 100 |
| <i>These schedules contain additional information required by the bondholders of the City.</i> | |

CITY OF TOLLESON, ARIZONA
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 4,950,796 | \$ 2,221,053 | \$ 5,310,577 | \$ 8,169,456 | \$ 2,984,211 |
| Restricted | 1,105,361 | 1,449,789 | 2,460,840 | 2,800,689 | 3,474,282 |
| Unrestricted | 7,399,287 | 15,485,607 | 12,297,505 | 8,389,538 | 8,017,638 |
| Total Governmental Activities Net Position | <u>\$ 13,455,444</u> | <u>\$ 19,156,449</u> | <u>\$ 20,068,922</u> | <u>\$ 19,359,683</u> | <u>\$ 14,476,131</u> |
| Business-Type Activities | | | | | |
| Net investment in capital assets | \$ 37,415,161 | \$ 37,815,848 | \$ 39,948,944 | \$ 40,255,237 | \$ 49,164,298 |
| Restricted | - | - | - | - | 55,295 |
| Unrestricted | 4,436,905 | 4,081,881 | 2,981,113 | 10,841,755 | 16,670,481 |
| Total Business-Type Activities Net Position | <u>\$ 41,852,066</u> | <u>\$ 41,897,729</u> | <u>\$ 42,930,057</u> | <u>\$ 51,096,992</u> | <u>\$ 65,890,074</u> |
| Primary Government | | | | | |
| Net investment in capital assets | \$ 42,365,957 | \$ 40,036,901 | \$ 45,259,521 | \$ 48,424,693 | \$ 52,148,509 |
| Restricted | 1,105,361 | 1,449,789 | 2,460,840 | 2,800,689 | 3,529,577 |
| Unrestricted | 11,836,192 | 19,567,488 | 15,278,618 | 19,231,293 | 24,688,119 |
| Total Primary Government Net Position | <u>\$ 55,307,510</u> | <u>\$ 61,054,178</u> | <u>\$ 62,998,979</u> | <u>\$ 70,456,675</u> | <u>\$ 80,366,205</u> |

Continued

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

CITY OF TOLLESON, ARIZONA
Net Position By Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental Activities | | | | | |
| Net investment in capital assets | \$ 24,742,497 | \$ 25,900,750 | \$ 26,194,336 | \$ 27,534,901 | \$ 30,954,613 |
| Restricted | 4,420,658 | 2,971,007 | 3,426,973 | 5,110,928 | 2,633,181 |
| Unrestricted | 7,232,480 | 9,964,703 | 11,029,738 | 9,625,353 | (373,945) |
| Total Governmental Activities Net Position | <u>\$ 36,395,635</u> | <u>\$ 38,836,460</u> | <u>\$ 40,651,047</u> | <u>\$ 42,271,182</u> | <u>\$ 33,213,849</u> |
| Business-Type Activities | | | | | |
| Net investment in capital assets | \$ 32,661,672 | \$ 31,376,028 | \$ 32,356,074 | \$ 34,835,900 | \$ 42,351,199 |
| Restricted | 276,569 | 492,978 | 493,772 | 494,335 | 494,852 |
| Unrestricted | 15,531,493 | 17,720,898 | 19,174,850 | 20,708,802 | 17,740,832 |
| Total Business-Type Activities Net Position | <u>\$ 48,469,734</u> | <u>\$ 49,589,904</u> | <u>\$ 52,024,696</u> | <u>\$ 56,039,037</u> | <u>\$ 60,586,883</u> |
| Primary Government | | | | | |
| Net investment in capital assets | \$ 57,404,169 | \$ 57,276,778 | \$ 58,550,410 | \$ 62,370,801 | \$ 73,305,812 |
| Restricted | 4,697,227 | 3,463,985 | 3,920,745 | 5,605,263 | 3,128,033 |
| Unrestricted | 22,763,973 | 27,685,601 | 30,204,588 | 30,334,155 | 17,366,887 |
| Total Primary Government Net Position | <u>\$ 84,865,369</u> | <u>\$ 88,426,364</u> | <u>\$ 92,675,743</u> | <u>\$ 98,310,219</u> | <u>\$ 93,800,732</u> |

Note: 2002-03 was the City's first year to prepare government-wide financial statements.

