



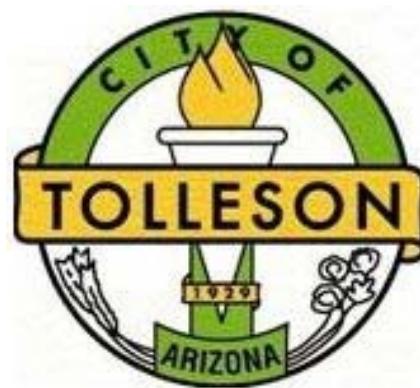
# Comprehensive Annual Financial Report

City of Tolleson, Arizona



**Fiscal Year Ended June 30, 2017**







## TABLE OF CONTENTS

	<u>Page</u>
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal	i
GFOA Certificate of Achievement	vii
List of Principal Officials	viii
Organizational Chart	ix
<b>II. FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion & Analysis	7
A. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual	29
Public Safety Tax Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	30
Proprietary Fund Financial Statements	
Statement of Net Position	33
Statement of Revenues, Expenses and Changes in Fund Net Position	34
Statement of Cash Flows	35
Notes to Financial Statements	
1. Summary of Significant Accounting Policies	39
2. Cash and Investments	48
3. Receivables	53
4. Capital Assets	54
5. Long-Term Debt	56
6. Interfund Receivables, Payables and Transfers	58
7. Pensions and Other Postemployment Benefits	58
8. Risk Management	75
9. Restatement	79

	<u>Page</u>
<b>B. Required Supplementary Information</b>	
Schedule of the City's Proportionate Share of the Net Pension Liability	
Cost-Sharing Pension Plan	79
Schedule of Changes in the City's Net Pension Liability and Related Ratios	
Agent Pension Plan	80
Schedule of the City Pension Contributions	82
Notes to Pension Plan Schedules	83
Schedule of Agent OPEB Plans' Funding Progress	85
Notes to Schedule of Agent OPEB Plans' Funding Progress	86
<b>C. Other Supplementary Information</b>	
Budgetary Comparison Schedules – Major Funds	
Capital Improvements Fund	89
Debt Service Fund	90
Non-major Government Funds Financial Statements	
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	94
Budgetary Comparison Schedules – Non-major Funds	
Highway User Revenue Fund	97
Grants Fund	98
<b>III. STATISTICAL SECTION</b>	<u>Page</u>
1 Net Position by Component	100
2 Changes in Net Position	102
3 Fund Balances of Governmental Funds	106
4 Changes in Fund Balances of Governmental Funds	108
5 General Government Tax Revenues By Source	112
6 Assess Value and Estimated Actual Value of Taxable Property	114
7 Property Tax Rates Direct and Overlapping Governments	116
8 Principal Property Taxpayers	117
9 Property Tax Levies and Collections	118
10 Taxable Sales by Category	119
11 Direct and Overlapping Sales Tax Rates	120
12 Ratio of Outstanding Debt by Type	122
13 Ratios of General Bonded Debt Outstanding	124
14 Direct and Overlapping Governmental Activities Debt	125
15 Calculation of Legal Debt Margin	126
16 Legal Debt Margin Information	128
17 Pledged-Revenue Coverage	130
18 Demographic and Economic Statistics	132
19 Principal Employers	133
20 Full-Time Equivalent Employee by Function	134
21 Operating Indicators by Function	136
22 Capital Asset Statistics by Function	138
23 Property Valuations	140
24 Secondary Valuations as a Percentage of Estimated Valuations	141
25 Secondary Valuations by Legal Class	142
26 Secondary Valuations by Major Taxpayer	143

IV. COMPLIANCE SECTION

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*

147



# **Introductory Section**

---





# CITY OF TOLLESON

9555 West Van Buren • Tolleson, AZ 85353 • 623.936.7111 • fax 623.907.2629

November 10, 2017

Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of Tolleson, Arizona:

The comprehensive annual financial report of the City of Tolleson, Arizona (the City), for the year ended June 30, 2017, is hereby submitted. The City is required to issue annually a report on its financial position and activity, and be audited by an independent certified public accountant. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City.

Henry & Horne LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2017. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the financial section of this report.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). MD&A complements this Letter of Transmittal and should be read in conjunction with it. The City of Tolleson's MD&A can be found immediately following the report of the independent auditors.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Not for Profit Organizations. A separate single audit report includes the schedule of expenditures of federal awards, auditors report on internal controls, and compliance with applicable laws and regulations.

## **THE FINANCIAL REPORTING ENTITY**

The City of Tolleson, founded in 1929, operates under a Council-Manager form of government as provided by its Charter. The Mayor and six City Council members are elected at large on a non-partisan ballot and serve overlapping four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances; adopting the budget; appointing commission board members; and appointing the positions of City Manager, City Attorney, and Presiding Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City encompasses approximately 6 square miles. Although small, Tolleson is in the middle of it all, with Phoenix International Raceway 10 minutes south and entertainment venues in Glendale, Peoria, Goodyear and Phoenix 10 minutes north and east. Tolleson is the west valley's industrial employment center hosting over 20 Fortune 500 companies employing more than 20,000 resulting in one of the most impressive jobs to resident's ratios in the nation.

The City provides a full range of municipal services including police and fire protection, sanitation service, water and sewer services, construction and maintenance of streets, recreational activities including libraries and cultural events, public transportation, planning and zoning services, and general administrative services.

This report includes financial statements on both a government-wide and fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and the City of Tolleson Municipal Facilities Corporation (MFC) as discussed further in Note 1 of the notes to the financial statements.

## **LOCAL ECONOMIC CONDITION AND OUTLOOK**

The unemployment rate in Tolleson remained constant from the previous year at 4.5% as compared to 5.1% statewide. Consumer spending remained healthy in fiscal year 2017. The City's sales and use tax collections in fiscal year 2017 totaled \$20.9 million, a 6.6% increase from the \$19.6 million in the prior year.

In August of 2016 Tolleson voters approved the "Home Rule" expenditure limitation allowing the City to continue appropriating all anticipated revenues for expenditures on services provided to City residents. During Fiscal Year 2016-2017 the City has continued to see steady growth and is strategically increasing resources to maintain current levels in service to our residents.

## **Economic Outlook**

The overall economic outlook for 2018 looks brighter than this year's performance. The economy also felt the stronger dollar's impact, as well as the inventory swing. Adding to the better performance next year will be continued gains in consumer spending, as well as housing and non-residential construction. Next year will be brighter than 2017, followed by a reversion to a more sustainable growth rate. Likewise, the overall economic outlook for the State of Arizona and the City of Tolleson is expected to mirror the nation's growth.

## **FINANCIAL CONTROLS**

### **Internal Controls**

The management of the City of Tolleson is responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to be adequate to safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

The City of Tolleson, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. Every four years the voters are asked to approve an alternative expenditure limitation which has passed each time the voters have been asked. The City may utilize the additional expenditure authority for any local budgetary purposes.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the general fund, special revenue funds, debt service funds, capital project funds, and enterprise funds are included in the annual appropriated budget. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount is the total budget, as adopted by the City Council. The City additionally exercises management control and oversight of the budget at the department level within each fund. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the issuance of a purchase order. Encumbered appropriations lapse at fiscal year-end and are re-budgeted as needed in the next fiscal year.

## **Financial Policies**

The City has an important responsibility to its citizens to carefully account for public funds, to manage its finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. The City needs to ensure that it is capable of adequately funding and providing those government services desired by the community. Ultimately the City's reputation and success depends on the public's awareness and acceptability of the management and delivery of those services.

### **Bond Rating**

During August 2017, Fitch Ratings, a global credit rating agency upgraded the City's 2006 GO Bonds two notches to AA+ from AA-.

## **STRATEGIC GOALS**

The Council gives careful consideration to all projects and initiatives during the budget process each year to ensure investments of public funds achieve Council objectives and provide a long term sustainable benefit to the community. Listed below are the Council priorities for FY 2017-18 to further the City's commitment to provide quality service, economic development and improved quality of life for the citizens of Tolleson.

- Beautify Segments of the Community
  - Human Services / C.A.P. Assistance
  - Fill Empty Buildings on Van Buren
- Increase Community Outreach
- Expand 91<sup>st</sup> Avenue
- Design New City Hall
- Increase Downtown Events
- Reduce the Public Safety Unfunded Liability

### **Financial Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tolleson for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the first year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **Acknowledgments**

I wish to express my sincere thanks to the entire staff of the Finance Department without whose assistance this report could not have been prepared. I would also like to express thanks to all of the members of the departments who assisted in and contributed to the preparation of this report. Finally, I wish to thank the Mayor and Council, City Manager, and Assistant City Manager for their continued support in promoting sound financial policies and internal controls.

Respectfully Submitted:

A handwritten signature in blue ink, appearing to read "Victoria L. Juvet".

Victoria L. Juvet, CPA, CFE, CGFM, MPA

Chief Financial Officer





Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

---

Presented to

**City of Tolleson  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink that reads "Jeffrey R. Emmer". The signature is fluid and cursive, with "Jeffrey" on the top line and "R. Emmer" on the bottom line.

Executive Director/CEO

**CITY OF TOLLESON, ARIZONA**  
**PRINCIPAL OFFICIALS OF THE CITY**  
**YEAR ENDED JUNE 30, 2017**

**MAYOR AND COUNCIL**

Anna Tovar, Mayor

Juan F Rodriguez, Vice Mayor

Clorinda Erives, Councilmember

John Carnero, Councilmember

Lupe Leyva Bandin, Councilmember

Albert P. Mendoza, Councilmember

Linda Laborin, Councilmember



**MANAGEMENT STAFF**

Reyes, Medrano, City Manager

John Paul Lopez, Assistant City Manager

**DEPARTMENT HEADS**

Diana T. Quezada, Magistrate

Wendy Jackson, Human Resources Director

Paul Gilmore, City Engineer

Steve Holliday, IT Director

Jamie McCracken, Field Operations Director

Wayne Booher, Police Chief

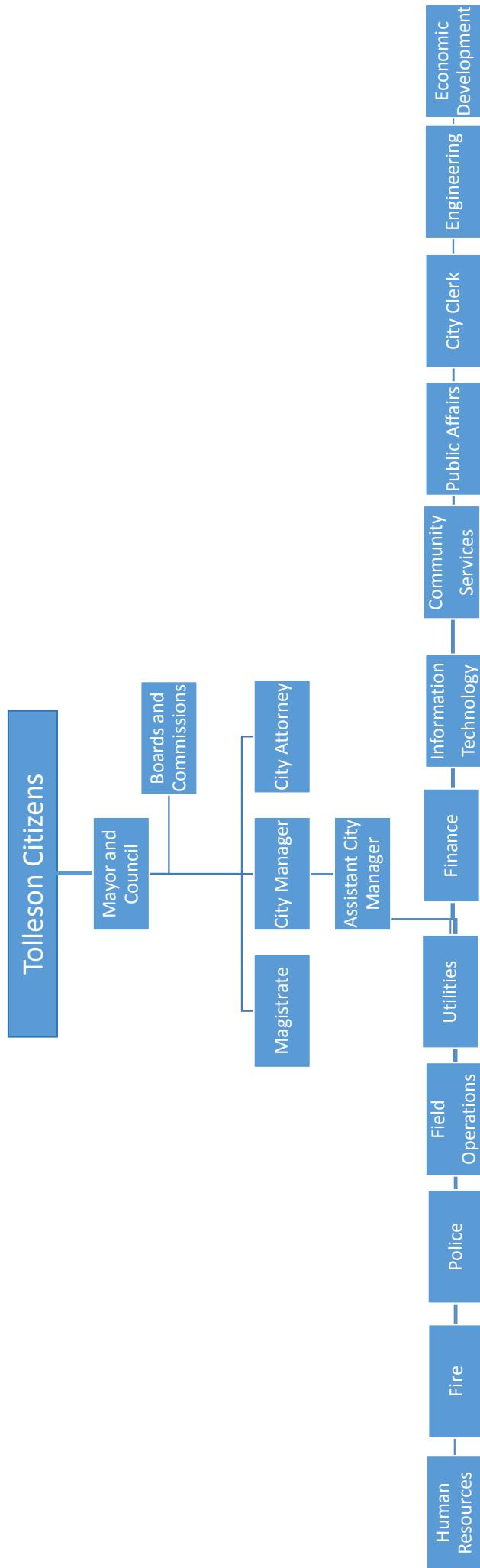
Victoria L. Juvet, Chief Financial Officer

Mark Berrelez, Utilities Director

George Good, Fire Chief

Jason Earp, Economic Development Director

# City of Tolleson Organizational Chart





# **Financial Section**

---



## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council  
City of Tolleson  
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 City of Tolleson, Arizona, as of and for the year ended June 30, 2017, 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 from 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 auditors' 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 accounting 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Public Safety Tax Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information 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 introductory section, the financial information listed as other supplementary information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The financial information listed as other supplementary information in the financial section is the responsibility of management and were derived from and relate 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 financial information listed as other supplementary information in the financial section, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

*Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

In connection with our audit, nothing came to our attention that caused us to believe that the City of Tolleson, Arizona failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City of Tolleson solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Tolleson's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the City and is not intended to be and should not be used by anyone other than these specified parties.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the City of Tolleson, Arizona's, internal control over financial reporting and compliance.

*Henry + Horne LLP*

Casa Grande, Arizona  
November 10, 2017



# **Financial Section**

---

## **MANAGEMENT'S DISCUSSION & ANALYSIS**



**CITY OF TOLLESON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2017**

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

### **FINANCIAL ANALYSIS**

- The assets of the City of Tolleson, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$111,957,770 (net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,051,299 or 117% of total General Fund expenditures.
- The General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$2,510,300 for the fiscal year ending June 30, 2017.
- General Fund revenues exceeded expenditures by \$5,855,966; a positive variance of \$5,589,068 from the original budget.

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

The discussion and analysis provided here are intended to serve as an introduction to the City of Tolleson's basic financial statements. The City of Tolleson's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Tolleson's finances, in a manner similar to a private-sector business. The *statement of net position* presents financial information on all of the City of Tolleson's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Tolleson is improving or deteriorating.

The *statement of activities* presents information showing how the City of Tolleson's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tolleson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Tolleson can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The City of Tolleson maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other ten governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Tolleson adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** The City of Tolleson maintains three different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Tolleson uses enterprise funds to account for its water, sewer, and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, sewer fund, and sanitation fund, all of which are considered to be major funds of the City of Tolleson.

**MDA Table Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. The City did not have any fiduciary funds to report at year end.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of Tolleson's progress in funding its obligation to provide pension and OPEB benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and non-major governmental fund budgetary comparisons are presented immediately following the required supplementary information on pensions and OPEB.

## 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 \$111,957,770 as of June 30, 2017 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, Arizona Condensed Statement of Net Position					
	Governmental Activities		Business-type Activities		Total Government
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017
Current and other assets	\$ 28,963,055	\$ 24,448,170	\$ 25,766,030	\$ 23,223,803	\$ 54,729,085
Capital assets	47,894,383	48,161,998	63,923,494	65,619,740	111,817,877
Total assets	<u>76,857,438</u>	<u>72,610,168</u>	<u>89,689,524</u>	<u>88,843,543</u>	<u>166,546,962</u>
Deferred outflows of resources	7,034,718	4,664,919	893,690	619,540	7,928,408
Long-term liabilities outstanding	36,394,945	32,689,472	21,237,112	20,955,370	57,632,057
Other liabilities	1,954,004	3,613,532	992,771	3,269,753	2,946,775
Total liabilities	<u>38,348,949</u>	<u>36,303,004</u>	<u>22,229,883</u>	<u>24,225,123</u>	<u>60,578,832</u>
Deferred inflows of resources	1,424,270	1,212,694	514,498	337,925	1,938,768
Net position:					
Net investment in capital assets	32,215,631	30,421,590	47,446,347	46,812,938	79,661,978
Restricted	5,684,881	4,896,402	499,179	-	6,184,060
Unrestricted	6,218,425	4,441,397	19,893,307	18,087,097	26,111,732
Total net position	<u>\$ 44,118,937</u>	<u>\$ 39,759,389</u>	<u>\$ 67,838,833</u>	<u>\$ 64,900,035</u>	<u>\$ 111,957,770</u>
					\$ 104,659,424

### Governmental Activities

The City has \$166,546,962 in total assets, with \$79,661,978 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.