CITY OF TOLLESON, ARIZONA
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General Government | \$ 2,872,180 | \$ 3,550,585 | \$ 3,822,213 | \$ 3,650,530 | \$ 3,931,291 | \$ 3,854,836 | \$ 3,554,245 | \$ 4,160,877 | \$ 4,069,698 | \$ 5,415,488 |
| Public Safety | 5,889,231 | 6,626,522 | 7,703,746 | 8,104,259 | 8,145,407 | 9,227,572 | 9,590,713 | 9,921,501 | 9,342,079 | 10,820,773 |
| Highways and Streets | 1,637,889 | 1,938,450 | 2,381,538 | 2,368,382 | 3,008,843 | 3,587,171 | 2,867,554 | 2,497,012 | 4,278,584 | 2,155,241 |
| Culture and Recreation | 574,885 | 673,985 | 832,630 | 937,312 | 1,006,074 | 459,727 | 545,153 | 562,374 | 885,714 | 1,691,577 |
| Redevelopment and Housing | 939,826 | 303,415 | 133,088 | 84,312 | 45,851 | - | - | - | - | - |
| Economic Development | 204,727 | 453,934 | 996,855 | 1,158,833 | 473,105 | 1,040,502 | 1,171,266 | 1,175,131 | 1,464,624 | 715,207 |
| Health and Welfare | 345,586 | 417,437 | 424,425 | 463,758 | 516,178 | 868,049 | 547,528 | 343,153 | 378,772 | 426,259 |
| Interest on Long-Term Debt | 900,986 | 1,281,503 | 1,346,285 | 1,643,613 | 1,480,666 | 1,695,159 | 914,964 | 864,780 | 812,432 | 776,981 |
| Total Governmental Activities | <u>13,365,310</u> | <u>15,245,831</u> | <u>17,640,780</u> | <u>18,410,999</u> | <u>18,607,415</u> | <u>20,733,016</u> | <u>19,191,423</u> | <u>19,524,828</u> | <u>21,231,903</u> | <u>22,001,526</u> |
| Business-Type Activities | | | | | | | | | | |
| Water | 4,323,817 | 4,599,323 | 5,380,335 | 4,598,229 | 4,357,407 | 4,314,393 | 6,095,971 | 5,021,689 | 5,446,163 | 5,032,519 |
| Sanitation | 641,379 | 777,284 | 856,835 | 871,399 | 705,856 | 642,779 | 491,293 | 614,402 | 630,134 | 502,305 |
| Wastewater and Sewer | 5,083,277 | 5,836,115 | 14,119,679 | 6,634,221 | 4,829,946 | 5,424,738 | 6,644,923 | 6,579,691 | 6,238,217 | 6,408,153 |
| Total Business-Type Activities | <u>10,048,473</u> | <u>11,212,722</u> | <u>20,356,849</u> | <u>12,103,849</u> | <u>9,893,209</u> | <u>10,381,910</u> | <u>13,232,187</u> | <u>12,215,782</u> | <u>12,314,514</u> | <u>11,942,977</u> |
| Total Primary Government Expenses | <u>\$ 23,413,783</u> | <u>\$ 26,458,553</u> | <u>\$ 37,997,629</u> | <u>\$ 30,514,848</u> | <u>\$ 28,500,624</u> | <u>\$ 31,114,926</u> | <u>\$ 32,423,610</u> | <u>\$ 31,740,610</u> | <u>\$ 33,546,417</u> | <u>\$ 33,944,503</u> |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Fines, Fees and Charges for Services: | | | | | | | | | | |
| General Government | \$ 1,402,472 | \$ 1,852,530 | \$ 1,665,484 | \$ 823,834 | \$ 897,801 | \$ 430,661 | \$ 581,769 | \$ 554,874 | \$ 795,223 | \$ 888,639 |
| Public Safety | 58,736 | 66,854 | 96,266 | 160,912 | 163,335 | 262,145 | 207,948 | 226,830 | 302,522 | 273,624 |
| Highways and Streets | - | 126,896 | - | - | - | - | - | - | - | - |
| Culture and Recreation | - | - | 583 | 10,401 | 11,284 | 11,542 | 25,690 | 16,825 | 17,292 | 14,458 |
| Redevelopment and Housing | 5,000 | 23,673 | 1,115 | - | - | - | - | - | 10,978 | - |
| Other | - | - | - | - | - | - | - | - | - | 9,250 |
| Operating Grants and Contributions | 1,462,303 | 1,909,919 | 1,133,422 | 1,217,159 | 1,235,150 | 825,410 | 878,403 | 830,814 | 771,285 | 916,333 |
| Capital Grants and Contributions | 1,294,420 | 1,440,787 | 863,849 | 1,413,167 | 1,059,482 | 868,296 | 235,653 | 171,515 | 370,799 | - |
| Total Governmental Activities Program Revenues | <u>4,222,931</u> | <u>5,420,659</u> | <u>3,760,719</u> | <u>3,625,473</u> | <u>3,367,052</u> | <u>2,398,054</u> | <u>1,929,463</u> | <u>1,800,858</u> | <u>2,268,099</u> | <u>2,102,304</u> |
| (Concluded) | | | | | | | | | | |
| Business-Type Activities | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Water | \$ 3,836,178 | \$ 4,019,325 | \$ 4,121,579 | \$ 4,644,492 | \$ 4,639,765 | \$ 4,994,285 | \$ 6,394,604 | \$ 6,479,996 | \$ 6,666,770 | \$ 6,583,969 |
| Sanitation | 361,689 | 407,257 | 388,789 | 401,076 | 409,697 | 401,366 | 347,800 | 360,618 | 324,197 | 355,328 |
| Wastewater and Sewer | 5,343,513 | 6,354,925 | 7,212,855 | 5,405,133 | 4,881,137 | 5,000,253 | 5,500,611 | 5,535,850 | 6,713,988 | 5,420,273 |
| Capital Grants and Contributions | 1,468,629 | - | - | - | 7,966,449 | 1,901,328 | - | - | - | 4,673,401 |
| Total Business-Type Activities Program Revenues | <u>11,010,009</u> | <u>10,781,507</u> | <u>11,723,223</u> | <u>10,450,701</u> | <u>17,897,048</u> | <u>12,297,232</u> | <u>12,243,015</u> | <u>12,376,464</u> | <u>13,704,955</u> | <u>17,032,971</u> |
| Total Primary Government Revenues | <u>\$ 15,232,940</u> | <u>\$ 16,202,166</u> | <u>\$ 15,483,942</u> | <u>\$ 14,076,174</u> | <u>\$ 21,264,100</u> | <u>\$ 14,695,286</u> | <u>\$ 14,172,478</u> | <u>\$ 14,177,322</u> | <u>\$ 15,973,054</u> | <u>\$ 19,135,275</u> |

Continued

General Revenues and Other Changes in Net

Assets

Governmental Activities:

Taxes:

| | | | | | | | | | | |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Sales Taxes | \$ 5,689,397 | \$ 6,951,574 | \$ 8,040,066 | \$ 8,339,786 | \$ 8,390,330 | \$ 12,209,049 | \$ 13,525,808 | \$ 14,230,041 | \$ 14,360,574 | \$ 17,564,422 |
| Property Taxes | 3,774,315 | 5,306,125 | 5,296,591 | 5,354,004 | 6,421,551 | 6,812,691 | 5,343,971 | 4,478,071 | 4,481,523 | 4,508,560 |
| Franchise Taxes | 42,919 | 47,600 | 48,846 | 48,936 | 49,523 | 47,098 | 39,871 | 56,905 | 44,393 | 45,765 |
| State Revenue Sharing | 520,775 | 737,755 | 914,464 | 970,001 | 838,960 | 632,468 | 567,191 | 668,558 | 729,523 | 792,313 |
| State Income Tax Revenue Sharing | 537,425 | 617,617 | 597,135 | 516,997 | 476,855 | 497,423 | 511,429 | 535,720 | 569,695 | 598,140 |
| Auto Lieu Tax Revenue Sharing | 242,315 | 269,862 | 273,035 | 222,573 | 218,427 | 212,480 | 220,391 | 208,723 | 233,354 | 249,830 |
| Grants and Contributions Not Restricted | - | - | 600,000 | - | - | - | - | - | - | - |
| Interest | 619,370 | 1,337,479 | 1,243,415 | 287,709 | 69,793 | 25,425 | 36,451 | 72,680 | 56,799 | 38,073 |
| Other | 48,686 | 141,473 | 134,737 | 116,862 | 115,386 | - | 5,491 | - | 30,635 | 37,376 |
| Transfers | (3,728,572) | 116,692 | (2,355,755) | (1,780,581) | (6,224,014) | (235,637) | (152,748) | - | 110,500 | (282,785) |
| Total Governmental Activities: | 7,746,630 | 15,526,177 | 14,792,534 | 14,076,287 | 10,356,811 | 20,200,997 | 20,097,855 | 20,250,698 | 20,616,996 | 23,551,694 |

Business-type Activities:

| | | | | | | | | | | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property Taxes | - | - | - | - | 518,221 | 332,735 | 1,401,895 | 2,420,551 | 2,553,157 | 2,654,745 |
| Impact Fees | 342,738 | 365,151 | - | - | - | - | - | - | - | - |
| Interest | 159,308 | 228,419 | 110,199 | 22,143 | 23,957 | 20,363 | 35,712 | 18,325 | 18,924 | 14,960 |
| Litigation Settlement | - | - | - | 8,000,000 | - | - | - | - | - | - |
| Other | - | - | - | 17,359 | 23,051 | 129,072 | 123,917 | 97,616 | 27,424 | 77,861 |
| Transfers | 3,728,572 | (116,692) | 2,355,755 | 1,780,581 | 6,224,014 | 235,637 | 152,748 | - | (110,500) | 282,785 |
| Total Business-Type Activities | 4,230,618 | 476,878 | 2,465,954 | 9,820,083 | 6,789,243 | 717,807 | 1,714,272 | 2,536,492 | 2,489,005 | 3,030,351 |
| Total Primary Government | \$ 11,977,248 | \$ 16,003,055 | \$ 17,258,488 | \$ 23,896,370 | \$ 17,146,054 | \$ 20,918,804 | \$ 21,812,127 | \$ 22,787,190 | \$ 23,106,001 | \$ 26,582,045 |

Change in Net Assets

| | | | | | | | | | | |
|---------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Governmental Activities | \$ (1,395,749) | \$ 5,701,005 | \$ 912,473 | \$ (709,239) | \$ (4,883,552) | \$ 1,866,035 | \$ 2,835,895 | \$ 2,526,728 | \$ 1,653,192 | \$ 3,652,472 |
| Business-Type Activities | 5,192,154 | 45,663 | (6,167,672) | 8,166,935 | 14,793,082 | 2,633,129 | 725,100 | 2,697,174 | 3,879,446 | 8,120,345 |
| Total Primary Government | \$ 3,796,405 | \$ 5,746,668 | \$ (5,255,199) | \$ 7,457,696 | \$ 9,909,530 | \$ 4,499,164 | \$ 3,560,995 | \$ 5,223,902 | \$ 5,532,638 | \$ 11,772,817 |

CITY OF TOLLESON, ARIZONA
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| General Fund | | | | | |
| Restricted | \$ 63,572 | \$ 74,242 | \$ 81,028 | \$ 86,390 | \$ 95,161 |
| Committed | - | - | - | - | - |
| Nonspendable | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | 3,167,647 | 5,191,070 | 4,831,002 | 3,191,659 | 2,898,744 |
| Total General Fund | <u>\$ 3,231,219</u> | <u>\$ 5,265,312</u> | <u>\$ 4,912,030</u> | <u>\$ 3,278,049</u> | <u>\$ 2,993,905</u> |
| All Other Governmental Funds | | | | | |
| Restricted: | | | | | |
| Highways and streets | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt service | 784,455 | 1,086,052 | 1,159,549 | 1,097,006 | 1,237,552 |
| Capital projects | | | | | |
| Other purposes | 8,638 | 10,970 | 11,717 | 11,362 | 12,794 |
| Nonspendable: | | | | | |
| Prepaid items | - | - | - | - | - |
| Committed for: | | | | | |
| Capital projects | 11,317,935 | 24,967,162 | 17,680,295 | 21,282,772 | 12,748,910 |
| Assigned for: | | | | | |
| Public safety | 312,268 | 352,767 | 1,289,574 | 5,047,024 | 4,740,852 |
| Other purposes | - | - | - | - | - |
| Total All Other Governmental Funds: | <u>\$ 12,423,296</u> | <u>\$ 26,416,951</u> | <u>\$ 20,141,135</u> | <u>\$ 27,438,164</u> | <u>\$ 18,740,108</u> |

Continued

Note: The City began to report fund balance classification per GASB Statement 54 in fiscal year 2011. Prior year balances reported as reserved are reported as restricted and other balances previously reported as unreserved are reported as unassigned, restricted, committed, nonspendable or assigned as applicable.

Fiscal Year

| 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------|----------------------|----------------------|---------------------|----------------------|
| \$ 232,134 | \$ 273,271 | \$ 376,237 | \$ 336,340 | \$ 485,014 |
| - | - | - | - | - |
| 270,698 | - | 141,648 | 5,000 | 4,446 |
| 126,368 | 1,126,841 | 1,126,841 | - | - |
| 5,063,457 | 6,343,285 | 7,405,570 | 7,556,991 | 9,879,027 |
| <u>\$ 5,692,657</u> | <u>\$ 7,743,397</u> | <u>\$ 9,050,296</u> | <u>\$ 7,898,331</u> | <u>\$ 10,368,487</u> |
| | | | | |
| \$ 24,349 | \$ 309,630 | \$ 873,739 | \$ 871,385 | \$ 884,657 |
| 1,131,283 | 1,023,296 | 944,792 | 1,133,469 | 938,131 |
| 3,032,892 | 7,244,810 | 6,705,563 | 3,718,026 | 474,052 |
| - | - | - | - | - |
| 16,590 | - | 13,117 | - | - |
| 170,124 | 13,501 | - | - | - |
| 1,956,348 | 2,901,442 | 3,359,496 | 3,118,808 | 3,821,797 |
| 83,887 | 91,301 | 330,144 | 382,343 | 306,810 |
| <u>\$ 6,415,473</u> | <u>\$ 11,583,980</u> | <u>\$ 12,226,851</u> | <u>\$ 9,224,031</u> | <u>\$ 6,425,447</u> |

CITY OF TOLLESON, ARIZONA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | Fiscal Year | | | | |
|--|-------------------|----------------------|-----------------------|---------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Revenues | | | | | |
| Taxes | \$ 9,506,631 | \$ 12,305,299 | \$ 13,321,689 | \$ 13,716,741 | \$ 14,865,486 |
| Intergovernmental | 2,716,956 | 3,471,197 | 3,461,353 | 3,294,551 | 3,584,672 |
| Fines and Penalties | 280,702 | 288,234 | 315,097 | 304,939 | 292,923 |
| Licenses and Permits | 435,731 | 667,321 | 417,515 | 300,274 | 343,496 |
| Charges for Services | 738,273 | 1,102,896 | 1,019,346 | 378,435 | 425,500 |
| Rents and Royalties | 11,502 | 11,502 | 11,500 | 11,500 | 10,500 |
| Contributions and Donations | 45,862 | 63,956 | 56,703 | 48,020 | 71,441 |
| Impact fees | 1,294,420 | 1,440,787 | 863,849 | 997,327 | 172,761 |
| Special assessment: | - | - | - | - | - |
| Interest | 619,370 | 1,337,479 | 1,243,415 | 287,709 | 69,793 |
| Other | 48,686 | 141,473 | 134,737 | 112,098 | 114,501 |
| Total revenues | <u>15,698,133</u> | <u>20,830,144</u> | <u>20,845,204</u> | <u>19,451,594</u> | <u>19,951,073</u> |
| Expenditures | | | | | |
| General government | 2,910,221 | 3,154,669 | 3,470,208 | 3,382,113 | 3,759,888 |
| Public Safety | 5,822,932 | 6,409,618 | 7,473,144 | 8,158,326 | 7,776,447 |
| Highways and Streets | 770,726 | 942,851 | 1,102,384 | 1,093,369 | 1,731,442 |
| Culture and Recreation | 566,595 | 905,282 | 814,152 | 827,972 | 841,414 |
| Redevelopment and Housing | 939,826 | 303,415 | 133,088 | 84,312 | 45,851 |
| Economic Development | 204,727 | 453,934 | 996,855 | 1,158,833 | 470,138 |
| Health and Welfare | 335,736 | 407,587 | 414,575 | 453,908 | 500,477 |
| Capital Outlay | 1,780,050 | 4,093,797 | 9,710,643 | 3,910,866 | 12,843,567 |
| Debt Service | | | | | |
| Principal Retirement | 1,226,311 | 1,955,000 | 1,975,000 | 2,150,000 | 2,765,000 |
| Interest on Long-Term Deb | 928,730 | 1,316,908 | 1,384,243 | 1,384,535 | 1,750,350 |
| Issuance Costs | - | 205,595 | - | 297,103 | 100,768 |
| Total Expenditures | <u>15,485,854</u> | <u>20,148,656</u> | <u>27,474,292</u> | <u>22,901,337</u> | <u>32,585,342</u> |
| Excess of Revenue: | | | | | |
| Over (Under) Expenditure: | 212,279 | 681,488 | (6,629,088) | (3,449,743) | (12,634,269) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 1,245,746 | 1,155,201 | 558,005 | 777,072 | 2,092,220 |
| Transfers Out | (645,746) | (466,746) | (558,005) | (777,072) | (2,092,220) |
| Proceeds of Refunding Debt Issuance | - | - | - | - | - |
| Proceeds of Long-Term Debt Issuance | - | 14,658,105 | - | 9,108,027 | 3,642,923 |
| Payment to Refunded Debt Escrow Agent | - | - | - | - | - |
| Proceeds from Capital Leases | - | - | - | - | - |
| Proceeds from Sale of Capital Asset | - | - | - | 4,764 | 9,146 |
| Total other Financing Sources (Uses) | <u>600,000</u> | <u>15,346,560</u> | <u>-</u> | <u>9,112,791</u> | <u>3,652,069</u> |
| Net Change in Fund Balance | <u>\$ 812,279</u> | <u>\$ 16,028,048</u> | <u>\$ (6,629,088)</u> | <u>\$ 5,663,048</u> | <u>\$ (8,982,200)</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 15.7% | 21.7% | 18.9% | 18.7% | 14.2% |