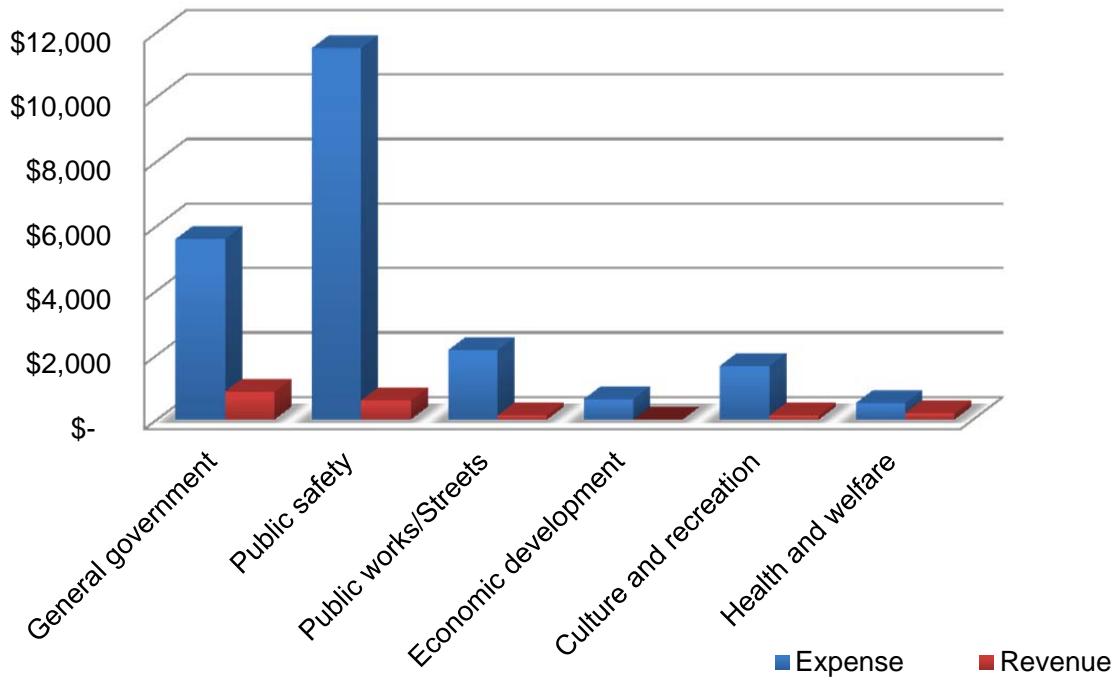
The City's programs include: General Government, Public Safety, Highways and Streets, Economic Development, Culture and Recreation, and Health and Welfare. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's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

City of Tolleson, Arizona Changes in Net Position								
	Governmental Activities		Business-type Activities		Total Government		6/30/2017	6/30/2016
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016		
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$ 1,431,784	\$ 1,149,407	\$ 12,588,627	\$ 12,848,723	\$ 14,020,411	\$ 13,998,130		
Operating grants and contributions	973,563	759,072	-	-	973,563	759,072		
Capital grants and contributions	18,472	21,240	49,811	150,584	68,283	171,824		
General revenues:								
Taxes	27,943,818	24,866,797	2,157,082	3,293,011	30,100,900	28,159,808		
Urban revenue sharing	857,378	788,017	-	-	857,378	788,017		
Other revenue/(expense)	282,915	203,210	157,028	192,756	439,943	395,966		
Total revenues	<u>31,507,930</u>	<u>27,787,743</u>	<u>14,952,548</u>	<u>16,485,074</u>	<u>46,460,478</u>	<u>44,272,817</u>		
<b>Expenses:</b>								
General government	6,057,979	5,596,149	-	-	6,057,979	5,596,149		
Public safety	13,703,866	11,510,678	-	-	13,703,866	11,510,678		
Public works/Streets	2,158,993	2,146,277	-	-	2,158,993	2,146,277		
Health and welfare	455,278	510,429	-	-	455,278	510,429		
Culture and recreation	2,438,231	1,667,220	-	-	2,438,231	1,667,220		
Economic development	1,196,079	641,130	-	-	1,196,079	641,130		
Interest on long-term debt	717,956	750,181	-	-	717,956	750,181		
Water	-	-	5,294,611	5,379,124	5,294,611	5,379,124		
Wastewater treatment/sewer	-	-	6,720,582	6,434,002	6,720,582	6,434,002		
Sanitation	-	-	418,557	475,758	418,557	475,758		
Total expenses	<u>26,728,382</u>	<u>22,822,064</u>	<u>12,433,750</u>	<u>12,288,884</u>	<u>39,162,132</u>	<u>35,110,948</u>		
Increase / (decrease) in net position before special items and transfers								
Special items	-	-	-	-	-	-		
Transfers in (out)	(420,000)	(116,962)	420,000	116,962	-	-		
Change in net position	<u>4,359,548</u>	<u>4,848,717</u>	<u>2,938,798</u>	<u>4,313,152</u>	<u>7,298,346</u>	<u>9,161,869</u>		
Net position, beginning	<u>39,759,389</u>	<u>34,910,672</u>	<u>64,900,035</u>	<u>60,586,883</u>	<u>104,659,424</u>	<u>95,497,555</u>		
Ending net position	<u>\$ 44,118,937</u>	<u>\$ 39,759,389</u>	<u>\$ 67,838,833</u>	<u>\$ 64,900,035</u>	<u>\$ 111,957,770</u>	<u>\$ 104,659,424</u>		

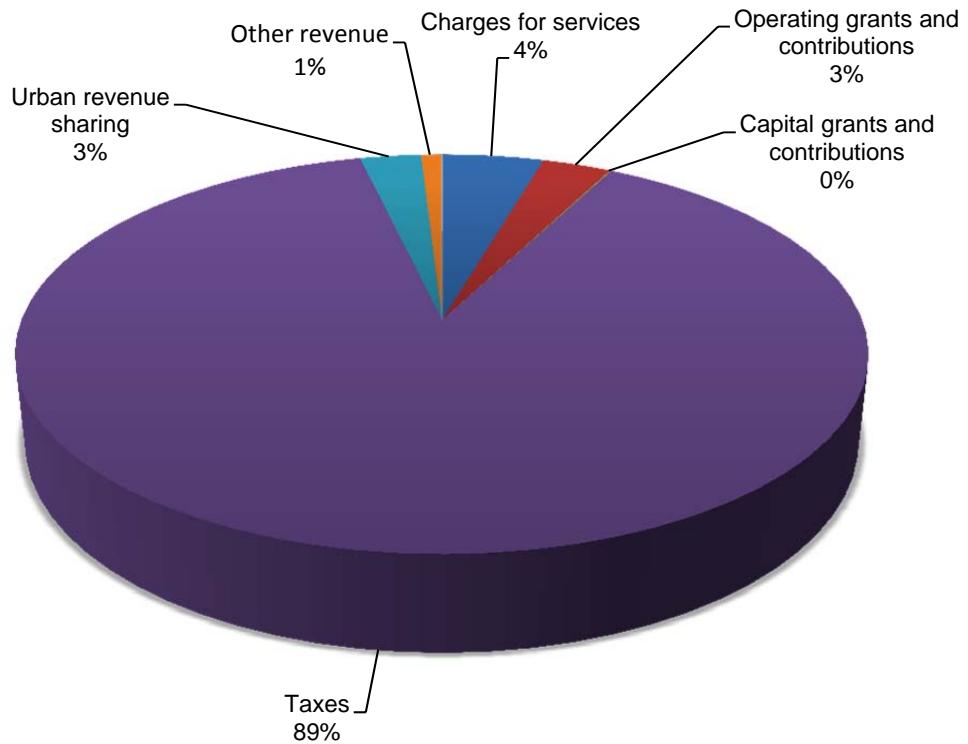
Total resources available during the year to finance governmental operations were \$71.3 million consisting of net position at July 1, 2016 of \$39.8 million, program revenues of \$2.4 million and General Revenues of \$29.1 million. Total Governmental Activities during the year were \$26.7 million; thus Governmental Net position was increased by \$4.4 million to \$44.5 million before transfers.

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

**Expense and Program Revenues - Governmental Activities  
(in Thousands)**



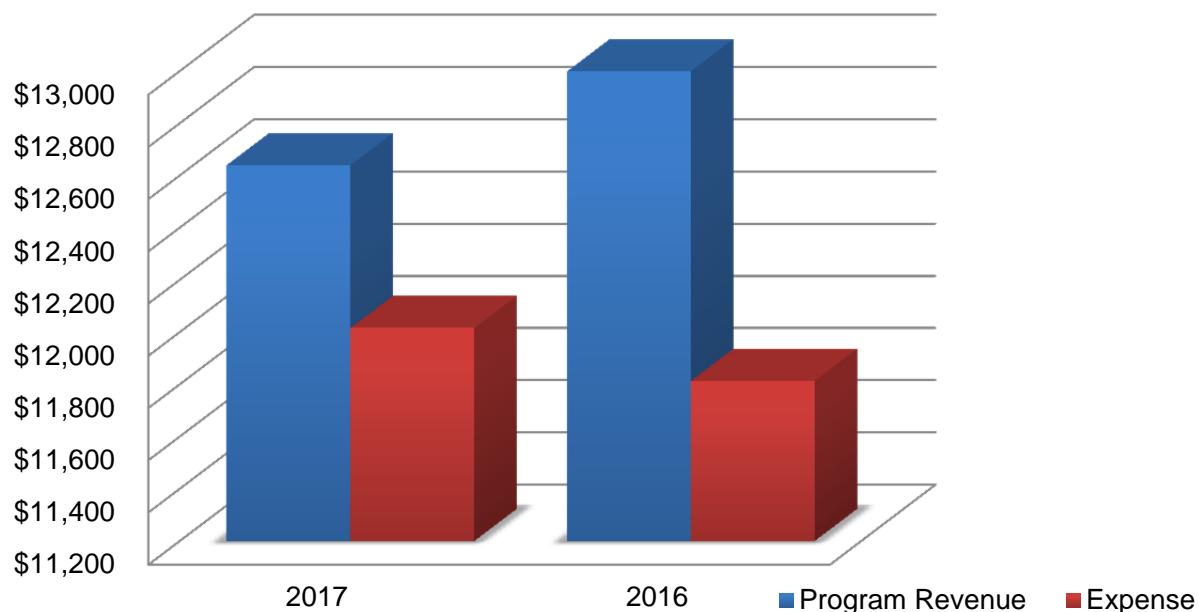
**Revenue by Source - Governmental Activities**



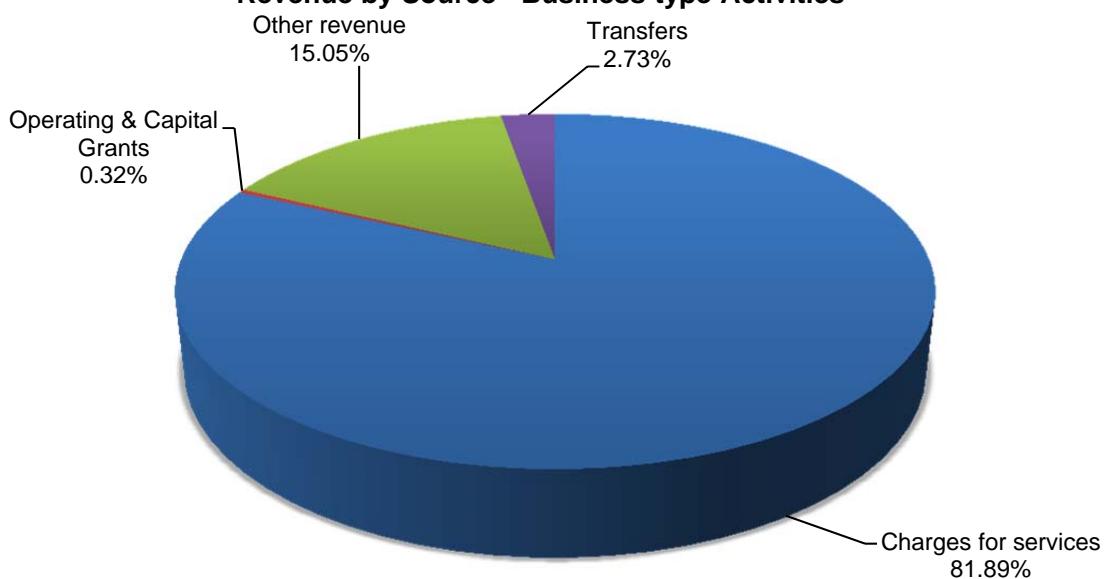
## Business Type Activities

Net position of the Business Type activities at June 30, 2017, as reflected in the Statement of Net Position was \$67.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$12.4 million. As shown in the statement of Changes in Net position, the amounts paid by users of the system were \$12.6 million. Capital contributions were \$49,811, property tax revenues were \$2,157,082 and interest earnings and other revenues totaled \$157,028. The net position increased by \$2,518,798 before transfers.

**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 spendable 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 \$26,906,532 an increase of \$3,585,170 in comparison with the prior year. Approximately, 79% of this total amount, \$11,220,634, 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 \$21,220,634, while total fund balance is \$22,051,299. 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 112% of total general fund expenditures, while total fund balance represents 116% of the same amount.

During the year, the City of Tolleson's general fund balance increased by \$4,923,771. The key factor to the increase was sales tax revenues in excess of projected amounts.

The Public Safety Tax Fund balance decreased by \$963,206. The key factor to the decrease was the budgeted spending of reserves.

The Capital Projects Fund balance decreased by \$73,571 during the fiscal year as a result of a transfer into the Impact Fee Capital Project Fund to make the debt service payment.

The Debt Service Fund balance decreased by \$270,428 during the fiscal year as a result of transfer into other funds.

**Proprietary Funds:** The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown directly on the fund statements.

Net position of the proprietary funds was \$67,838,833 as of June 30, 2017. Operating revenues in fiscal year 2017 were \$6,487,966 for water, \$5,823,606 for sewer, and \$384,453 for sanitation while operating expenses were \$5,284,005 for water, \$6,187,293 for sewer, and \$418,557 for sanitation, resulting in operating income (loss) of \$1,203,961 for water, (\$363,687) for sewer, and (\$34,104) for sanitation. The water, sewer, and sanitation operating expenses increased from the prior year mainly due to additional salary and benefit cost allocations and maintenance and repair costs. The majority of the sewer net operating loss was offset by non-operating revenues, such as property taxes, used to pay debt service payments.

## **General Fund Budgetary Highlights**

Actual general fund revenues exceeded budgeted amounts by \$2,510,300 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 \$3,078,768. There were amendments made during the year between general fund departments to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **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 2017, net capital assets of the government activities totaled \$47.9 million and the net capital assets of the business-type activities totaled \$63.9 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 \$36.4 million in governmental type debt, and \$21.2 million in business-type debt. During the current fiscal year, the City's total debt decreased by \$888,952. (See note 5 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

Many factors were considered by the City's Officials during the process of developing the Fiscal Year 2017-2018 budget. The primary factors include:

The overall economy continues to improve in Tolleson. Sales tax revenues and tax on construction is expected to increase by 5%. Primary Property tax is projected to remain flat.