Fiscal Year

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|----|--------------------|---------------------|---------------------|-----------------------|---------------------|
| \$ | 18,664,286 | \$ 18,618,296 | \$ 18,440,757 | \$ 18,514,067 | \$ 21,730,411 |
| | 2,765,087 | 2,344,955 | 2,352,598 | 2,471,590 | 2,740,020 |
| | 260,534 | 209,436 | 228,788 | 256,498 | 236,270 |
| | 200,816 | 294,465 | 250,467 | 396,364 | 462,220 |
| | 333,963 | 375,380 | 372,889 | 521,705 | 537,114 |
| | 10,500 | 10,500 | 11,340 | 11,340 | 11,340 |
| | 61,478 | 83,707 | 119,578 | 105,353 | 126,881 |
| | 337,312 | 138,117 | 171,515 | 370,799 | - |
| | - | - | - | - | - |
| | 25,425 | 36,451 | 72,682 | 56,800 | 38,077 |
| | 144,552 | 98,533 | 65,467 | 35,920 | 55,702 |
| | <u>22,803,953</u> | <u>22,209,840</u> | <u>22,086,081</u> | <u>22,740,436</u> | <u>25,938,035</u> |
| | 3,561,710 | 3,440,722 | 3,815,498 | 4,415,415 | 5,078,029 |
| | 8,349,354 | 8,068,283 | 8,614,560 | 9,129,552 | 9,482,850 |
| | 2,254,695 | 1,574,097 | 1,938,342 | 6,866,301 | 6,137,597 |
| | 891,109 | 1,017,582 | 1,003,847 | 1,305,402 | 1,509,987 |
| | - | - | - | - | - |
| | 461,333 | 543,328 | 626,154 | 881,237 | 725,924 |
| | 861,195 | 535,879 | 326,804 | 366,784 | 405,236 |
| | 11,321,309 | 2,443,569 | 956,887 | 2,232,168 | 937,440 |
| | 2,925,000 | 2,366,550 | 1,730,000 | 945,000 | 835,000 |
| | 1,667,519 | 926,071 | 903,538 | 839,087 | 803,637 |
| | - | 86,642 | - | - | - |
| | <u>32,293,224</u> | <u>21,002,723</u> | <u>19,915,630</u> | <u>26,980,946</u> | <u>25,915,700</u> |
| | (9,489,271) | 1,207,117 | 2,170,451 | (4,240,510) | 22,335 |
| | 511,785 | 801,535 | 1,763,792 | 3,751,052 | 3,091,764 |
| | (747,422) | (954,283) | (1,763,792) | (3,640,552) | (3,374,549) |
| | - | - | - | - | - |
| | - | 6,159,387 | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | 99,025 | 5,491 | 14,441 | 8,282 | 15,023 |
| | <u>(136,612)</u> | <u>6,012,130</u> | <u>14,441</u> | <u>118,782</u> | <u>(267,762)</u> |
| \$ | <u>(9,625,883)</u> | <u>\$ 7,219,247</u> | <u>\$ 2,184,892</u> | <u>\$ (4,121,728)</u> | <u>\$ (245,427)</u> |
| | 14.2% | 16.1% | 13.2% | 6.6% | 6.3% |

CITY OF TOLLESON, ARIZONA
General Government Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| Fiscal Year | Property | Sales & Use | Franchise | Total |
|-----------------------|-----------|-------------|-----------|------------|
| 2006 | 3,774,315 | 5,689,397 | 42,919 | 9,506,631 |
| 2007 | 5,306,125 | 6,951,574 | 47,600 | 12,305,299 |
| 2008 | 5,232,777 | 8,040,066 | 48,846 | 13,321,689 |
| 2009 | 5,328,019 | 8,339,786 | 48,936 | 13,716,741 |
| 2010 | 6,425,633 | 8,390,330 | 49,523 | 14,865,486 |
| 2011 | 6,408,139 | 12,209,049 | 47,098 | 18,664,286 |
| 2012 | 6,419,183 | 13,525,808 | 39,871 | 19,984,862 |
| 2013 | 6,540,930 | 14,230,041 | 56,905 | 20,827,876 |
| 2014 | 6,662,258 | 14,420,574 | 44,393 | 21,127,225 |
| 2015 | 6,340,170 | 17,564,422 | 41,385 | 23,945,977 |
| Change 2006 - 2015 | 68.0% | 208.7% | -3.6% | 151.9% |

CITY OF TOLLESON, ARIZONA
Assess Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)
(In Thousands of Dollars)

| <u>Fiscal Year</u> | <u>Industrial & Commercial Property</u> | <u>Agricultural and Vacant</u> | <u>Residential Property</u> | <u>Others</u> | <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate/Thousand</u> | <u>Estimated Actual Taxable Value</u> | <u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u> |
|--------------------|---|--------------------------------|-----------------------------|---------------|-------------------------------------|---------------------------------------|---------------------------------------|---|
| 2006 | 118,966 | 8,248 | 12,230 | 1,150 | 140,594 | 2.4275 | 140,594 | 100.000% |
| 2007 | 138,161 | 9,746 | 12,324 | 916 | 161,147 | 2.9666 | 161,146 | 100.001% |
| 2008 | 151,547 | 10,141 | 18,017 | 2,940 | 182,645 | 2.6736 | 182,645 | 100.000% |
| 2009 | 189,008 | 13,446 | 17,373 | 28,192 | 248,019 | 2.2993 | 248,019 | 100.000% |
| 2010 | 231,012 | 15,949 | 17,373 | 3,170 | 264,546 | 2.5074 | 264,546 | 100.000% |
| 2011 | 231,573 | 15,934 | 14,458 | 2,580 | 264,545 | 2.4390 | 264,545 | 100.000% |
| 2012 | 192,440 | 11,383 | 11,455 | 2,064 | 217,342 | 2.9084 | 217,342 | 100.000% |
| 2013 | 160,559 | 9,294 | 8,456 | 1,759 | 180,068 | 3.4163 | 180,068 | 100.000% |
| 2014 | 143,031 | 8,901 | 8,076 | 2,246 | 162,254 | 3.7612 | 162,254 | 100.000% |
| 2015 | 172,787 | 12,297 | 12,619 | 1,958 | 199,661 | 3.7457 | 199,661 | 100.000% |