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](http://www.tollesonaz.org).

# Financial Section

---

## BASIC FINANCIAL STATEMENTS

**Government-wide Financial Statements** - include the Statement of Net Position and Statement of Activities and use the accrual basis of accounting for financial reporting.

**Governmental Funds Financial Statements** - include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also includes the reconciliations to the government-wide financial statements and the Budget and Actual statements for the General Fund and all major Special Revenue Funds.

**Proprietary Funds Financial Statements** - include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows for the business-type activities that use the accrual basis of accounting for financial reporting.

### Notes to the Financial Statements



CITY OF TOLLESON, ARIZONA  
 STATEMENT OF NET POSITION  
 June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,002,656	\$ 13,340,356	\$ 26,343,012
Investments	12,763,544	9,384,318	22,147,862
Receivables (net of allowances)	3,195,838	2,542,177	5,738,015
Restricted assets	-	499,179	499,179
Prepaid items	1,017	-	1,017
Capital assets:			
Nondepreciable capital assets	3,044,634	3,933,202	6,977,836
Depreciable capital assets (net of accumulated depreciation)	44,849,749	59,990,292	104,840,041
Total assets	<u>76,857,438</u>	<u>89,689,524</u>	<u>166,546,962</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	4,142,700	615,191	4,757,891
Deferred outflows of employer contributions to pensions	2,892,018	278,499	3,170,517
Total deferred outflows of resources	<u>7,034,718</u>	<u>893,690</u>	<u>7,928,408</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,338,589	710,395	2,048,984
Accrued wages and benefits	615,415	164,998	780,413
Interest payable	-	114,343	114,343
Unearned revenue	-	3,035	3,035
Noncurrent liabilities:			
Due within one year:			
Compensated absences	471,488	122,083	593,571
Loans payable	-	434,856	434,856
Bonds payable	1,406,500	2,648,500	4,055,000
Due in more than one year:			
Compensated absences	1,671,642	432,839	2,104,481
Loans payable	-	6,486,636	6,486,636
Bonds payable	14,272,252	6,907,155	21,179,407
Net pension liability	18,573,063	4,205,043	22,778,106
Total liabilities	<u>38,348,949</u>	<u>22,229,883</u>	<u>60,578,832</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	1,424,270	514,498	1,938,768
Total deferred inflows of resources	<u>1,424,270</u>	<u>514,498</u>	<u>1,938,768</u>
<b>NET POSITION</b>			
Net investment in capital assets	32,215,631	47,446,347	79,661,978
Restricted for:			
General government	330,106	-	330,106
Public safety	2,873,445	-	2,873,445
Highways and streets	1,477,192	-	1,477,192
Debt service	609,568	499,179	1,108,747
Capital projects and other	169,021	-	169,021
Other purposes	225,549	-	225,549
Unrestricted (deficit)	6,218,425	19,893,307	26,111,732
Total net position	<u>\$ 44,118,937</u>	<u>\$ 67,838,833</u>	<u>\$ 111,957,770</u>

CITY OF TOLLESON, ARIZONA  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2017

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 6,057,979	\$ 1,005,417	\$ 127,752	\$ 18,472
Public safety	13,703,866	404,051	215,677	-
Highways and streets	2,158,993	-	346,457	-
Economic development	1,196,079	-	-	-
Culture and recreation	2,438,231	22,316	93,081	-
Health and welfare	455,278	-	190,596	-
Interest on long-term debt	717,956	-	-	-
Total governmental activities	<u>26,728,382</u>	<u>1,431,784</u>	<u>973,563</u>	<u>18,472</u>
Business-type activities				
Water	5,294,611	6,460,671	-	-
Sewer	6,720,582	5,743,503	-	49,811
Sanitation and Trash	418,557	384,453	-	-
Total business-type activities	<u>12,433,750</u>	<u>12,588,627</u>	<u>-</u>	<u>49,811</u>
Total primary government	<u>\$ 39,162,132</u>	<u>\$ 14,020,411</u>	<u>\$ 973,563</u>	<u>\$ 68,283</u>

General revenues  
 Taxes:  
 Sales tax  
 Property tax  
 Auto lieu tax  
 Franchise tax  
 Motor vehicle tax  
 State revenue sharing  
 Urban revenue sharing (unrestricted)  
 Unrestricted investment earnings  
 Miscellaneous  
 Transfers in (out)  
 Total general revenues  
 and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (4,906,338)	\$ -	\$ (4,906,338)
(13,084,138)	-	(13,084,138)
(1,812,536)	-	(1,812,536)
(1,196,079)	-	(1,196,079)
(2,322,834)	-	(2,322,834)
(264,682)	-	(264,682)
(717,956)	-	(717,956)
<u>(24,304,563)</u>	<u>-</u>	<u>(24,304,563)</u>
-	1,166,060	1,166,060
-	(927,268)	(927,268)
-	(34,104)	(34,104)
<u>-</u>	<u>204,688</u>	<u>204,688</u>
<u>(24,304,563)</u>	<u>204,688</u>	<u>(24,099,875)</u>
20,910,180	-	20,910,180
5,615,157	2,157,082	7,772,239
275,697	-	275,697
49,514	-	49,514
-	-	-
1,093,270	-	1,093,270
857,378	-	857,378
162,952	99,441	262,393
119,963	57,587	177,550
(420,000)	420,000	-
<u>28,664,111</u>	<u>2,734,110</u>	<u>31,398,221</u>
4,359,548	2,938,798	7,298,346
<u>39,759,389</u>	<u>64,900,035</u>	<u>104,659,424</u>
<u>\$ 44,118,937</u>	<u>\$ 67,838,833</u>	<u>\$ 111,957,770</u>



# **Government Funds Financial Statements**

---

CITY OF TOLLESON, ARIZONA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 June 30, 2017

	General	Public Safety	Capital Projects
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,264,881	\$ 2,935,606	\$ 169,021
Investments	12,763,544	-	-
Receivables, net:			
Accounts receivable	36,830	92	-
Interest receivable	36,303	-	-
Taxes receivable	26,343	-	-
Intergovernmental receivable	2,671,492	-	-
Prepays	1,017	-	-
<b>Total assets</b>	<b>\$ 23,800,410</b>	<b>\$ 2,935,698</b>	<b>\$ 169,021</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,134,113	\$ 125,090	\$ -
Accrued wages and benefits	568,364	-	-
Interest payable	-	-	-
Intergovernmental payable	1,000	-	-
<b>Total liabilities</b>	<b>1,703,477</b>	<b>125,090</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	45,634	-	-
<b>Total deferred inflow of resources</b>	<b>45,634</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	1,017	-	-
Restricted			
General government	330,106	-	-
Highways and streets	436,705	-	-
Debt service	-	-	-
Capital projects	-	-	169,021
Public safety	62,837	2,810,608	-
Other purposes	-	-	-
Unassigned	21,220,634	-	-
<b>Total fund balances</b>	<b>22,051,299</b>	<b>2,810,608</b>	<b>169,021</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 23,800,410</b>	<b>\$ 2,935,698</b>	<b>\$ 169,021</b>

Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ 596,528	\$ 1,036,620	\$ 13,002,656
-	-	12,763,544
-	-	36,922
-	-	36,303
28,972	-	55,315
-	395,806	3,067,298
-	-	1,017
<u>\$ 625,500</u>	<u>\$ 1,432,426</u>	<u>\$ 28,963,055</u>
 \$ -	 \$ 77,789	 \$ 1,336,992
 -	 -	 568,364
 -	 47,577	 47,577
 -	 -	 1,000
 -	 125,366	 1,953,933
 <u>15,932</u>	 <u>41,024</u>	 <u>102,590</u>
 <u>15,932</u>	 <u>41,024</u>	 <u>102,590</u>
 -	 -	 1,017
 -	 -	 330,106
 -	 1,040,487	 1,477,192
 609,568	 -	 609,568
 -	 -	 169,021
 -	 -	 2,873,445
 -	 225,549	 225,549
 -	 -	 21,220,634
 <u>609,568</u>	 <u>1,266,036</u>	 <u>26,906,532</u>
 <u>\$ 625,500</u>	 <u>\$ 1,432,426</u>	 <u>\$ 28,963,055</u>



CITY OF TOLLESON, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL FUNDS  
 June 30, 2017

Total governmental funds balances	\$ 26,906,532
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Governmental capital assets	\$ 87,491,526
Accumulated depreciation	<u>(39,597,143)</u> 47,894,383
Some revenues are unavailable in the governmental fund financial statements but recognized when earned in the statement of activities	
	102,519
Some liabilities, including net pension liabilities, capital leases, loans payable, and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Net pension liability	(18,573,063)
Bonds payable	(15,678,752)
Compensated absences	<u>(2,143,130)</u> (36,394,945)
Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	4,142,700
Deferred outflows of employer contributions	2,892,018
Deferred inflows of resources related to pensions	<u>(1,424,270)</u> 5,610,448
Total net position of governmental activities	<u>\$ 44,118,937</u>

CITY OF TOLLESON, ARIZONA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 Year Ended June 30, 2017

	General	Public Safety Tax	Capital Projects
<b>REVENUES</b>			
Taxes:			
Sales taxes	\$ 17,196,972	\$ 2,693,279	\$ -
Property taxes	3,728,639	-	-
Franchise taxes	49,514	-	-
Intergovernmental revenues	1,620,321	-	-
Fines and forfeitures	325,149	-	-
Licenses and permits	506,796	-	-
Charges for services	1,045,260	51,651	-
Rents and royalties	39,338	-	-
Other revenues:			
Contributions and donations	66,681	-	-
Interest	150,049	10,475	1,429
Other revenues	49,497	-	-
<b>Total revenues</b>	<b>24,778,216</b>	<b>2,755,405</b>	<b>1,429</b>
<b>EXPENDITURES</b>			
Current:			
General government	5,631,593	-	-
Public safety	8,481,177	3,203,840	-
Highways and streets	322,512	-	-
Culture and recreation	1,800,987	-	-
Economic development	1,201,318	-	-
Health and welfare	-	-	-
Capital outlay	1,484,663	514,771	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total expenditures</b>	<b>18,922,250</b>	<b>3,718,611</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	5,855,966	(963,206)	1,429
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	14,394	-	-
Transfers in	1,305,000	-	-
Transfers out	(2,251,589)	-	(75,000)
<b>Total other financing sources and (uses)</b>	<b>(932,195)</b>	<b>-</b>	<b>(75,000)</b>
Net change in fund balances	4,923,771	(963,206)	(73,571)
Fund balances - beginning of year	17,127,528	3,773,814	242,592
<b>Fund balances - end of year</b>	<b>\$ 22,051,299</b>	<b>\$ 2,810,608</b>	<b>\$ 169,021</b>

Debt Service	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,020,000	\$ -	\$ 20,910,251
1,831,030	-	5,559,669
-	-	49,514
-	1,336,934	2,957,255
-	-	325,149
-	-	506,796
-	-	1,096,911
-	-	39,338
-	-	66,681
3,154	3,599	168,706
-	-	49,497
<u>2,854,184</u>	<u>1,340,533</u>	<u>31,729,767</u>
-	-	5,631,593
-	152,161	11,837,178
-	1,059,902	1,382,414
-	-	1,800,987
-	-	1,201,318
-	457,557	457,557
-	648,899	2,648,333
2,035,000	-	2,035,000
<u>744,612</u>	<u>-</u>	<u>744,612</u>
<u>2,779,612</u>	<u>2,318,519</u>	<u>27,738,992</u>
<u>74,572</u>	<u>(977,986)</u>	<u>3,990,775</u>
-	-	14,394
345,000	946,590	2,596,590
<u>(690,000)</u>	<u>-</u>	<u>(3,016,589)</u>
<u>(345,000)</u>	<u>946,590</u>	<u>(405,605)</u>
(270,428)	(31,396)	3,585,170
<u>879,996</u>	<u>1,297,432</u>	<u>23,321,362</u>
<u>\$ 609,568</u>	<u>\$ 1,266,036</u>	<u>\$ 26,906,532</u>

CITY OF TOLLESON, ARIZONA  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 3,585,170
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.	
Capital outlay	1,979,345
Depreciation expense	<u>(2,246,960)</u> (267,615)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of bond premiums and discounts - net	26,656
City pension contributions are reported 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 reported net pension liability is measured a year before the City'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.	
City pension contributions	2,892,018
Pension expense	<u>(3,635,462)</u> (743,444)
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.	2,035,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This the change in deferred inflows in the statement of activities.	116,687
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.	<u>(392,906)</u>
Change in net position of governmental activities	<u>\$ 4,359,548</u>

CITY OF TOLLESON, ARIZONA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes				
Sales taxes	\$ 15,000,000	\$ 15,000,000	\$ 17,196,972	\$ 2,196,972
Property taxes	3,662,915	3,662,915	3,728,639	65,724
Franchise taxes	38,000	38,000	49,514	11,514
Intergovernmental revenues	1,674,461	1,674,461	1,620,321	(54,140)
Fines and forfeitures	228,050	228,050	325,149	97,099
Licenses and permits	285,000	285,000	506,796	221,796
Charges for services	1,191,850	1,191,850	1,045,260	(146,590)
Rents and royalties	11,340	11,340	39,338	27,998
Other Revenues				
Contributions and donations	65,000	65,000	66,681	1,681
Interest	56,150	56,150	150,049	93,899
Charges for administrative services	-	-	-	-
Other revenues	55,150	55,150	49,497	(5,653)
<b>TOTAL REVENUES</b>	<b>22,267,916</b>	<b>22,267,916</b>	<b>24,778,216</b>	<b>2,510,300</b>
<b>EXPENDITURES</b>				
General Government	6,180,903	6,350,392	5,631,593	718,799
Public Safety	9,534,630	9,524,630	8,481,177	1,043,453
Highway & streets	325,000	325,000	322,512	2,488
Culture & recreation	2,195,310	2,215,310	1,800,987	414,323
Economic development	1,388,726	1,351,826	1,201,318	150,508
Capital outlay	2,366,960	2,233,860	1,484,663	749,197
<b>TOTAL EXPENDITURES</b>	<b>21,991,529</b>	<b>22,001,018</b>	<b>18,922,250</b>	<b>3,078,768</b>
Excess (deficiency) of revenues over (under) expenditures	276,387	266,898	5,855,966	5,589,068
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	5,000	5,000	14,394	9,394
Transfers out	(2,267,174)	(2,267,174)	(2,251,589)	15,585
Transfers in	1,305,000	1,305,000	1,305,000	-
Total other financing sources (uses)	(957,174)	(957,174)	(932,195)	24,979
Net change in fund balance	(680,787)	(690,276)	4,923,771	5,614,047
Fund balance - beginning of year	17,127,528	17,127,528	17,127,528	-
Fund balance - end of year	<b>\$ 16,446,741</b>	<b>\$ 16,437,252</b>	<b>\$ 22,051,299</b>	<b>\$ 5,614,047</b>

CITY OF TOLLESON, ARIZONA  
 PUBLIC SAFETY TAX FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Sales taxes	\$ 3,000,000	\$ 3,000,000	\$ 2,693,279	\$ (306,721)
Charges for services	40,000	40,000	51,651	11,651
Interest income	2,800	2,800	10,475	7,675
<b>Total revenues</b>	<b>3,042,800</b>	<b>3,042,800</b>	<b>2,755,405</b>	<b>(287,395)</b>
<b>EXPENDITURES</b>				
Public safety				
Services, supplies and other	3,292,875	3,292,875	3,203,840	89,035
Capital outlay	769,000	769,000	514,771	254,229
<b>Total expenditures</b>	<b>4,061,875</b>	<b>4,061,875</b>	<b>3,718,611</b>	<b>343,264</b>
Excess (deficiency) of revenues over (under) expenditures	(1,019,075)	(1,019,075)	(963,206)	55,869
Fund balance - beginning of year	<u>3,773,814</u>	<u>3,773,814</u>	<u>3,773,814</u>	-
Fund balance - end of year	<u>\$ 2,754,739</u>	<u>\$ 2,754,739</u>	<u>\$ 2,810,608</u>	<u>\$ 55,869</u>

# **Proprietary Fund Financial Statements**

---

## **Enterprise Fund**

### **Water Fund**

This fund is used to account for the activities of the City's water utility operations.

### **Wastewater & Sewer Fund**

This fund is used to account for the activities of the City's sewer utility operations.

### **Sanitation & Trash Fund**

This fund is used to account for the activities of the City's sanitation & trash utility operations.



CITY OF TOLLESON, ARIZONA  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Sanitation and Trash	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,648,343	\$ 9,447,383	\$ 244,630	\$13,340,356
Investments	4,558,536	4,825,782	-	9,384,318
Receivables (net of allowance):				
Accounts receivable	1,013,232	1,388,703	64,536	2,466,471
Taxes receivable	70,187	5,519	-	75,706
Restricted assets	-	499,179	-	499,179
Total current assets	<u>9,290,298</u>	<u>16,166,566</u>	<u>309,166</u>	<u>25,766,030</u>
Noncurrent assets				
Capital assets:				
Non-depreciable	1,126,798	2,806,404	-	3,933,202
Depreciable, net	9,592,365	50,371,986	25,941	59,990,292
Total noncurrent assets	<u>10,719,163</u>	<u>53,178,390</u>	<u>25,941</u>	<u>63,923,494</u>
Total assets	<u>20,009,461</u>	<u>69,344,956</u>	<u>335,107</u>	<u>89,689,524</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources related to pensions	185,645	395,841	33,705	615,191
Deferred outflows of employer contributions to pensions	82,212	177,451	18,836	278,499
Total deferred outflows of resources	<u>267,857</u>	<u>573,292</u>	<u>52,541</u>	<u>893,690</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	376,670	145,961	22,492	545,123
Accrued wages and benefits	51,308	110,968	2,722	164,998
Interest payable	-	114,343	-	114,343
Intergovernmental payable	55,799	-	-	55,799
Customer deposits payable	109,473	-	-	109,473
Unearned revenue	-	3,035	-	3,035
Bonds payable - current portion	-	2,648,500	-	2,648,500
Loans payable - current portion	-	434,856	-	434,856
Compensated absences	38,345	83,738	-	122,083
Total current liabilities	<u>631,595</u>	<u>3,541,401</u>	<u>25,214</u>	<u>4,198,210</u>
Noncurrent liabilities				
Compensated absences, net of current portion	135,950	296,889	-	432,839
Bonds payable, net of deferred amounts	2,048,034	4,859,121	-	6,907,155
Loans payable, net of current portion	-	6,486,636	-	6,486,636
Net pension liability	1,174,942	2,689,211	340,890	4,205,043
Total noncurrent liabilities	<u>3,358,926</u>	<u>14,331,857</u>	<u>340,890</u>	<u>18,031,673</u>
Total liabilities	<u>3,990,521</u>	<u>17,873,258</u>	<u>366,104</u>	<u>22,229,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	146,272	328,659	39,567	514,498
<b>NET POSITION</b>				
Net investment in capital assets	8,671,129	38,749,277	25,941	47,446,347
Restricted for debt service	-	499,179	-	499,179
Unrestricted	7,469,396	12,467,875	(43,964)	19,893,307
Total net position	<u>\$16,140,525</u>	<u>\$51,716,331</u>	<u>\$ (18,023)</u>	<u>\$67,838,833</u>

CITY OF TOLLESON, ARIZONA  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2017

Business-type Activities-Enterprise Funds				
	Water	Wastewater and Sewer	Sanitation and Trash	Total
Operating revenues				
Charges for services	\$ 6,487,966	\$ 5,823,606	\$ 384,453	\$ 12,696,025
Total operating revenue	<u>6,487,966</u>	<u>5,823,606</u>	<u>384,453</u>	<u>12,696,025</u>
Operating expenses				
Salaries, wages and benefits	1,255,635	2,583,678	90,780	3,930,093
Contractual services, materials and supplies	3,475,732	1,703,204	322,126	5,501,062
Depreciation	510,834	1,873,197	5,651	2,389,682
Miscellaneous	41,804	27,214	-	69,018
Total operating expenses	<u>5,284,005</u>	<u>6,187,293</u>	<u>418,557</u>	<u>11,889,855</u>
Operating income (loss)	<u>1,203,961</u>	<u>(363,687)</u>	<u>(34,104)</u>	<u>806,170</u>
Non-operating Revenues (Expenses)				
Property taxes	-	2,157,082	-	2,157,082
Investment earnings	82,635	85,738	86	168,459
Interest expense	(52,410)	(560,503)	-	(612,913)
Total nonoperating revenue (expense)	<u>30,225</u>	<u>1,682,317</u>	<u>86</u>	<u>1,712,628</u>
Income (loss) before transfers	1,234,186	1,318,630	(34,018)	2,518,798
Transfer out	(520,000)	(275,000)	(64,425)	(859,425)
Transfers in	420,000	709,425	150,000	1,279,425
Change in net position	1,134,186	1,753,055	51,557	2,938,798
Net position, beginning of year	<u>15,006,339</u>	<u>49,963,276</u>	<u>(69,580)</u>	<u>64,900,035</u>
Total net position-end of year	<u>\$16,140,525</u>	<u>\$51,716,331</u>	<u>\$ (18,023)</u>	<u>\$67,838,833</u>

CITY OF TOLLESON, ARIZONA  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Sanitation and Trash	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers, service fees	\$ 6,458,052	\$ 5,638,657	\$ 374,268	\$12,470,977
Cash paid to employees	(1,216,624)	(2,482,931)	(108,892)	(3,808,447)
Cash paid to suppliers	(3,474,444)	(1,671,264)	(307,318)	(5,453,026)
Cash flows from operating activities	<u>1,766,984</u>	<u>1,484,462</u>	<u>(41,942)</u>	<u>3,209,504</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash received from property taxes	-	2,157,082	-	2,157,082
Cash transferred to other funds	(100,000)	434,425	150,000	484,425
Cash flows from noncapital and related financing activities	<u>(100,000)</u>	<u>2,591,507</u>	<u>150,000</u>	<u>2,641,507</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(360,001)	(269,935)	-	(629,936)
Capital contributions	(127,925)	-	-	(127,925)
Principal paid on long term debt	-	(2,265,948)	-	(2,265,948)
Interest paid on long-term debt	(74,734)	(608,840)	-	(683,574)
Cash flows from capital and related financing activities	<u>(434,735)</u>	<u>(3,272,648)</u>	<u>-</u>	<u>(3,707,383)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings	82,635	85,738	86	168,459
Cash flows from investing activities	<u>82,635</u>	<u>85,738</u>	<u>86</u>	<u>168,459</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of year	1,314,884	889,059	108,144	2,312,087
Cash and cash equivalents at end of year	<u>6,891,995</u>	<u>13,883,285</u>	<u>136,486</u>	<u>20,911,766</u>
	<u>\$ 8,206,879</u>	<u>\$ 14,772,344</u>	<u>\$ 244,630</u>	<u>\$ 23,223,853</u>

CITY OF TOLLESON, ARIZONA  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS (CONTINUED)  
 Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Sanitation and Trash	Total
Reconciliation of operating profit (loss) to net cash provided (used) by operating activities:				
Net operating profit (loss)	\$ 1,203,961	\$ (363,687)	\$ (34,104)	\$ 806,170
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Depreciation expense	510,834	1,873,197	5,651	2,389,682
Pension expense	113,515	245,015	26,007	384,537
Employer pension contributions	(91,941)	(180,528)	(6,126)	(278,595)
Changes in operating assets and liabilities (Increase)/decrease in:				
Accounts receivable	(35,931)	(184,024)	(10,185)	(230,140)
Increase/(decrease) in:				
Accounts payable	42,704	59,154	14,808	116,666
Accrued wages and benefits	9,589	19,728	(17,878)	11,439
Accrued liabilities	388	-	-	388
Customer deposits	6,017	-	-	6,017
Unearned revenue	-	(925)	-	(925)
Compensated absences	7,848	16,532	(20,115)	4,265
Net cash provided (used) by operating activities:	\$ 1,766,984	\$ 1,484,462	\$ (41,942)	\$ 3,209,504
Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ -	\$ 127,925	\$ -	\$ 127,925
Disposal of assets	-	-	64,425	64,425
Amortization of bond premium	22,324	41,383	-	63,707

# **Notes to the Financial Statements**

---



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the City of Tolleson, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

**A. Reporting Entity**

The City of Tolleson, Arizona is a municipal government that is governed by an elected mayor, vice-mayor, and five-member governing council (council). The accompanying financial statements present the City and its component units, entities for which the City 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 City.

The following is a brief review of the component units included in defining the City's reporting entity. There are no discretely presented component units and one blended component unit.

**Individual Component Units – Blended**

The City of Tolleson, Arizona 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.

**B. Basis of Presentation – 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, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

**B. Basis of Presentation – Government-Wide Financial Statements (Continued)**

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 City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Interfund services provided and used are not eliminated in the process of consolidation for the government-wide financial statements.

**C. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds 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 City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be 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 Debt Service Fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and related costs.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of pumping, treating and distribution of water.

The Wastewater and Sewer Fund accounts for the activities of wastewater collection and treatment.

The Sanitation and Trash Fund is used to account for the activities of the City's sanitation operations.

During the course of operations the City 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 (i.e., the governmental funds) 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.

D. 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.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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 City 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.

Sales taxes, franchise taxes, intergovernmental grants and aid, 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 City.

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

E. Deposits and Investments

Cash includes 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.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of the deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns, or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable in the proprietary funds are shown net of an allowance for doubtful accounts.

G. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2017, were immaterial, they are not included in the balance sheet.

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.

H. Restricted Assets

Certain proceeds of the City's bonds and loans are classified as restricted assets on the statement of net position because their use is limited by applicable bond or loan covenants.

I. 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 and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized 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. Land, construction in progress, and water rights are not depreciated. The other property, plant, and equipment are depreciated 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, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

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.

K. 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.

L. Net Position Flow Assumption

Sometimes the City 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 City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

M. Fund Balance Flow Assumptions

Sometimes the City 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 City'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, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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 City 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 City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City 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 City for specific purposes but do not meet the criteria to be classified as committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. 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.

O. 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.

P. Property taxes

Property taxes are levied by the City and collected by the Maricopa County Treasurer. 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, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. 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.

R. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

S. 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.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City 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 City 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 City is legally enacted through passage of an ordinance. 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 City 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.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to City 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 City Council approval.
6. The City 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 City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City 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 City complied with this law during the year.

Supplementary budgetary appropriations were necessary during the year.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Budgets and Budgetary Accounting (Continued)

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 City.

U. 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, 2017, if any.

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the City's cash and investments at June 30, 2017:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 12,406,128	\$ 13,340,356	\$ 25,746,484
Restricted cash and cash equivalents	-	499,179	499,179
Investments	<u>12,763,544</u>	<u>9,384,318</u>	<u>22,147,862</u>
Total	<u>\$ 25,169,672</u>	<u>\$ 23,223,853</u>	<u>\$ 48,393,525</u>

Deposits

Cash in bank - At June 30, 2017, the City had \$3,700 of cash on hand. The carrying amount of the City's cash in bank totaled \$7,291,769 and the bank balance was \$7,563,732. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$7,313,732 was covered by collateral held in the pledging bank's trust department not in the City's name.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments

The City invests in the Local Government Investment Pool 5 (LGIP), investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard & Poors with AAAf/S1+. The State Board of Investment and the Investment Risk Management Committee have oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years.

The dollar weighted average portfolio maturity is 18.25 days for Pool 5. The net asset value per share of the pool at June 30, 2017 was \$1.00. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2017, the City's funds invested with the State Treasurer totaled \$19,546,722.

Restricted cash and cash equivalents - At June 30, 2017, the City had restricted cash and cash equivalents of \$499,179 which was restricted for debt payments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of City's investments by maturity:

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 2 CASH AND INVESTMENTS (Continued)

Investment Type	Amount	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 7,680,280	\$ -	\$ 2,027,969	\$ 5,652,311	\$ -
Int'l Bank of Recon	360,029	360,029	-	-	-
Fannie Mae Global Notes (FNMA)	5,276,943	847,755	2,868,286	1,560,902	-
Federal Home Loan Bank	7,731,776	1,214,900	4,271,571	2,245,305	-
African Development Bank	246,066	-	-	246,066	-
Freddie Mac Notes	821,293	-	821,293	-	-
PFM Government Money Market Fund	31,475	31,475	-	-	-
State Investment Pool (LGIP)	<u>19,546,722</u>	<u>19,546,722</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 41,694,584</u>	<u>\$ 22,000,881</u>	<u>\$ 9,989,119</u>	<u>\$ 9,704,584</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not have a formal investment policy regarding credit risk. However, the City is prohibited by State law from investing in investments other than obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Investment Pool. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Amount	Rating Agency	Rating
U.S. Treasury Notes	\$ 7,680,280	Moody's	Aaa
Int'l Bank of Recon	360,029	Moody's	Aaa
Fannie Mae Global Notes (FNMA)	5,276,943	Moody's	Aaa
Federal Home Loan Bank	7,731,776	Moody's	Aaa
African Development Bank	246,066	Moody's	Aaa
Freddie Mac Notes	821,293	Moody's	Aaa
PFM Government Money Market Fund	31,475	Unrated	
State Investment Pool (LGIP)	<u>19,546,722</u>	<u>Standard and Poors</u>	<u>AAAf/S1+</u>
	<u>\$ 41,694,584</u>		

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 2 CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2017, the City's investments are included as follows:

<u>2017</u> Issuer	Reported Amount	Concentration
U.S. Treasury Notes	\$ 7,680,280	18.4%
Int'l Bank of Recon	360,029	0.9%
Fannie Mae Global Notes (FNMA)	5,276,943	12.7%
Federal Home Loan Bank	7,731,776	18.5%
PFM Government Money Market Fund	31,475	0.1%
African Development Bank	246,066	0.6%
Freddie Mac Notes	821,293	2.0%
State Investment Pool (LGIP)	<u>19,546,722</u>	46.9%
	<u>\$ 41,694,584</u>	100%

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 2 CASH AND INVESTMENTS (Continued)

Fair value measurement

Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2017:

Investments By Fair Value Level	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 7,680,280	\$ -	\$ 7,680,280	\$ -
Int'l Bank of Recon	360,029	-	360,029	-
Fannie Mae Global Notes (FNMA)	5,276,943	-	5,276,943	-
Federal Home Loan Bank	7,731,776	-	7,731,776	-
African Development Bank	246,066	-	246,066	-
Freddie Mac Notes	821,293	-	821,293	-
<b>Total Investments by Fair Value Level</b>	<b>22,116,387</b>	<b>\$ -</b>	<b>\$ 22,116,387</b>	<b>\$ -</b>
 External Investment Pool Measured at Fair Value				
State Investment Pool (LGIP)	\$ 19,546,722			
<b>Total Investments Measured at Fair Value</b>	<b>41,663,109</b>			
 Investments Measured at Amortized Costs				
PFM Government Money Market Fund	31,475			
<b>Total Investments Measured at Amortized Costs</b>	<b>31,475</b>			
<b>Total Investments</b>	<b>\$ 41,694,584</b>			

Investments categorized as Level 2 are valued significant other observable inputs for those investments. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 3 RECEIVABLES

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues.