CITY OF TOLLESON, ARIZONA
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)
(Rate per \$1,000 of Assessed Value)

| Fiscal Year | Direct Rates | | | Overlapping Rates | | | Rate Total |
|-------------|--------------|---------------------------------|-------------------|-------------------|---|--------|------------|
| | Basic Rate | General Obligation Debt Service | Total Direct Rate | School District | Flood Control and Water Conservation District | County | |
| 2006 | 1.0168 | 1.4204 | 2.4372 | 16.8140 | 1.8952 | 1.7940 | 22.9404 |
| 2007 | 0.9658 | 2.0008 | 2.9666 | 16.7640 | 1.5145 | 1.2301 | 22.4752 |
| 2008 | 0.9369 | 1.7367 | 2.6736 | N/A | N/A | N/A | 2.6736 |
| 2009 | 0.9502 | 1.3491 | 2.2993 | N/A | N/A | N/A | 2.2993 |
| 2010 | 0.9822 | 1.5901 | 2.5723 | N/A | N/A | N/A | 2.5723 |
| 2011 | 0.9742 | 1.4648 | 2.4390 | 16.5884 | 1.5730 | 1.6660 | 22.2664 |
| 2012 | 1.1232 | 1.7852 | 2.9084 | N/A | N/A | N/A | 2.9084 |
| 2013 | 1.2643 | 2.1520 | 3.4163 | N/A | N/A | N/A | 3.4163 |
| 2014 | 1.7811 | 1.9801 | 3.7612 | N/A | N/A | N/A | 3.7612 |
| 2015 | 1.8309 | 1.9148 | 3.7457 | N/A | N/A | N/A | 3.7457 |

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

CITY OF TOLLESON, ARIZONA
Principal Property Taxpayers
Current and Nine Years Ago
(Unaudited)

| Taxpayer | 2015 | | | 2006 | | |
|---|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Smiths Food & Drugs | \$ 8,270,397 | 1 | 4.90% | \$ 9,555,000 | 1 | 6.80% |
| LBA Realty Fund | 7,277,000 | 2 | 4.32% | | | |
| SVC Manufacturing | 6,672,515 | 3 | 3.96% | 4,087,071 | 3 | 2.91% |
| ABS SW Investor LLC (Albertson) | 5,164,312 | 4 | 3.06% | 6,337,170 | 2 | 4.51% |
| Greater Arizona Auto Auction | 4,839,775 | 5 | 2.87% | 3,759,821 | 4 | 2.67% |
| Cole HD Tolleson AZ LLC | 4,531,671 | 6 | 2.69% | | | |
| Freightliner | 3,158,309 | 7 | 1.87% | | | |
| The Price Company | 2,700,459 | 8 | 1.60% | 3,655,875 | 5 | 2.60% |
| 91ST Ave. Investment Company | 2,481,381 | 9 | 1.47% | | | |
| AZEJM Land Holdings/Oxnard Commerceplex | 2,434,102 | 10 | 1.44% | | | |
| Sysco Continental Foods | | | | 3,014,846 | 6 | 2.14% |
| Phoenix Investors | | | | 2,941,480 | 7 | 2.09% |
| Mommouth Real Estates | | | | 2,901,542 | 8 | 2.06% |
| Auto Zone | | | | 2,775,411 | 9 | 1.97% |
| Private Individual | | | | 2,476,516 | 10 | 1.76% |
| Total | <u>\$ 47,529,921</u> | | 28.18% | <u>\$ 41,504,732</u> | | 29.51% |

Source: Maricopa County Assessor's Office

CITY OF TOLLESON, ARIZONA
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Levy |
|-------------------------------------|--|---|--------------------|---------------------------------------|---------------------------|--|------------------------------------|---|
| | | Amount | Percent of Levy | | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy | | |
| 2006 | 3,458,342 | 3,404,020 | 98.43% | 54,322 | 3,458,342 | 100.00% | - | |
| 2007 | 4,832,448 | 4,762,611 | 98.55% | 69,837 | 4,832,448 | 100.00% | - | |
| 2008 | 4,820,835 | 4,744,182 | 98.41% | 76,653 | 4,820,835 | 100.00% | - | |
| 2009 | 5,047,936 | 4,925,210 | 97.57% | 102,364 | 5,027,574 | 99.60% | 20,362 | 0.40% |
| 2010 | 6,408,160 | 6,287,726 | 98.12% | 119,392 | 6,407,118 | 99.98% | 1,042 | 0.02% |
| 2011 | 6,213,365 | 6,062,224 | 97.57% | 151,141 | 6,213,365 | 100.00% | - | |
| 2012 | 6,260,000 | 6,030,900 | 96.34% | 40,114 | 6,071,014 | 96.98% | 188,986 | 3.02% |
| 2013 | 6,121,245 | 6,049,524 | 98.83% | 46,142 | 6,095,666 | 99.58% | 25,579 | 0.42% |
| 2014 | 6,063,150 | 6,063,150 | 100.00% | - | 6,063,150 | 100.00% | - | |
| 2015 | 6,189,084 | 6,143,072 | 99.26% | - | 6,143,072 | 99.26% | 46,012 | 0.74% |

Source: Maricopa County Finance Department

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CITY OF TOLLESON, ARIZONA
Taxable Sales By Category
Last Ten Fiscal Years
(Unaudited)

| Sales Category | Calendar Year | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 |
| Commercial & Utilities | \$ 861,639 | \$ 912,479 | \$ 978,793 | \$ 1,150,144 |
| Construction | 861,048 | 1,665,023 | 1,283,547 | 1,004,232 |
| Manufacturing | 204,578 | 243,652 | 224,719 | 300,971 |
| Wholesale | 453,111 | 510,924 | 712,445 | 1,058,059 |
| Retail | 1,940,859 | 2,082,489 | 2,414,728 | 2,560,041 |
| Real estate | 761,679 | 845,664 | 1,121,113 | 1,546,407 |
| Services | 80,083 | 100,357 | 131,097 | 214,422 |
| All other outlets | 381,063 | 590,986 | 1,173,623 | 564,692 |
| Total | \$ 5,544,060 | \$ 6,951,574 | \$ 8,040,065 | \$ 8,398,968 |
| City Sales Tax Rate | 2.00% | 2.00% | 2.00% | 2.00% |

Continued

Source: Arizona State Revenue

| Calendar Year | | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | |
| \$ 1,165,867 | \$ 1,248,634 | \$ 1,305,659 | 1,340,608 | 1,437,268 | 1,486,385 | |
| 946,494 | 1,012,531 | 870,319 | 696,757 | 829,515 | 1,417,419 | |
| 205,326 | 210,445 | 244,306 | 273,890 | 541,182 | 649,799 | |
| 1,250,650 | 1,546,804 | 1,717,069 | 1,739,508 | 2,461,798 | 3,261,898 | |
| 2,549,657 | 5,400,145 | 6,594,272 | 6,900,851 | 6,878,934 | 7,073,146 | |
| 1,319,640 | 1,487,355 | 1,776,811 | 1,843,998 | 1,645,860 | 1,851,697 | |
| 169,887 | 219,932 | 154,590 | 674,710 | 804,772 | 871,641 | |
| 566,379 | 1,083,202 | 784,198 | 755,953 | 895,550 | 952,436 | |
| \$ 8,173,900 | \$ 12,209,048 | \$ 13,447,224 | \$ 14,226,275 | \$ 15,494,879 | \$ 17,564,421 | |
| 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | 2.50% | |

CITY OF TOLLESON, ARIZONA
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years
(Unaudited)

| <u>Fiscal Year</u> | <u>City Direct Rate</u> | <u>County</u> |
|------------------------|---------------------------------|---------------|
| 2006 | | 8.30% |
| 2007 | | 8.30% |
| 2008 | | 8.30% |
| 2009 | | 8.80% |
| 2010 | 2.50% | 8.80% |
| 2011 | 2.50% | 8.80% |
| 2012 | 2.50% | 8.80% |
| 2013 | 2.50% | 8.80% |
| 2014 | 2.50% | 8.80% |
| 2015 | 2.50% | 8.80% |

Source: Arizona State Revenue

CITY OF TOLLESON, ARIZONA
Ratio of Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)
(Dollars in Thousands, Except Per Capita)

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|---------------|--------------------------|----------------|--------------------------|---------------------|----------------|--------------------------|--------------------------|-------------------------------|------------|
| | General Obligation Bonds | Revenue Bonds | Special Assessment Bonds | Capital Leases | General Obligation Bonds | Water Revenue Bonds | Capital Leases | Waste Water Revenue Loan | | | |
| 2006 | 22,580 | - | | | | | | | 22,580 | * | 3,475 |
| 2007 | 35,135 | - | | | | | | | 35,135 | * | 5,407 |
| 2008 | 33,160 | - | | | | | | | 33,160 | * | 4,848 |
| 2009 | 31,010 | 9,100 | | | | | | | 40,110 | * | 5,864 |
| 2010 | 32,155 | 8,780 | | | | | 6,000 | | 46,935 | * | 6,862 |
| 2011 | 34,744 | 8,399 | | | | | 3,856 | | 46,999 | * | 7,181 |
| 2012 | 13,694 | 8,120 | | | 20,991 | | 8,895 | | 51,700 | * | 7,712 |
| 2013 | 12,305 | 7,780 | | | 19,430 | | 8,526 | | 48,041 | * | 7,166 |
| 2014 | 11,710 | 7,430 | | | 16,930 | | 8,144 | | 44,214 | * | 6,544 |
| 2015 | 11,235 | 7,070 | | | 14,220 | | 7,750 | | 40,275 | * | 5,961 |

* Information on personal income from these fiscal years was not available

CITY OF TOLLESON, ARIZONA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)
(Dollars in Thousands, Except Per Capita)

| Fiscal Year | General Obligation Bonds | Net General Obligation Bonded Debt | Taxable Assessed Value of Property | Percentage of Actual Taxable Value of Property | Population | Per Capita |
|----------------|--------------------------------|--|---|---|------------|---------------|
| 2006 | 22,580 | 22,580 | 140,594 | 16.06% | 6,498 | 3,475 |
| 2007 | 35,135 | 35,135 | 161,147 | 21.80% | 6,498 | 5,407 |
| 2008 | 33,160 | 33,160 | 182,645 | 18.16% | 6,840 | 4,848 |
| 2009 | 31,010 | 31,010 | 248,019 | 12.50% | 6,840 | 4,534 |
| 2010 | 32,155 | 32,155 | 264,546 | 12.15% | 6,840 | 4,701 |
| 2011 | 34,744 | 34,744 | 264,545 | 13.13% | 6,545 | 5,308 |
| 2012 | 34,685 | 34,685 | 217,342 | 15.96% | 6,704 | 5,174 |
| 2013 | 36,708 | 36,708 | 180,068 | 20.39% | 6,704 | 5,476 |
| 2014 | 33,391 | 33,391 | 162,254 | 20.58% | 6,756 | 4,942 |
| 2015 | 29,976 | 29,976 | 168,630 | 17.78% | 6,756 | 4,437 |

CITY OF TOLLESON, ARIZONA
Direct and Overlapping Governmental Activities Debt
June 30, 2015
(Unaudited)
(Dollars in Thousands)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|---------------------------------------|-----------------------------|--|---|
| Debt repaid with property taxes | | | |
| Tolleson Elementary School | \$ 8,790 | 66.900% | \$ 5,881 |
| Fowler Elementary School | 5,400 | 6.910% | 373 |
| Littleton Elementary School | 11,845 | 26.460% | 3,134 |
| Tolleson Union High School | 43,815 | 19.840% | 8,693 |
| Maricopa County Community College | 654,190 | 0.520% | <u>3,402</u> |
| Subtotal, overlapping debt | | | \$ 21,483 |
| City of Tolleson, Arizona Direct Debt | | | <u>33,161</u> |
| Total direct and overlapping debt | | | <u><u>\$ 54,644</u></u> |

Source: Debt outstanding comes from the Arizona Department of Revenue, [www.azdor.gov/Portals/0/Bonding FY14-Bonding-Report.pdf](http://www.azdor.gov/Portals/0/Bonding%20FY14-Bonding-Report.pdf)

CITY OF TOLLESON, ARIZONA
Calculation of Legal Debt Margin
June 30, 2015
(Unaudited)

| | | |
|--|---------------|----------------|
| Net Assessed Valuation | | \$ 168,629,759 |
| <hr/> | | |
| Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds | | |
| Debt Limit - 20% of Secondary Net Assessed Valuation | | 33,725,952 |
| Debt Applicable to Limit | | |
| General Obligation Bonds Outstanding | \$ 29,738,090 | |
| Less Amount Set Aside for Repayment of Debt | - | |
| Net Debt Applicable to Limit | | 29,738,090 |
| 20% Legal Debt Margin | | 3,987,862 |
| <hr/> | | |
| All Other General Obligation Bonds | | |
| Debt Limit - 6% of Secondary Net Assessed Valuation | | 10,117,786 |
| Debt Applicable to Limit | | |
| General Obligation Bonds Outstanding | | |
| Less Amount Set Aside for Repayment of Debt | - | |
| Net Debt Applicable to Limit | | - |
| All Other General Obligation Bonds Debt Margin | | 10,117,786 |
| Total Legal Debt Margin | | \$ 14,105,648 |

Source: Maricopa County Assessor's Office

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CITY OF TOLLESON, ARIZONA
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

| | 2006 | 2007 | 2008 | 2009 |
|--|----------------|----------------|----------------|----------------|
| Net Secondary Assessed Valuation | \$ 138,841,887 | \$ 161,146,390 | \$ 228,820,924 | \$ 269,602,466 |
| Debt Limit | 36,098,891 | 41,898,061 | 59,493,440 | 70,096,641 |
| Total net debt applicable to limit | 23,780,000 | 35,135,000 | 33,160,000 | 31,010,000 |
| Legal debt margin | \$ 12,318,891 | \$ 6,763,061 | \$ 26,333,440 | \$ 39,086,641 |
| Continued | | | | |
| Total net debt applicable to the limit as a percentage of debt limit. | 65.87% | 83.86% | 55.74% | 44.24% |

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| \$ 264,544,909 | \$ 264,544,909 | \$ 217,342,534 | \$ 180,067,717 | \$ 162,254,481 | \$ 168,629,759 |
| 68,781,677 | 68,781,677 | 56,509,059 | 46,817,606 | 42,186,165 | 43,843,737 |
| 32,155,000 | 29,555,000 | 34,685,000 | 31,735,000 | 33,160,790 | 29,738,090 |
| \$ 36,626,677 | \$ 39,226,677 | \$ 21,824,059 | \$ 15,082,606 | \$ 9,025,375 | \$ 14,105,647 |
| 46.75% | 42.97% | 61.38% | 67.78% | 78.61% | 67.83% |