Receivables, net of allowance for uncollectible as of year-end for the City's individual major governmental funds, nonmajor governmental funds in the aggregate are as follows:

Receivables:	General		Public Safety Tax		Debt Service		Non-Major Gov. Funds	
	\$	36,830	\$	92	\$	-	\$	-
Accounts receivable								
Interest receivable		36,303		-		-		-
Taxes receivable		26,343		-		28,972		-
Intergovernmental receivable		2,671,492		-		-		395,806
	<u>\$</u>	<u>2,770,968</u>	<u>\$</u>	<u>92</u>	<u>\$</u>	<u>28,972</u>	<u>\$</u>	<u>395,806</u>

Receivables in the proprietary funds are service billings receivable and are shown net of an allowance for doubtful accounts.

Receivables:	Water Fund		Sewer Fund		Sanitation Fund		Total Enterprise	
	\$	1,078,233	\$	1,389,155	\$	75,842	\$	2,543,230
Accounts receivable								
Interest receivable		-		8,784		-		8,784
Taxes receivable		70,187		5,519		-		75,706
Less: Allowance for doubtful accounts		(65,001)		(9,236)		(11,306)		(85,543)
Net Receivables	<u>\$</u>	<u>1,083,419</u>	<u>\$</u>	<u>1,394,222</u>	<u>\$</u>	<u>64,536</u>	<u>\$</u>	<u>2,542,177</u>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,666,085	\$ -	\$ -	\$ 2,666,085
Construction in progress	21,100	378,549	(21,100)	378,549
Total capital assets not being depreciated	<u>2,687,185</u>	<u>378,549</u>	<u>(21,100)</u>	<u>3,044,634</u>
Capital assets, being depreciated:				
Buildings	18,807,022	641,898	-	19,448,920
Furniture, equipment, and vehicles	11,356,704	1,014,284	(91,272)	12,279,716
Improvements	<u>52,502,083</u>	<u>216,173</u>	<u>-</u>	<u>52,718,256</u>
Total capital assets being depreciated	<u>82,665,809</u>	<u>1,872,355</u>	<u>(91,272)</u>	<u>84,446,892</u>
Less accumulated depreciation for:				
Buildings	(4,134,151)	(467,223)	-	(4,601,374)
Furniture, equipment, and vehicles	(7,837,870)	(1,165,521)	91,272	(8,912,119)
Improvements	<u>(25,218,975)</u>	<u>(864,675)</u>	<u>-</u>	<u>(26,083,650)</u>
Total accumulated depreciation	<u>(37,190,996)</u>	<u>(2,497,419)</u>	<u>91,272</u>	<u>(39,597,143)</u>
Total capital assets, being depreciated, net	<u>45,474,813</u>	<u>(625,064)</u>	<u>-</u>	<u>44,849,749</u>
Governmental activities capital assets, net	<u>\$ 48,161,998</u>	<u>\$ (246,515)</u>	<u>\$ (21,100)</u>	<u>\$ 47,894,383</u>

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

Governmental activities:				
General government			\$ 280,677	
Public safety			932,078	
Highway and streets			784,461	
Culture and recreation			218,287	
Health and Welfare			25,725	
Economic development			5,732	
Total depreciation expense			<u>\$ 2,246,960</u>	

The difference between depreciation expense by function/program schedule to the governmental asset summary is \$250,459 due to transfers of capital assets from the proprietary funds.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 4 CAPITAL ASSETS (Continued)

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

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,933,202	\$ -	\$ -	\$ 3,933,202
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>3,933,202</u>	<u>-</u>	<u>-</u>	<u>3,933,202</u>
Capital assets, being depreciated:				
Buildings	42,489,756	-	-	42,489,756
Improvements other than buildings	17,288,888	217,227	-	17,506,115
Machinery and equipment	41,590,696	383,176	(313,954)	41,659,918
Vehicles	1,525,110	93,032	-	1,618,142
Total capital assets being depreciated	<u>102,894,450</u>	<u>693,435</u>	<u>(313,954)</u>	<u>103,273,931</u>
Less accumulated depreciation for:				
Buildings	(13,029,327)	(855,504)	-	(13,884,831)
Improvements other than buildings	(6,605,534)	(349,452)	-	(6,954,986)
Machinery and equipment	(20,317,532)	(1,175,860)	313,954	(21,179,438)
Vehicles	(1,255,518)	(8,866)	-	(1,264,384)
Total accumulated depreciation	<u>(41,207,911)</u>	<u>(2,389,682)</u>	<u>313,954</u>	<u>(43,283,639)</u>
Total capital assets, being depreciated, net	<u>61,686,539</u>	<u>(1,696,247)</u>	<u>-</u>	<u>59,990,292</u>
Business-Type activities capital assets, net	<u>\$ 65,619,741</u>	<u>\$ (1,696,247)</u>	<u>\$ -</u>	<u>\$ 63,923,494</u>

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

Business-type activities			
Wastewater & Sewer			\$ 1,873,197
Water			510,834
Sanitation			<u>5,651</u>
Total depreciation expense			<u>\$ 2,389,682</u>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance 6/30/16	Additions	Retirements	Balance 6/30/17	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable	\$ 17,520,000	\$ -	\$ (2,035,000)	\$ 15,485,000	\$ 1,406,500
Bond premiums	220,408	-	(26,656)	193,752	-
<b>Total bonds payable</b>	<b>17,740,408</b>	<b>-</b>	<b>(2,061,656)</b>	<b>15,678,752</b>	<b>1,406,500</b>
Compensated absences	1,750,224	1,298,125	(905,219)	2,143,130	471,488
Net pension liability	15,671,396	2,901,667	-	18,573,063	-
<b>Total other long term debt</b>	<b>17,421,620</b>	<b>4,199,792</b>	<b>(905,219)</b>	<b>20,716,193</b>	<b>471,488</b>
<b>Total Governmental Activities</b>	<b>\$ 35,162,028</b>	<b>\$ 4,199,792</b>	<b>\$ (2,966,875)</b>	<b>\$ 36,394,945</b>	<b>\$ 1,877,988</b>
<b>Business-type Activities:</b>					
Bonds payable	\$ 11,330,000	\$ -	\$ (1,845,000)	\$ 9,485,000	\$ 2,648,500
Premium on bonds	247,339	-	(176,684)	70,655	-
<b>Total bonds payable</b>	<b>11,577,339</b>	<b>-</b>	<b>(2,021,684)</b>	<b>9,555,655</b>	<b>2,648,500</b>
Loans payable	7,342,441	-	(420,948)	6,921,493	434,856
Compensated absences	550,655	173,191	(168,924)	554,922	122,083
Net pension liability	4,001,524	203,519	-	4,205,043	-
<b>Total other long term debt</b>	<b>11,894,620</b>	<b>376,710</b>	<b>(589,872)</b>	<b>11,681,458</b>	<b>556,939</b>
<b>Total Business-type Activities</b>	<b>\$ 23,471,959</b>	<b>\$ 376,710</b>	<b>\$ (2,611,556)</b>	<b>\$ 21,237,113</b>	<b>\$ 3,205,439</b>
<b>Total long-term liabilities</b>	<b>\$ 58,633,987</b>	<b>\$ 4,576,502</b>	<b>\$ (5,578,431)</b>	<b>\$ 57,632,058</b>	<b>\$ 5,083,427</b>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 5 LONG-TERM DEBT (Continued)

Generally, for governmental activities, compensated absences are liquidated by the General Fund.

Debt service requirements to maturity for bonds and loans payable are as follows:

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 1,406,500	\$ 660,363	\$ 3,083,356	\$ 488,475
2019	958,100	605,703	3,426,125	483,146
2020	1,598,715	571,110	2,300,352	350,497
2021	1,663,563	514,249	1,375,837	265,075
2022	1,734,604	446,557	855,634	213,379
2023 - 2027	6,218,518	1,190,525	3,499,199	631,287
2028 - 2032	<u>1,905,000</u>	<u>140,537</u>	<u>1,865,989</u>	<u>124,639</u>
Total	<u>\$ 15,485,000</u>	<u>\$ 4,129,044</u>	<u>\$ 16,406,492</u>	<u>\$ 2,556,498</u>

The following is a listing of loans and bonds payable outstanding as of June 30, 2017:

	Balance 6/30/17	Due Within One Year
Loans payable:		
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029.	\$ 4,037,537	\$ 253,666
Water Infrastructure Finance Authority of Arizona (WIFA) loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029.	<u>2,883,955</u>	<u>181,190</u>
Total loans payable	<u>\$ 6,921,492</u>	<u>\$ 434,856</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 July 1, 2021	\$ 8,150,000	\$ 3,250,000
Pulic 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	6,305,000	405,000
General Obligation Bonds, Series 2009A, due in annual principal and semi-annual installments ranging from \$7,053 to \$72,591, bearing interest at 3.0% to 5.0%, maturing July 1, 2029	2,635,000	150,000
General Obligation Bonds, Series 2011, due in annual principal payments beginning 7/1/18 and semi-annual interest installments beginning 7/1/12 ranging from \$30,800 to \$211,023, bearing interest at 3.0% to 4.0%, maturing July 1, 2024.	7,880,000	250,000
Total bonds payable	<u>24,970,000</u>	<u>4,055,000</u>
Total loans and bonds payable	<u>\$ 31,891,492</u>	<u>\$ 4,489,856</u>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

As of June 30, 2017, there were no interfund receivables and payables that resulted from interfund transactions.

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 2,251,590	\$ (1,305,000)
Capital Projects	75,000	-
Debt Service	690,000	(345,000)
Non-Major Governmental Funds	-	(946,590)
Water Fund	520,000	(420,000)
Sewer Fund	275,000	(709,425)
Sanitation Fund	64,425	(150,000)
<b>Total</b>	<b>\$ 3,876,015</b>	<b>\$ (3,876,015)</b>

Transfers were made to fund various capital improvements, provide funds for debt service payments due on bonds and loans, local matching requirements on various grants, and to support operations.

**NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The City contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 18,573,063	\$ 4,205,043	\$ 22,778,106
Deferred outflows of resources	7,034,718	893,690	7,928,408
Deferred inflows of resources	1,424,270	514,498	1,938,768
Pension expense	3,635,461	384,535	4,019,996

The City reported \$2,892,018 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System

**Plan Description** – City employees not covered by the other pension plan described below participate 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 Web site at [www.azasrs.gov](http://www.azasrs.gov).

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

ASRS	Retirement	
	Before July 1, 2011	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* and 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.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2017 were \$857,200. The City's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS Year ended June 30	Health Benefit		Long-Term Disability	
	Supplement Fund	Fund	Disability Fund	Fund
2017	\$ 44,530		\$ 11,132	
2016		37,963		9,111
2015		41,819		8,364

During fiscal year 2017, the City paid for ASRS pension and OPEB contributions as follows: 58 percent from the General Fund, 1 percent from the public safety tax fund, 7 percent from other non-major funds, 10 percent from the water fund, 22 percent from the sewer fund and 2 percent from the sanitation fund.

**Pension Liability** - At June 30, 2017, the City reported a liability of \$12,656,162 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.078415 percent, which was an increase of 0.001028% from its proportion measured as of June 30, 2015.

The City's reported liability at June 30, 2017, increased by \$602,014 from the City's prior year liability of \$12,054,148 because of changes in the ASRS' net pension liability and the City's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$1,137,451. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,911	\$ 870,651
Net difference between projected and actual earnings on pension plan investments	1,371,507	669,612
Changes in proportion and differences between City contributions and proportionate share of contributions	389,592	-
City contributions subsequent to the measurement date	857,200	-
<b>Total</b>	<b>\$ 2,695,210</b>	<b>\$ 1,540,263</b>

The \$857,200 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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:

Year ending June 30	
2017	\$ (301,637)
2018	(354,542)
2019	569,358
2020	384,568
Thereafter	-

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

## NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 20, 2016
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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent 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	ASRS	Target Allocation	Long-Term Expected Real Rate of Return
Equity		58%	6.73%
Fixed Income		25%	3.70%
Commodities		2%	3.93%
Real estate		10%	4.25%
Multi-asset class		5%	3.84%
<b>Total</b>		<b>100%</b>	

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**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 8.75 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 City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City'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:

ASRS	Current		
	1% Decrease	Discount Rate	1% increase
	(7%)	(8%)	(9%)
City's proportionate share of the net pension liability	\$ 16,137,567	\$ 12,656,162	\$ 9,864,835

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System**

**Plan Description** – City police department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at [www.psprs.com](http://www.psprs.com).

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
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
<b>Survivor Benefits</b>		
Retired Members		80% 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

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

**Employees Covered by Benefit Terms** - At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries		
currently receiving benefits	9	5
Inactive employees entitled to		
by not yet receiving benefits	2	7
Active employees	27	28
 Total	 38	 40

**Contributions and Annual OPEB Cost** - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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. Contribution rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members - Pension	11.65%	11.65%
City		
Pension	27.17%	19.71%
Health insurance premium benefit	0.33%	0.32%

In addition, the City was required by statute to contribute at the actuarially determined rate of 27.17 percent for Police and 19.71 percent for Fire of the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS	PSPRS
	Police	Fire
Pension		
Contributions made	\$ 1,492,750	\$ 820,662
Health Insurance Premium Benefit		
Annual OPEB cost contributions made	18,131	13,324

During fiscal year 2017, the City paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

**Pension Liability** - At June 30, 2017, the City reported a PSPRS net pension liabilities of \$10,121,954.

The net pension liability was measured as of June 30, 2016, 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 liability as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
Projected salary increases	4.0% - 8.0%
Inflation	4.00%
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, 2016, 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 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Arithmetic Rate of Return
U.S. equity	16.00%	6.23%
Non-U.S. equity	14.00%	8.25%
Private equity	11.00%	9.50%
Fixed income	7.00%	2.92%
Credit opportunities	13.00%	7.08%
Absolute return	5.00%	4.11%
GTAA	10.00%	4.38%
Real assets	8.00%	4.77%
Real estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short term investments	2.00%	0.75%
 Total	 100.00%	

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Discount Rates** – A 7.50 percent discount rates was used to measure the total pension liability. The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' 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	Increase (Decrease)		
	Plan		
	Total	Fiduciary	Net
	Pension	Net	Pension
	Liability	Position	Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 9,750,997	\$ 5,109,048	\$ 4,641,949
Changes for the year:			
Service Cost	398,983	-	398,983
Interest on the total pension liability	764,905	-	764,905
Changes of benefit terms	530,259	-	530,259
Differences between expected and actual experience in the measurement of the pension liability	28,330	-	28,330
Changes of assumptions or other inputs	453,240	-	453,240
Contributions - employer	-	1,161,744	(1,161,744)
Contributions - employee	-	238,489	(238,489)
Net investment income	-	31,927	(31,927)
Benefit payments, including refunds of employee contributions	(412,948)	(412,948)	-
Administrative expense	-	(4,993)	4,993
Other changes	-	(34,989)	34,989
Net changes	1,762,769	979,230	783,539
Balances at June 30, 2017	\$ 11,513,766	\$ 6,088,278	\$ 5,425,488

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

	PSPRS - Fire	Increase (Decrease)		
		Plan		
		Total	Fiduciary	Net
		Pension	Net	Pension
		Liability	Position	Liability
		(a)	(b)	(a) - (b)
Balances at June 30, 2016		\$ 11,399,009	\$ 8,422,185	\$ 2,976,824
Changes for the year:				
Service Cost		434,330	-	434,330
Interest on the total pension liability		902,804	-	902,804
Changes of benefit terms		1,210,896	-	1,210,896
Differences between expected and actual experience in the measurement of the pension liability		(25,025)	-	(25,025)
Changes of assumptions or other inputs		530,950	-	530,950
Contributions - employer		-	751,037	(751,037)
Contributions - employee		-	295,993	(295,993)
Net investment income		-	51,108	(51,108)
Benefit payments, including refunds of employee contributions		(230,974)	(230,974)	-
Administrative expense		-	(7,754)	7,754
Other changes		-	243,929	(243,929)
Net changes		<u>2,822,981</u>	<u>1,103,339</u>	<u>1,719,642</u>
Balances at June 30, 2017		<u>\$ 14,221,990</u>	<u>\$ 9,525,524</u>	<u>\$ 4,696,466</u>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City'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:

	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% increase (8.50%)
PSPRS - Police			
Total pension liability	\$ 13,159,541	\$ 11,513,766	\$ 10,165,655
Plan fiduciary net position	6,088,278	6,088,278	6,088,278
Net pension liability	\$ 7,071,263	\$ 5,425,488	\$ 4,077,377
PSPRS - Fire	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% increase (8.50%)
Total pension liability	\$ 16,245,888	\$ 14,221,990	\$ 12,559,106
Plan fiduciary net position	9,525,524	9,525,524	9,525,524
Net pension liability	\$ 6,720,364	\$ 4,696,466	\$ 3,033,582

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

**Pension Expense** - For the year ended June 30, 2017, the City recognized \$2,882,545 of PSPRS pension expense.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Pension Deferred Outflows/Inflows of Resources** - At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,795	\$ 90,344
Changes of assumptions or other inputs	809,384	-
Net difference between projected and actual		
earnings on pension plan investments	448,126	94,441
City contributions subsequent to the		
measurement date	<u>1,492,750</u>	<u>-</u>
 Total	 <u>\$ 2,837,055</u>	 <u>\$ 184,785</u>
PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 133,882	\$ 64,270
Changes of assumptions or other inputs	721,415	-
Net difference between projected and actual		
earnings on pension plan investments	720,184	149,450
City contributions subsequent to the		
measurement date	<u>820,662</u>	<u>-</u>
 Total	 <u>\$ 2,396,143</u>	 <u>\$ 213,720</u>

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Year ending June 30,	PSPRS
	Police
2018	\$ 262,716
2019	262,715
2020	309,938
2021	224,781
2022	82,902
Thereafter	16,468

Year ending June 30,	PSPRS
	Fire
2018	\$ 254,343
2019	254,341
2020	329,068
2021	262,694
2022	132,428
Thereafter	128,887

**Agent plan OPEB actuarial assumptions** - The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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.

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Projections of benefits are based on (1) the plans as the City 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 City 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 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.5% - 8.5% including inflation
Wage growth	4.50%

**Agent plan OPEB trend information** - Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

PSPRS - Police Year Ended June 30	Annual OPEB Cost	Percentage of		Net OPEB Obligation
		Annual Cost Contributed	Annual Cost Obligation	
2017	\$ 18,131	100%	\$ -	-
2016	14,024	100%	-	-
2015	5,718	100%	-	-

PSPRS - Fire Year Ended June 30	Annual OPEB Cost	Percentage of		Net OPEB Obligation
		Annual Cost Contributed	Annual Cost Obligation	
2017	\$ 13,324	100%	\$ -	-
2016	12,314	100%	-	-
2015	18,577	100%	-	-

CITY OF TOLLESON, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

**Agent plan OPEB funded status** - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS
	Police
Actuarial value of assets (a)	\$ 264,685
Actuarial accrued liability (b)	276,761
Unfunded actuarial accrued liability	
(funded excess) (b) - (a)	12,076
Funded ratio (a)/(b)	95.64%
Annual covered payroll (c)	\$ 2,047,119
Unfunded actuarial accrued liability	
(funding excess) as a percentage	
of covered payroll (b) - (a) / (c)	0.59%

	PSPRS
	Fire
Actuarial value of assets (a)	\$ 283,294
Actuarial accrued liability (b)	317,789
Unfunded actuarial accrued liability	
(funded excess) (b) - (a)	34,495
Funded ratio (a)/(b)	89.15%
Annual covered payroll (c)	\$ 2,234,206
Unfunded actuarial accrued liability	
(funding excess) as a percentage	
of covered payroll (b) - (a) / (c)	1.54%

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS - OPEB Contribution Requirements	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.5% - 8.5% including inflation
Wage growth	4.50%

**NOTE 8 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City 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's 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 member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The City is also insured by commercial insurance for potential worker related accidents.



# **Required Supplementary Information**

---



CITY OF TOLLESON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COST-SHARING PENSION PLAN  
 June 30, 2017

Arizona Retirement System

	Reporting Fiscal Year (Measurement date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 - 2008
City's proportion of the net pension liability	0.078415%	0.077390%	0.074250%	Information not available
City's proportionate share of the net pension liability	\$ 12,656,162	\$12,054,148	\$ 10,986,414	
City's covered payroll	7,951,763	7,592,673	6,969,784	
City's proportionate share of the net pension liability as a percentage of its covered payroll	159.16%	158.76%	157.63%	
Plan fiduciary net position as a percentage of the total pension liability	62.83%	62.99%	63.44%	

CITY OF TOLLESON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
 AGENT PENSION PLAN  
 June 30, 2017

City of Tolleson Police  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014-2008
Total pension liability				
Service cost	\$ 398,983	\$ 385,782	\$ 381,895	Information not available
Interest on the total pension liability	764,905	708,237	606,076	
Changes on benefit terms	530,259	-	164,727	
Differences between expected and actual experience in the measurement of the pension liability	28,330	91,845	(166,928)	
Changes of assumptions or other inputs	453,240	-	792,851	
Benefit payments, including refunds of employee contributions	(412,948)	(528,208)	(430,081)	
Net change in total pension liability	1,762,769	657,656	1,348,540	
Total pension liability - beginning	9,750,997	9,093,341	7,744,801	
Total pension liability - ending (a)	<u>\$ 11,513,766</u>	<u>\$ 9,750,997</u>	<u>\$ 9,093,341</u>	
Plan fiduciary net position				
Contributions - employer	\$ 1,161,744	\$ 454,309	\$ 426,364	
Contributions - employee	238,489	217,506	201,353	
Net investment income	31,927	179,481	577,456	
Benefit payments, including refunds of employee contributions	(412,948)	(528,208)	(430,081)	
Administrative expense	(4,993)	(4,761)	-	
Other changes	(34,989)	(78,507)	(4,650)	
Net change in plan fiduciary net position	979,230	239,820	770,442	
Plan fiduciary net position - beginning	<u>5,109,048</u>	<u>4,869,228</u>	<u>4,098,786</u>	
Plan fiduciary net position - ending (b)	<u>6,088,278</u>	<u>\$ 5,109,048</u>	<u>\$ 4,869,228</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 5,425,488</u>	<u>\$ 4,641,949</u>	<u>\$ 4,224,113</u>	
Plan fiduciary net position as a percentage of the total pension liability	52.88%	52.40%	53.55%	
Covered payroll	\$ 2,234,206	\$ 2,349,738	\$ 2,274,469	
City's net pension liability as a percentage of payroll	242.84%	197.55%	215.93%	

CITY OF TOLLESON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
 AGENT PENSION PLAN (CONTINUED)  
 June 30, 2017

City of Tolleson Fire  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2015 2014-2008
Total pension liability				
Service cost	\$ 434,330	\$ 437,425	\$ 416,879	Information not available
Interest on the total pension liability	902,804	809,086	721,067	
Changes on benefit terms	1,210,896	-	(63,500)	
Differences between expected and actual experience in the measurement of the pension liability	(25,025)	179,866	(67,804)	
Changes of assumptions or other inputs	530,950	-	414,674	
Benefit payments, including refunds of employee contributions	(230,974)	(230,974)	(389,667)	
Net change in total pension liability	2,822,981	1,195,403	1,031,649	
Total pension liability - beginning	11,399,009	10,203,606	9,171,957	
Total pension liability - ending (a)	<u>\$ 14,221,990</u>	<u>\$ 11,399,009</u>	<u>\$ 10,203,606</u>	
Plan fiduciary net position				
Contributions - employer	\$ 751,037	\$ 401,653	\$ 360,947	
Contributions - employee	295,993	269,101	232,876	
Net investment income	51,108	289,531	913,806	
Benefit payments, including refunds of employee contributions	(230,974)	(230,974)	(389,667)	
Administrative expense	(7,754)	(7,452)	-	
Other changes	243,929	1,330	(12,064)	
Net change in plan fiduciary net position	1,103,339	723,189	1,105,898	
Plan fiduciary net position - beginning	8,422,185	7,698,996	6,593,098	
Plan fiduciary net position - ending (b)	<u>\$ 9,525,524</u>	<u>\$ 8,422,185</u>	<u>\$ 7,698,996</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 4,696,466</u>	<u>\$ 2,976,824</u>	<u>\$ 2,504,610</u>	
Plan fiduciary net position as a percentage of the total pension liability	66.98%	73.89%	75.45%	
Covered payroll	\$ 2,234,206	\$ 2,349,738	\$ 2,274,469	
City's net pension liability as a percentage of covered payroll	210.21%	126.69%	110.12%	

CITY OF TOLLESON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY PENSION CONTRIBUTIONS  
 June 30, 2017

Arizona Retirement System

	Reporting Fiscal Year			
	2017	2016	2015	2014-2008
Statutorily required contribution City's contributions in relation to the statutorily required contribution	\$ 857,200	\$ 823,805	\$ 716,159	Information not available
	<u>857,200</u>	<u>823,805</u>	<u>716,159</u>	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll City's contributions as a percentage of covered payroll	\$ 7,951,763	\$ 7,592,673	\$ 6,693,075	
	10.78%	10.85%	10.70%	

City of Tolleson Police  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year			
	2017	2016	2015	2014-2008
Actuarially determined contribution City's contributions in relation to the actuarially determined contribution	\$ 1,492,750	\$ 630,762	\$ 426,364	Information not available
	<u>1,492,750</u>	<u>1,163,850</u>	<u>426,364</u>	
City's contribution deficiency (excess)	\$ -	\$ (533,088)	\$ -	
City's covered payroll City's contributions as a percentage of covered payroll	\$ 2,047,119	\$ 2,386,538	\$ 1,955,798	
	72.92%	48.77%	21.80%	

City of Tolleson Fire  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year			
	2017	2016	2015	2014-2008
Actuarially determined contribution City's contributions in relation to the actuarially determined contribution	\$ 820,662	\$ 439,871	\$ 360,947	Information not available
	<u>820,662</u>	<u>743,599</u>	<u>360,947</u>	
City's contribution deficiency (excess)	\$ -	\$ (303,728)	\$ -	
City's covered payroll City's contributions as a percentage of covered payroll	\$ 2,234,206	\$ 2,349,738	\$ 2,274,398	
	36.73%	31.65%	15.87%	

CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE PENSION PLAN SCHEDULES  
June 30, 2017

NOTE 1 ACTUARILY DETERMINED CONTRIBUTION RATES

Actuarial 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:

Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% – 8.5% to 4.0% – 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 4.5% for PSPRS.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to 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 (adjusted by 105% for both males and females)

CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE PENSION PLAN SCHEDULES  
June 30, 2017

NOTE 2        FACTORS THAT AFFECT TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of City pension contributions.

CITY OF TOLLESON, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
 June 30, 2017

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
<b>PSPRS Police</b>						
6/30/2016	\$ 264,685	\$ 276,761	\$ 12,076	95.64%	\$ 2,047,119	0.59%
6/30/2015	248,642	233,379	(15,263)	106.54%	1,965,393	0.00%
6/30/2014	225,126	213,722	(11,404)	105.34%	1,956,233	0.00%
 <b>PSPRS Fire</b>						
6/30/2016	\$ 283,294	\$ 317,789	\$ 34,495	89.15%	\$ 2,234,206	1.54%
6/30/2015	262,853	269,129	6,276	97.67%	2,425,801	0.26%
6/30/2014	234,430	253,331	18,901	92.54%	2,274,468	0.83%

CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
June 30, 2017

NOTE 1 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 plan 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.

# **Other Supplementary Information**

---

## **BUDGETARY COMPARISON SCHEDULES**

### **MAJOR GOVERNMENTAL FUND**



CITY OF TOLLESON, ARIZONA  
 CAPITAL IMPROVEMENTS  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Interest	\$ -	\$ -	\$ 1,429	\$ 1,429
Total revenues	<u>-</u>	<u>-</u>	<u>1,429</u>	<u>1,429</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,429</u>	<u>1,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(75,000)	(75,000)	(75,000)	-
Total other financing sources (uses):	<u>(75,000)</u>	<u>(75,000)</u>	<u>(75,000)</u>	<u>-</u>
Net change in fund balance	(75,000)	(75,000)	(73,571)	1,429
Fund balance - beginning of year	242,592	242,592	242,592	-
Fund balance - end of year	<u>\$ 167,592</u>	<u>\$ 167,592</u>	<u>\$ 169,021</u>	<u>\$ 1,429</u>

CITY OF TOLLESON, ARIZONA  
 DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Property taxes	\$ 3,440,000	\$ 3,440,000	\$ 1,831,030	\$ (1,608,970)
Sales taxes	948,000	948,000	1,020,000	72,000
Interest income	350	350	3,154	2,804
<b>Total revenues</b>	<b>4,388,000</b>	<b>4,388,000</b>	<b>2,854,184</b>	<b>(1,534,166)</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	3,880,000	3,880,000	2,035,000	1,845,000
Interest and fiscal charges	1,122,840	1,122,840	744,612	378,228
<b>Total expenditures</b>	<b>5,002,840</b>	<b>5,002,840</b>	<b>2,779,612</b>	<b>2,223,228</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(614,840)</b>	<b>(614,840)</b>	<b>74,572</b>	<b>689,062</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	-	-	(690,000)	(690,000)
Transfers in	345,000	345,000	345,000	-
<b>Total other financing sources and uses</b>	<b>345,000</b>	<b>345,000</b>	<b>(345,000)</b>	<b>(690,000)</b>
<b>Net change in fund balance</b>	<b>(269,840)</b>	<b>(269,840)</b>	<b>(270,428)</b>	<b>(938)</b>
<b>Fund balance - beginning of year</b>	<b>879,996</b>	<b>879,996</b>	<b>879,996</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 610,156</b>	<b>\$ 610,156</b>	<b>\$ 609,568</b>	<b>\$ (938)</b>

# Other Supplementary Information

---

## NON-MAJOR GOVERNMENT FUNDS

### FINANCIAL STATEMENTS

#### Special Revenue Funds

- **Highway User Revenue Fund (HURF)** - This fund accounts for the City's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.
- **Grants Fund** - This fund accounts for miscellaneous federal and state grants and other contributions that are restricted for specific use.