CITY OF TOLLESON, ARIZONA
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)
(Dollars In Thousands)

| Fiscal Year | Revenue Bonds* | | | | | | Special Assessment Bonds | | | |
|-------------|-------------------------|--------------------------|-----------------------|------------------------|-----------------------|----------|--------------------------------|------------------------|-----------------------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage | Special Assessment Collections | Debt Service Principal | Debt Service Interest | Coverage |
| 2006 | - | - | - | - | - | - | - | - | - | - |
| 2007 | - | - | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | 780 | - | 780 | 320 | 387 | 1.10 | - | - | - | - |
| 2011 | 720 | - | 720 | 381 | 325 | 1.02 | - | - | - | - |
| 2012 | 720 | - | 720 | 335 | 374 | 1.02 | - | - | - | - |
| 2013 | 720 | - | 720 | 340 | 367 | 1.02 | - | - | - | - |
| 2014 | 720 | - | 720 | 350 | 358 | 1.02 | - | - | - | - |
| 2015 | 720 | - | 720 | 360 | 345 | 1.02 | - | - | - | - |

***'Revenue Bonds: Public Safety Sale Tax Bonds**

CITY OF TOLLESON, ARIZONA
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

| Calendar Year | Population | Personal Income (<i>thousands of dollars</i>) | Per Capita Personal Income | Median Age | Education Level in Years of Schooling | School Enrollment | Unemployment Rate |
|---------------|------------|--|----------------------------|------------|---------------------------------------|-------------------|-------------------|
| 2006 | 6,498 | N/A | N/A | N/A | N/A | N/A | 3.70% |
| 2007 | 6,498 | N/A | N/A | N/A | N/A | N/A | 3.70% |
| 2008 | 6,840 | N/A | N/A | N/A | N/A | N/A | 4.60% |
| 2009 | 6,840 | N/A | N/A | N/A | N/A | N/A | 9.80% |
| 2010 | 6,840 | N/A | N/A | N/A | N/A | N/A | 9.80% |
| 2011 | 6,545 | N/A | N/A | N/A | N/A | N/A | 8.40% |
| 2012 | 6,704 | 37,972 | 12,285 | N/A | N/A | N/A | 8.25% |
| 2013 | 6,704 | 37,972 | 12,285 | N/A | N/A | N/A | 6.70% |
| 2014 | 6,756 | 37,972 | 12,285 | N/A | N/A | N/A | 6.40% |
| 2015 | 6,756 | 32,196 | 12,934 | N/A | N/A | N/A | 4.80% |

Sources: US Department of Commerce (quickfacts.census.gov) for population and Homefacts (homefacts.com/unemployment/Arizona/Maricopa-County/Tolleson) for unemployment rate.

N/A - Information was not available for these fiscal years

CITY OF TOLLESON, ARIZONA
Principal Employers
Current and Nine Years Ago
(Unaudited)

| Taxpayer | 2015 | | | 2006 | | |
|--------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| J.B. Packerland | 1,100 | 1 | 9.53% | 1,360 | 1 | 9.04% |
| Atlas Retail Services | 530 | 2 | 4.59% | | | |
| Papa Johns Salads Produce | 480 | 3 | 4.16% | | | |
| SVC Manufacturing Inc/Pepsico | 440 | 4 | 3.81% | 550 | 3 | 3.67% |
| Rousseau Farming Co | 400 | 5 | 3.46% | 600 | 2 | 4.00% |
| SRP | 330 | 6 | 2.86% | | | |
| Ryder Inc Hillshire Brands Inc | 320 | 7 | 2.77% | | | |
| Tolleson Union High School | 320 | 8 | 2.77% | 300 | 8 | 2.00% |
| Quiktrip Corp | 280 | 9 | 2.43% | | | |
| Sysco Food Services | 270 | 10 | 2.34% | 470 | 4 | 3.13% |
| Atrium Door & Window Co. | | | | 450 | 5 | 3.00% |
| Fry's Distribution | | | | 450 | 5 | 3.00% |
| Albertson's, Inc. | | | | 365 | 6 | 2.43% |
| IBC of Arizona | | | | 350 | 7 | 2.33% |
| Portola Packaging Inc | | | | 295 | 9 | 1.90% |
| Total | <u>4,470</u> | | 38.72% | <u>5,190</u> | | 34.50% |

Source: Maricopa Association of Governments (MAG), <http://geo.azmag.gov/maps/employment/>

CITY OF TOLLESON, ARIZONA
Full-Time Equivalent Employee By Function
Last Ten Fiscal Years
(Unaudited)

| <u>Function/Program</u> | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government | 28 | 31 | 37 | 36 | 35 | 35 | 39 | 34 | 45 | 46.5 |
| Police | 34 | 37 | 42 | 42 | 43 | 45 | 45 | 43 | 42 | 42 |
| Fire | 28 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 33 |
| Public Works | 16 | 15 | 16 | 16 | 14 | 14 | 17 | 20 | 18.5 | 18 |
| Community Services | 11 | 12 | 12 | 12 | 12 | 12 | 6 | 8 | 8 | 8 |
| Water | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Sanitation | 3 | 4 | 4 | 4 | 3 | 2 | 2 | 2 | 1.5 | 1.5 |
| Wastewater/Sewer | 34 | 33 | 35 | 22 | 23 | 21 | 20 | 20 | 21 | 24 |
| Total | 162 | 171 | 185 | 171 | 169 | 168 | 168 | 166 | 175 | 181 |

Source: City Records

CITY OF TOLLESON, ARIZONA
Operating Indicators By Function
Last Ten Fiscal Years
(Unaudited)

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------|----------|----------|---------|---------|---------|---------|--------|-------|-------|
| Police | | | | | | | | | | |
| Physical arrests | 255* | 488 | 408 | 370 | 398 | 453 | 235 | 293 | 257 | 248 |
| Call for services | 6313* | 10,055 | 11,202 | 11,265 | 10,137 | 8,443 | 11,287 | 14,511 | 12484 | 11712 |
| Traffic violations | 3633* | 6,588 | 5,150 | 4,716 | 4,507 | 6,302 | 4,180 | 1,944 | 3582 | 2758 |
| Fire | | | | | | | | | | |
| Emergency responses | 2,243 | 2,047 | 2,457 | 2,310 | 1,789 | 1,929 | 1,943 | 2,122 | 2212 | 2322 |
| Fires extinguished | | 296 | 477 | 180 | 172 | 157 | 156 | 138 | 134 | 135 |
| Inspections | 200 | 200 | 263 | 250 | 269 | 268 | 321 | 271 | 43 | 116 |
| Planning and Building Safety | | | | | | | | | | |
| Building permits issued | 364 | 502 | 506 | 564 | 467 | 374 | 332 | 344 | 386 | 327 |
| Building inspections conducted | 1,307 | 3,213 | 2,567 | 2,363 | 1,900 | 1,792 | 1,525 | 912 | 1425 | 1460 |
| Transit | | | | | | | | | | |
| Total route miles | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation | | | | | | | | | | |
| Refuse collected (<i>tons/day</i>) | 40.0 | 41.0 | 41.5 | 42.0 | 42.5 | 43.0 | 43.3 | 15.0 | 8.45 | 8.87 |
| Library | | | | | | | | | | |
| Volumes in collection | 22,000 | 22,582 | 22,851 | 22,582 | 22,356 | 23,628 | 23,980 | 27,240 | 26983 | 23172 |
| Total volumes borrowed | 28,200 | 32,556 | 37,657 | 37,750 | 24,708 | 25,101 | 25,225 | 37,690 | 36480 | 33183 |
| Water | | | | | | | | | | |
| New connections | 41 | 104 | 60 | 41 | 33 | 48 | 43 | 257 | 44 | 35 |
| Water main breaks | | | | | | | | | | |
| Average daily consumption (<i>thousands of gallons</i>) | 4,090.0 | 4,100.0 | 3,914.0 | 3,386.2 | 3,316.0 | 3,596.0 | 3,281.0 | 3,876 | 3877 | 3000 |
| Peak daily consumption (<i>thousands of gallons</i>) | 6,125.0 | 6,110.0 | 6,115.0 | 6,100.0 | 5,800.0 | 5,570.0 | 4,962.0 | 5,174 | 5384 | 6000 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (<i>thousands of gallons</i>) | 12,940.0 | 13,934.6 | 12,664.3 | 5,558.6 | 5,348.0 | 5,438.0 | 5,193.0 | 5,180 | 5274 | 8230 |

* Represents 6 months

Source: City Records

CITY OF TOLLESON, ARIZONA
Capital Asset Statistics By Function
Last Ten Fiscal Years
(Unaudited)

| <u>Function/Program</u> | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 20 | 21 | 22 | 22 | 22 | 22 | 22 | 23 | 24 | 24 |
| Fire Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Refuse collection | | | | | | | | | | |
| Collection trucks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 6 | 6 |
| Other public works | | | | | | | | | | |
| Streets (<i>miles</i>) | 33 | 33 | 33 | 33 | 33 | 33 | 34 | 34 | 34 | 34 |
| Streetlights | 662 | 744 | 750 | 770 | 770 | 770 | 778 | 778 | 778 | 778 |
| Traffic signals | | | | | | | | | 12 | 12 |
| Parks and recreation | | | | | | | | | | |
| Acreage | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Playgrounds | 3 | 3 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Baseball/softball diamonds | | | | | | | | | 1 | 3 |
| Soccer/football fields | | | | | | | | | 1 | 2 |
| Community/Youth Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Water mains (<i>miles</i>) | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 50 | 56 | 60 |
| Fire hydrants | 430 | 430 | 430 | 450 | 450 | 450 | 451 | 475 | 420 | 700 |
| Storage capacity (<i>thousands of gallons</i>) | | | | | | | | | | |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (<i>miles</i>) | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 37.07 | 34.63 | 35.03 |
| Storm sewers (<i>miles</i>) | | | | | | | | | 2 | 2 |
| Treatment capacity (<i>thousands of gallons</i>) | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 |

Source: City Records

CITY OF TOLLESON, ARIZONA
Property Valuations
For the Fiscal Year Ended June 30, 2015
(Unaudited)

2014-2015 Fiscal Year

| | | |
|----------------------------------|----|---------------|
| Estimated actual valuation | \$ | 1,111,077,328 |
| Net secondary assessed valuation | | 168,629,759 |
| Net primary assessed valuation | | 161,673,697 |

Source: Maricopa County Assessor's Office and Maricopa County Department of Finance

CITY OF TOLLESON, ARIZONA
Secondary Valuations as a Percentage of Estimated Valuations
For the Last Ten Fiscal Years
(Unaudited)

| <u>Fiscal Year</u> | <u>Net Secondary Assessed Valuation</u> | <u>Estimated Actual Valuation</u> | <u>Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation</u> |
|--------------------|---|-----------------------------------|--|
| 2014-15 | \$ 168,629,759 | \$ 1,111,077,328 | 15.18% |
| 2013-14 | \$ 162,254,481 | \$ 1,048,898,288 | 15.47% |
| 2012-13 | \$ 180,067,717 | \$ 1,126,277,682 | 15.99% |
| 2011-12 | \$ 217,342,534 | \$ 1,344,185,974 | 16.17% |
| 2010-11 | \$ 264,544,909 | \$ 1,403,066,293 | 18.85% |
| 2009-10 | \$ 269,602,469 | \$ 1,410,933,224 | 19.11% |
| 2008-09 | \$ 228,820,924 | \$ 1,197,074,943 | 19.12% |
| 2007-08 | \$ 182,645,598 | \$ 931,382,193 | 19.61% |
| 2006-07 | \$ 161,146,393 | \$ 901,564,190 | 17.87% |
| 2005-06 | \$ 140,593,938 | \$ 714,964,836 | 19.66% |

Source: Maricopa County Assessor's Office and Maricopa County Finance Department

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Legal Class
As of June 30, 2015
(Unaudited)

| Legal Class | Description | 2013-2014 Secondary Assessed Valuation | 2014 Percent of Total | 2014-2015 Secondary Assessed Valuation | 2015 Percent of Total |
|-------------|--|---|-----------------------------|---|-----------------------------|
| 1 | Utilities Telecommunication and Commercial and Industrial | \$ 143,030,710 | 88.15% | \$ 147,663,296 | 87.57% |
| 2 | Agricultural and Vacant | 8,901,276 | 5.49% | 9,697,947 | 5.75% |
| 3 | Residential (Owner occupied) | 4,716,656 | 2.91% | 4,990,238 | 2.96% |
| 4 | Residential (Rental) | 3,359,024 | 2.07% | 4,019,302 | 2.38% |
| 5 | Railroad | 396,460 | 0.24% | 485,060 | 0.29% |
| 6 | Non-commercials | 1,850,355 | 1.14% | 1,773,916 | 1.05% |
| Total | | <u>\$ 162,254,481</u> | <u>100.00%</u> | <u>\$ 168,629,759</u> | <u>100.00%</u> |

Source: Maricopa County Assessor's Office

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Major Taxpayer
As of June 30, 2015
(Unaudited)

| Taxpayers | Business | Estimated Secondary 2014-15 Assessed Valuation | Estimated as a Percent of the City's 2014-15 Net Secondary Assessed Valuation |
|---|---------------------|--|--|
| Smiths Food & Drugs | Grocery Retailer | 8,270,397 | 4.90% |
| LBA Realty Fund III Company IX LLC | Commercial Property | 7,277,000 | 4.32% |
| SVC Manufacturing | Food Manufacture | 6,672,515 | 3.96% |
| ABS SW Investor Loc (Albertson) | Grocery Retailer | 5,164,312 | 3.06% |
| Greater Arizona Auto Auctions Inc. | Auto auctions | 4,839,775 | 2.87% |
| Cole HD Tolleson AZ LLC | Commercial Property | 4,531,671 | 2.69% |
| Freightliner | Trucking | 3,158,309 | 1.87% |
| The Price Company | Wholesale | 2,700,459 | 1.60% |
| 91st Avenue Investment LLC | Commercial Property | 2,481,381 | 1.47% |
| AZEJM Land Holdings/Oxnard Commerceplex | Commercial Property | 2,434,102 | 1.44% |
| Total | | <u>\$ 47,529,921</u> | <u>28.18%</u> |

Source: Maricopa County Assessor's Office

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FEDERAL AND STATE REPORTS

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Tolleson, Arizona's basic financial statements and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Tolleson, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tolleson, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tolleson, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
October 20, 2015

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the basic financial statements of the City of Tolleson, Arizona for the year ended June 30, 2015, and have issued our report thereon dated October 20, 2015. Our audit also included test work on the City of Tolleson's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Tolleson is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Tolleson has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Tolleson pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Tolleson complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.



HintonBurdick, PLLC
October 20, 2015

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