CITY OF TOLLESON, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2017

<u>Special Revenue</u>			
	Highway User Revenue Fund	Grants	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 799,185	\$ 237,435	\$ 1,036,620
Receivables, net:			
Intergovernmental	297,487	98,319	395,806
<b>Total assets</b>	<b><u>\$ 1,096,672</u></b>	<b><u>\$ 335,754</u></b>	<b><u>\$ 1,432,426</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 30,651	\$ 47,138	\$ 77,789
Accrued wages and benefits	25,534	22,043	47,577
<b>Total liabilities</b>	<b><u>56,185</u></b>	<b><u>69,181</u></b>	<b><u>125,366</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	-	41,024	41,024
<b>Total deferred inflows of resources</b>	<b><u>-</u></b>	<b><u>41,024</u></b>	<b><u>41,024</u></b>
<b>FUND BALANCES</b>			
Restricted			
Highways and streets	1,040,487	-	1,040,487
Debt service	-	-	-
Grants	-	225,549	225,549
<b>Total fund balances</b>	<b><u>1,040,487</u></b>	<b><u>225,549</u></b>	<b><u>1,266,036</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 1,096,672</u></b>	<b><u>\$ 335,754</u></b>	<b><u>\$ 1,432,426</u></b>

CITY OF TOLLESON, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2017

<u>Special Revenue</u>			
	Highway User Revenue Fund	Grants	Total
<b>REVENUES</b>			
Intergovernmental	\$ 971,685	\$ 365,249	\$ 1,336,934
Other revenues:			
Interest	3,599	-	3,599
<b>Total revenues</b>	<u>975,284</u>	<u>365,249</u>	<u>1,340,533</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	-	152,161	152,161
Highway and streets	1,059,902	-	1,059,902
Health & welfare	-	457,557	457,557
Capital outlay	<u>585,384</u>	<u>63,515</u>	<u>648,899</u>
<b>Total expenditures</b>	<u>1,645,286</u>	<u>673,233</u>	<u>2,318,519</u>
Excess of revenues over (under) expenditures	<u>(670,002)</u>	<u>(307,984)</u>	<u>(977,986)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>680,000</u>	<u>266,590</u>	<u>946,590</u>
<b>Total other financing sources (uses)</b>	<u>680,000</u>	<u>266,590</u>	<u>946,590</u>
Net change in fund balances	9,998	(41,394)	(31,396)
Fund balances - beginning of year	<u>1,030,489</u>	<u>266,943</u>	<u>1,297,432</u>
<b>Fund balances - end of year</b>	<u>\$ 1,040,487</u>	<u>\$ 225,549</u>	<u>\$ 1,266,036</u>

# **Other Supplementary Information**

---

## **BUDGETARY COMPARISON SCHEDULES**

### **NON-MAJOR GOVERNMENTAL FUNDS**



CITY OF TOLLESON, ARIZONA  
 HIGHWAY USER REVENUE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Intergovernmental revenues	\$ 996,303	\$ 996,303	\$ 971,685	\$ (24,618)
Interest	-	-	3,599	3,599
<b>Total revenues</b>	<b>996,303</b>	<b>996,303</b>	<b>975,284</b>	<b>(21,019)</b>
<b>EXPENDITURES</b>				
Current:				
Highways & streets	1,045,703	1,059,703	1,059,902	(199)
Capital outlay	600,000	586,000	585,384	616
<b>Total expenditures</b>	<b>1,645,703</b>	<b>1,645,703</b>	<b>1,645,286</b>	<b>417</b>
Excess (deficiency) of revenues over (under) expenditures	(649,400)	(649,400)	(670,002)	(20,602)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	680,000	680,000	680,000	-
Total other financing sources and (uses)	680,000	680,000	680,000	-
Net change in fund balance	30,600	30,600	9,998	(20,602)
Fund balance - beginning of year	1,030,489	1,030,489	1,030,489	-
<b>Fund balance - end of year</b>	<b>\$ 1,061,089</b>	<b>\$ 1,061,089</b>	<b>\$ 1,040,487</b>	<b>\$ (20,602)</b>

## CITY OF TOLLESON, ARIZONA

## GRANTS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Intergovernmental revenues	\$ 1,099,290	\$ 1,099,290	\$ 365,249	\$ (734,041)
Total revenues	1,099,290	1,099,290	365,249	(734,041)
<b>EXPENDITURES</b>				
Current:				
Public safety	189,080	189,080	152,161	36,919
Health and welfare	471,384	471,384	457,557	13,827
Capital outlay	1,421,000	1,421,000	63,515	1,357,485
Total expenditures	2,081,464	2,081,464	673,233	1,408,231
Excess (deficiency) of revenues over (under) expenditures	(982,174)	(982,174)	(307,984)	674,190
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	282,174	282,174	266,590	(15,584)
Total other financing sources and (uses)	282,174	282,174	266,590	(15,584)
Net change in fund balance	(700,000)	(700,000)	(41,394)	658,606
Fund balance - beginning of year	266,943	266,943	266,943	-
Fund balance - end of year	\$ (433,057)	\$ (433,057)	\$ 225,549	\$ 658,606

# Statistical Section

---

<u>Contents</u>	<u>Pages</u>
Financial Trends	100-111
Revenue Capacity	112-120
Debt Capacity	122-131
Demographic and Economic Statistics	132-143

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales and uses taxes.

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF TOLLESON, ARIZONA**  
**Table 1**  
**Net Position By Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 5,310,577	\$ 8,169,456	\$ 2,984,211	\$ 24,742,497
Restricted	2,460,840	2,800,689	3,474,282	4,420,658
Unrestricted	<u>12,297,505</u>	<u>8,389,538</u>	<u>8,017,638</u>	<u>7,323,480</u>
<b>Total Governmental Activities Net Position</b>	<b><u>\$ 20,068,922</u></b>	<b><u>\$ 19,359,683</u></b>	<b><u>\$ 14,476,131</u></b>	<b><u>\$ 36,486,635</u></b>
<b>Business-Type Activities</b>				
Net investment in capital assets	\$ 39,948,944	\$ 40,255,237	\$ 49,164,298	\$ 32,661,672
Restricted	-	-	55,295	276,569
Unrestricted	<u>2,981,113</u>	<u>10,841,755</u>	<u>16,670,481</u>	<u>15,531,493</u>
<b>Total Business-Type Activities Net Position</b>	<b><u>\$ 42,930,057</u></b>	<b><u>\$ 51,096,992</u></b>	<b><u>\$ 65,890,074</u></b>	<b><u>\$ 48,469,734</u></b>
<b>Primary Government</b>				
Net investment in capital assets	\$ 45,259,521	\$ 48,424,693	\$ 52,148,509	\$ 57,404,169
Restricted	2,460,840	2,800,689	3,529,577	4,697,227
Unrestricted	<u>15,278,618</u>	<u>19,231,293</u>	<u>24,688,119</u>	<u>22,854,973</u>
<b>Total Primary Government Net Position</b>	<b><u>\$ 62,998,979</u></b>	<b><u>\$ 70,456,675</u></b>	<b><u>\$ 80,366,205</u></b>	<b><u>\$ 84,956,369</u></b>

2012	2013	2014	2015	2016	2017
\$ 25,900,750	\$ 26,194,336	\$ 27,534,901	\$ 30,954,613	\$ 30,421,590	\$ 32,215,631
2,971,007	3,426,973	5,110,928	2,633,181	4,896,402	3,589,197
9,964,703	11,029,738	9,625,353	(373,945)	4,441,397	8,314,109
<b>\$ 38,836,460</b>	<b>\$ 40,651,047</b>	<b>\$ 42,271,182</b>	<b>\$ 33,213,849</b>	<b>\$ 39,759,389</b>	<b>\$ 44,118,937</b>
<b>\$ 31,376,028</b>	<b>\$ 32,356,074</b>	<b>\$ 34,835,900</b>	<b>\$ 42,351,199</b>	<b>\$ 46,812,938</b>	<b>\$ 47,446,347</b>
492,978	493,772	494,335	494,852	-	-
17,720,898	19,174,850	20,708,802	17,740,832	18,087,097	20,392,486
<b>\$ 49,589,904</b>	<b>\$ 52,024,696</b>	<b>\$ 56,039,037</b>	<b>\$ 60,586,883</b>	<b>\$ 64,900,035</b>	<b>\$ 67,838,833</b>
<b>\$ 57,276,778</b>	<b>\$ 58,550,410</b>	<b>\$ 62,370,801</b>	<b>\$ 73,305,812</b>	<b>\$ 77,234,528</b>	<b>\$ 79,661,978</b>
3,463,985	3,920,745	5,605,263	3,128,033	4,896,402	3,589,197
27,685,601	30,204,588	30,334,155	17,366,887	22,528,494	28,706,595
<b>\$ 88,426,364</b>	<b>\$ 92,675,743</b>	<b>\$ 98,310,219</b>	<b>\$ 93,800,732</b>	<b>\$ 104,659,424</b>	<b>\$ 72,825,532</b>

**CITY OF TOLLESON, ARIZONA**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 3,822,213	\$ 3,650,530	\$ 3,931,291	\$ 3,854,836
Public Safety	7,703,746	8,104,259	8,145,407	9,227,572
Highways and Streets	2,381,538	2,368,382	3,008,843	3,587,171
Culture and Recreation	832,630	937,312	1,006,074	1,040,502
Redevelopment and Housing	133,088	84,312	45,851	-
Economic Development	996,855	1,158,833	473,105	459,727
Health and Welfare	424,425	463,758	516,178	868,049
Interest on Long-Term Debt	1,346,285	1,643,613	1,480,666	1,695,159
Total Governmental Activities	<u>17,640,780</u>	<u>18,410,999</u>	<u>18,607,415</u>	<u>20,733,016</u>
Business-Type Activities				
Water	5,380,335	4,598,229	4,357,407	4,314,393
Sanitation	856,835	871,399	705,856	642,779
Wastewater and Sewer	14,119,679	6,634,221	4,829,946	5,424,738
Total Business-Type Activities	<u>20,356,849</u>	<u>12,103,849</u>	<u>9,893,209</u>	<u>10,381,910</u>
Total Primary Government Expenses	<u><u>\$ 37,997,629</u></u>	<u><u>\$ 30,514,848</u></u>	<u><u>\$ 28,500,624</u></u>	<u><u>\$ 31,114,926</u></u>
<b>Program Revenues</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 1,665,484	\$ 823,834	\$ 897,801	\$ 430,661
Public Safety	96,266	160,912	163,335	262,145
Highways and Streets	-	-	-	-
Culture and Recreation	583	10,401	11,284	11,542
Redevelopment and Housing	1,115	-	-	-
Other	-	-	-	-
Operating Grants and Contributions	1,133,422	1,217,159	1,235,150	825,410
Capital Grants and Contributions	863,849	1,413,167	1,059,482	868,296
Total Governmental Activities Program Revenues	<u>3,760,719</u>	<u>3,625,473</u>	<u>3,367,052</u>	<u>2,398,054</u>
Business-Type Activities				
Charges for Services:				
Water	\$ 4,121,579	\$ 4,644,492	\$ 4,639,765	\$ 4,994,285
Sanitation	388,789	401,076	409,697	401,366
Wastewater and Sewer	7,212,855	5,405,133	4,881,137	5,000,253
Capital Grants and Contributions	-	-	7,966,449	1,901,328
Total Business-Type Activities Program Revenues	<u>11,723,223</u>	<u>10,450,701</u>	<u>17,897,048</u>	<u>12,297,232</u>
Total Primary Government Revenues	<u><u>\$ 15,483,942</u></u>	<u><u>\$ 14,076,174</u></u>	<u><u>\$ 21,264,100</u></u>	<u><u>\$ 14,695,286</u></u>

2012	2013	2014	2015	2016	2017
\$ 3,554,245	\$ 4,160,877	\$ 4,069,698	\$ 5,415,488	\$ 5,596,149	\$ 6,057,979
9,590,713	9,921,501	9,342,079	10,820,773	11,510,678	13,703,866
2,867,554	2,497,012	4,278,584	2,155,241	2,146,277	2,158,993
1,171,266	562,374	885,714	1,691,577	1,667,220	2,438,231
-	-	-	-	-	-
545,153	1,175,131	1,464,624	715,207	641,130	1,196,079
547,528	343,153	378,772	426,259	510,429	455,278
914,964	864,780	812,432	776,981	750,181	717,956
<u>19,191,423</u>	<u>19,524,828</u>	<u>21,231,903</u>	<u>22,001,526</u>	<u>22,822,064</u>	<u>26,728,382</u>
6,095,971	5,021,689	5,446,163	5,032,519	5,379,124	5,294,611
491,293	614,402	630,134	502,305	475,758	418,557
<u>6,644,923</u>	<u>6,579,691</u>	<u>6,238,217</u>	<u>6,408,153</u>	<u>6,434,002</u>	<u>6,720,582</u>
<u>13,232,187</u>	<u>12,215,782</u>	<u>12,314,514</u>	<u>11,942,977</u>	<u>12,288,884</u>	<u>12,433,750</u>
<u>\$ 32,423,610</u>	<u>\$ 31,740,610</u>	<u>\$ 33,546,417</u>	<u>\$ 33,944,503</u>	<u>\$ 35,110,948</u>	<u>\$ 39,162,132</u>
\$ 581,769	\$ 554,874	\$ 795,223	\$ 888,639	\$ 883,447	\$ 1,005,417
207,948	226,830	302,522	273,624	598,221	404,051
-	-	-	-	126,794	-
25,690	16,825	17,292	14,458	122,954	22,316
-	-	10,978	-	-	-
-	-	-	9,250	-	-
878,403	830,814	771,285	916,333	759,072	973,563
235,653	171,515	370,799	-	21,240	18,472
<u>1,929,463</u>	<u>1,800,858</u>	<u>2,268,099</u>	<u>2,102,304</u>	<u>2,511,728</u>	<u>2,423,819</u>
\$ 6,394,604	\$ 6,479,996	\$ 6,666,770	\$ 6,583,969	\$ 6,596,501	\$ 6,460,671
347,800	360,618	324,197	355,328	352,861	384,453
5,500,611	5,535,850	6,713,988	5,420,273	5,899,361	5,743,503
-	-	-	4,673,401	150,584	49,811
<u>12,243,015</u>	<u>12,376,464</u>	<u>13,704,955</u>	<u>17,032,971</u>	<u>12,999,307</u>	<u>12,638,438</u>
<u>\$ 14,172,478</u>	<u>\$ 14,177,322</u>	<u>\$ 15,973,054</u>	<u>\$ 19,135,275</u>	<u>\$ 15,511,035</u>	<u>\$ 15,062,257</u>

**CITY OF TOLLESON, ARIZONA**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 8,040,066	\$ 8,339,786	\$ 8,390,330	\$ 12,209,049
Property Taxes	5,296,591	5,354,004	6,421,551	6,812,691
Franchise Taxes	48,846	48,936	49,523	47,098
State Revenue Sharing	914,464	970,001	838,960	632,468
State Income Tax Revenue Sharing	597,135	516,997	476,855	497,423
Auto Lieu Tax Revenue Sharing	273,035	222,573	218,427	212,480
Grants and Contributions Not Restricted	600,000	-	-	-
Interest	1,243,415	287,709	69,793	25,425
Other	134,737	116,862	115,386	-
Transfers	<u>(2,355,755)</u>	<u>(1,780,581)</u>	<u>(6,224,014)</u>	<u>(235,637)</u>
Total Governmental Activities:	<u>14,792,534</u>	<u>14,076,287</u>	<u>10,356,811</u>	<u>20,200,997</u>
Business-type Activities:				
Property Taxes	-	-	518,221	332,735
Impact Fees	-	-	-	-
Interest	110,199	22,143	23,957	20,363
Litigation Settlement	-	8,000,000	-	-
Other	-	17,359	23,051	129,072
Transfers	<u>2,355,755</u>	<u>1,780,581</u>	<u>6,224,014</u>	<u>235,637</u>
Total Business-Type Activities	<u>2,465,954</u>	<u>9,820,083</u>	<u>6,789,243</u>	<u>717,807</u>
Total Primary Government	<u><u>\$ 17,258,488</u></u>	<u><u>\$ 23,896,370</u></u>	<u><u>\$ 17,146,054</u></u>	<u><u>\$ 20,918,804</u></u>
<b>Change in Net Assets</b>				
Governmental Activities	\$ 912,473	\$ (709,239)	\$ (4,883,552)	\$ 1,866,035
Business-Type Activities	<u>(6,167,672)</u>	<u>8,166,935</u>	<u>14,793,082</u>	<u>2,633,129</u>
Total Primary Government	<u><u>\$ (5,255,199)</u></u>	<u><u>\$ 7,457,696</u></u>	<u><u>\$ 9,909,530</u></u>	<u><u>\$ 4,499,164</u></u>

2012	2013	2014	2015	2016	2017
\$ 13,525,808	\$ 14,230,041	\$ 14,360,574	\$ 17,564,422	\$ 19,592,713	\$ 20,910,180
5,343,971	4,478,071	4,481,523	4,508,560	3,917,340	5,615,157
39,871	56,905	44,393	45,765	44,139	49,514
567,191	668,558	729,523	792,313	1,042,649	1,093,270
511,429	535,720	569,695	598,140	788,017	857,378
220,391	208,723	233,354	249,830	269,956	275,697
-	-	-	-	-	-
36,451	72,680	56,799	38,073	147,383	162,952
5,491	-	30,635	37,376	55,827	119,963
(152,748)	-	110,500	(282,785)	(116,962)	(420,000)
<u>20,097,855</u>	<u>20,250,698</u>	<u>20,616,996</u>	<u>23,551,694</u>	<u>25,741,062</u>	<u>28,664,111</u>
 1,401,895	 2,420,551	 2,553,157	 2,654,745	 3,293,011	 2,157,082
35,712	18,325	18,924	14,960	96,484	99,441
-	-	-	-	-	-
123,917	97,616	27,424	77,861	96,272	57,587
152,748	-	(110,500)	282,785	116,962	420,000
<u>1,714,272</u>	<u>2,536,492</u>	<u>2,489,005</u>	<u>3,030,351</u>	<u>3,602,729</u>	<u>2,734,110</u>
 <u>\$ 21,812,127</u>	 <u>\$ 22,787,190</u>	 <u>\$ 23,106,001</u>	 <u>\$ 26,582,045</u>	 <u>\$ 29,343,791</u>	 <u>\$ 31,398,221</u>
 \$ 2,835,895	 \$ 2,526,728	 \$ 1,653,192	 \$ 3,652,472	 \$ 5,430,726	 \$ 4,359,548
725,100	2,697,174	3,879,446	8,120,345	4,313,152	2,938,798
 <u>\$ 3,560,995</u>	 <u>\$ 5,223,902</u>	 <u>\$ 5,532,638</u>	 <u>\$ 11,772,817</u>	 <u>\$ 9,743,878</u>	 <u>\$ 7,298,346</u>

(Concluded)

**CITY OF TOLLESON, ARIZONA**  
**Table 3**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
General Fund				
Restricted	\$ 81,028	\$ 86,390	\$ 95,161	\$ 232,134
Committed	-	-	-	-
Nonspendable	-	-	-	270,698
Assigned	-	-	-	126,368
Unassigned	<u>4,831,002</u>	<u>3,191,659</u>	<u>2,898,744</u>	<u>5,063,457</u>
Total General Fund	<u><u>\$ 4,912,030</u></u>	<u><u>\$ 3,278,049</u></u>	<u><u>\$ 2,993,905</u></u>	<u><u>\$ 5,692,657</u></u>
All Other Governmental Funds				
Restricted:				
Highways and streets	\$ -	\$ -	\$ -	\$ 24,349
Debt service	1,159,549	1,097,006	1,237,552	1,131,283
Capital projects	-	-	-	3,032,892
Public safety	1,289,574	5,047,024	4,740,852	1,956,348
Other purposes	11,717	11,362	12,794	-
Nonspendable:				
Prepaid items	-	-	-	16,590
Committed for:				
Capital projects	17,680,295	21,282,772	12,748,910	170,124
Assigned for:				
Public safety	-	-	-	-
Other purposes	-	-	-	83,887
Total All Other Governmental Funds	<u><u>\$ 20,141,135</u></u>	<u><u>\$ 27,438,164</u></u>	<u><u>\$ 18,740,108</u></u>	<u><u>\$ 6,415,473</u></u>

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.

2012	2013	2014	2015	2016	2017
\$ 273,271	\$ 376,237	\$ 336,340	\$ 485,014	\$ 563,507	\$ 829,648
-	-	-	-	-	-
-	141,648	5,000	4,446	-	1,017
1,126,841	1,126,841	-	-	-	-
<u>6,343,285</u>	<u>7,405,570</u>	<u>7,556,991</u>	<u>9,879,027</u>	<u>16,564,021</u>	<u>21,220,634</u>
<u><b>\$ 7,743,397</b></u>	<u><b>\$ 9,050,296</b></u>	<u><b>\$ 7,898,331</b></u>	<u><b>\$ 10,368,487</b></u>	<u><b>\$ 17,127,528</b></u>	<u><b>\$ 22,051,299</b></u>
\$ 309,630	\$ 873,739	\$ 871,385	\$ 884,657	\$ 1,030,489	\$ 1,040,487
1,023,296	944,792	1,133,469	938,131	879,996	609,568
7,244,810	6,705,563	3,718,026	474,052	242,592	169,021
2,901,442	3,359,496	3,118,808	3,821,797	3,773,814	2,810,608
-	-	-	-	266,943	225,549
-	13,117	-	-	-	-
13,501	-	-	-	-	-
-	-	-	-	-	-
<u>91,301</u>	<u>330,144</u>	<u>382,343</u>	<u>306,810</u>	<u>-</u>	<u>-</u>
<u><b>\$ 11,583,980</b></u>	<u><b>\$ 12,226,851</b></u>	<u><b>\$ 9,224,031</b></u>	<u><b>\$ 6,425,447</b></u>	<u><b>\$ 6,193,834</b></u>	<u><b>\$ 4,855,233</b></u>

**CITY OF TOLLESON, ARIZONA**  
**Table 4**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
<b>Revenues</b>				
Taxes	\$ 13,321,689	\$ 13,716,741	\$ 14,865,486	\$ 18,664,286
Intergovernmental	3,461,353	3,294,551	3,584,672	2,765,087
Fines and Penalties	315,097	304,939	292,923	260,534
Licenses and Permits	417,515	300,274	343,496	200,816
Charges for Services	1,019,346	378,435	425,500	333,963
Rents and Royalties	11,500	11,500	10,500	10,500
Contributions and Donations	56,703	48,020	71,441	61,478
Impact fees	863,849	997,327	172,761	337,312
Special assessments	-	-	-	-
Interest	1,243,415	287,709	69,793	25,425
Other	134,737	112,098	114,501	144,552
<b>Total revenues</b>	<b>20,845,204</b>	<b>19,451,594</b>	<b>19,951,073</b>	<b>22,803,953</b>
<b>Expenditures</b>				
General government	3,470,208	3,382,113	3,759,888	3,561,710
Public Safety	7,473,144	8,158,326	7,776,447	8,349,354
Highways and Streets	1,102,384	1,093,369	1,731,442	2,254,695
Culture and Recreation	814,152	827,972	841,414	891,109
Redevelopment and Housing	133,088	84,312	45,851	-
Economic Development	996,855	1,158,833	470,138	461,333
Health and Welfare	414,575	453,908	500,477	861,195
Capital Outlay	9,710,643	3,910,866	12,843,567	11,321,309
Debt Service				
Principal Retirement	1,975,000	2,150,000	2,765,000	2,925,000
Interest on Long-Term Debt	1,384,243	1,384,535	1,750,350	1,667,519
Issuance Costs	-	297,103	100,768	-
<b>Total Expenditures</b>	<b>27,474,292</b>	<b>22,901,337</b>	<b>32,585,342</b>	<b>32,293,224</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,629,088)</b>	<b>(3,449,743)</b>	<b>(12,634,269)</b>	<b>(9,489,271)</b>

2012	2013	2014	2015	2016	2017
\$ 18,618,296	\$ 18,440,757	\$ 18,514,067	\$ 21,730,411	\$ 23,625,789	\$ 26,519,434
2,344,955	2,352,598	2,471,590	2,740,020	2,686,665	2,957,255
209,436	228,788	256,498	236,270	272,888	325,149
294,465	250,467	396,364	462,220	305,411	506,796
375,380	372,889	521,705	537,114	628,428	1,096,911
10,500	11,340	11,340	11,340	-	-
83,707	119,578	105,353	126,881	74,790	66,681
138,117	171,515	370,799	-	-	-
-	-	-	-	-	-
36,451	72,682	56,800	38,077	146,674	168,706
98,533	65,467	35,920	55,702	74,675	88,835
<u>22,209,840</u>	<u>22,086,081</u>	<u>22,740,436</u>	<u>25,938,035</u>	<u>27,815,320</u>	<u>31,729,767</u>
3,440,722	3,815,498	4,415,415	5,078,029	4,826,824	5,631,593
8,068,283	8,614,560	9,129,552	9,482,850	10,965,063	11,837,178
1,574,097	1,938,342	6,866,301	6,137,597	1,360,043	1,382,414
1,017,582	1,003,847	1,305,402	1,509,987	1,628,078	1,800,987
-	-	-	-	-	-
543,328	626,154	881,237	725,924	619,344	1,201,318
535,879	326,804	366,784	405,236	476,396	457,557
2,443,569	956,887	2,232,168	937,440	1,447,693	2,648,333
2,366,550	1,730,000	945,000	835,000	785,000	2,035,000
926,071	903,538	839,087	803,637	776,837	744,612
86,642	-	-	-	-	-
<u>21,002,723</u>	<u>19,915,630</u>	<u>26,980,946</u>	<u>25,915,700</u>	<u>22,885,278</u>	<u>27,738,992</u>
1,207,117	2,170,451	(4,240,510)	22,335	4,930,042	3,990,775

**CITY OF TOLLESON, ARIZONA**  
**Table 4**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	2008	2009	2010	2011
<b>Other Financing Sources (Uses)</b>				
Transfers In	558,005	777,072	2,092,220	511,785
Transfers Out	(558,005)	(777,072)	(2,092,220)	(747,422)
Proceeds of Refunding Debt Issuance	-	-	-	-
Proceeds of Long-Term Debt Issuance	-	9,108,027	3,642,923	-
Payment to Refunded Debt Escrow Agent	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
Proceeds from Sale of Capital Assets	-	4,764	9,146	99,025
<b>Total other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>9,112,791</u></b>	<b><u>3,652,069</u></b>	<b><u>(136,612)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ (6,629,088)</u></b>	<b><u>\$ 5,663,048</u></b>	<b><u>\$ (8,982,200)</u></b>	<b><u>\$ (9,625,883)</u></b>
Debt Service as a Percentage of Noncapital Expenditures	18.9%	20.2%	23.4%	21.9%

2012	2013	2014	2015	2016	2017
801,535 (954,283)	1,763,792 (1,763,792)	3,751,052 (3,640,552)	3,091,764 (3,374,549)	3,134,362 (3,251,324)	2,596,590 (3,016,589)
-	-	-	-	-	-
6,159,387	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,491	14,441	8,282	15,023	17,525	14,394
<u>6,012,130</u>	<u>14,441</u>	<u>118,782</u>	<u>(267,762)</u>	<u>(99,437)</u>	<u>(405,605)</u>
<u>\$ 7,219,247</u>	<u>\$ 2,184,892</u>	<u>\$ (4,121,728)</u>	<u>\$ (245,427)</u>	<u>\$ 4,830,605</u>	<u>\$ 3,585,170</u>

18.2%

13.9%

7.2%

6.6%

7.3%

10.8%

(Concluded)

**CITY OF TOLLESON, ARIZONA**  
**Table 5**  
**General Government Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

Fiscal Year	Property	Sales & Use	Franchise	Total
2008	4,943,611	8,040,066	48,846	13,032,523
2009	5,027,539	8,339,786	48,936	13,416,261
2010	6,610,689	8,390,330	49,523	15,050,542
2011	6,383,556	12,209,049	47,098	18,639,703
2012	6,095,554	13,525,808	39,871	19,661,233
2013	6,203,478	14,230,041	56,905	20,490,424
2014	6,255,451	14,360,574	44,393	20,660,418
2015	6,340,170	17,564,422	41,385	23,945,977
2016	6,855,672	19,592,784	44,139	26,492,595
2017	7,291,580	20,910,251	49,514	28,251,345
Change 2008-2017	47.5%	160.1%	1.4%	116.8%



**CITY OF TOLLESON, ARIZONA**  
**Table 6**  
**Assess Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**(In Thousands of Dollars)**

Fiscal Year	Industrial & Commercial Property	Agricultural and Vacant	Residential Property	Others	Total Taxable Assessed Value
2008	151,547	10,141	18,017	2,940	182,645
2009	189,008	13,446	17,373	28,192	248,019
2010	231,012	15,949	17,373	3,170	264,546
2011	231,573	15,934	14,458	2,580	264,545
2012	192,440	11,383	11,455	2,064	217,342
2013	160,559	9,294	8,456	1,759	180,068
2014	143,031	8,901	8,076	2,246	162,254
2015	147,663	9,698	9,009	2,259	168,629
2016	172,787	12,297	12,619	1,958	199,661
2017	210,837	12,818	13,974	1,976	239,605

Total Direct Tax Rate/Thousand	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2.6736	182,645	100.000%
2.2993	248,019	100.000%
2.5074	264,546	100.000%
2.4390	264,545	100.000%
2.9084	217,342	100.000%
3.4163	180,068	100.000%
3.7612	162,254	100.000%
3.7457	168,629	100.000%
3.9715	199,661	100.000%
3.9734	239,605	100.000%

**CITY OF TOLLESON, ARIZONA**  
**Table 7**  
**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			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	Flood Control and Water Conservation District	County	Rate Total
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	N/A	N/A	N/A	2.4390
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
2016	1.8344	2.1371	3.9715	N/A	N/A	N/A	3.9715
2017	1.8325	2.1409	3.9734	N/A	N/A	N/A	3.9734

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

**CITY OF TOLLESON, ARIZONA**  
**Table 8**  
**Principal Property Taxpayers**  
**Current and Nine Years Ago**  
**(Unaudited)**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SVC Manufacturing Inc	\$ 11,452,194	1	6.43%	\$ 12,851,686	2	5.62%
LBA Realty Fund III Company IX LLC	11,090,661	2	6.23%	-	-	-
Smiths Food & Drug Centers Inc	10,874,444	3	6.11%	13,958,110	1	6.10%
ABS SW Investor LLC (Albertson)	7,053,886	4	3.96%	6,046,324	4	2.64%
FR CAL 3 Tolleson Buckeye LLC	6,189,828	5	3.48%	-	-	-
Liberty Property LP	5,548,122	6	3.12%	-	-	-
Cole HD Tolleson AZ LLC	5,544,000	7	3.11%	-	-	-
Greater Arizona Auto Auctions Inc	5,361,660	8	3.01%	-	-	-
91ST Ave. Investment Company	4,494,006	9	2.52%	-	-	-
AZEJM Land Holdings/Oxnard	4,371,510	10	2.46%	-	-	-
Graham Packaging Pet Tech	-			6,256,503	3	2.73%
Western Container Corporation	-			3,963,265	5	1.73%
Holsum Bakery	-			3,855,895	6	1.69%
Sysco Continental Foods	-			3,608,637	7	1.58%
Costco Wholesale Corp.	-			3,529,334	8	1.54%
Monmouth Real Estate Investments	-			3,114,790	9	1.36%
Pratte Buckeye Property LLC	-			2,901,255	10	1.27%
<b>Total</b>	<b><u>\$ 71,980,311</u></b>		<b>40.43%</b>	<b><u>\$ 60,085,799</u></b>		<b>26.26%</b>

Source: Maricopa County Assessor's Office

*Note: The schedule should include the ten largest taxpayers, unless fewer are required to reach 50% of the revenue base.*

**CITY OF TOLLESON, ARIZONA**  
**Table 9**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year Ended June 30,	Collected within the Fiscal Year of the Levy			Total Collections to Date				
	Taxes Levied for the Fiscal Year	Amount	Percent of Levy	Collections in Subsequent Years	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Levy
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%
2016	6,563,777	6,563,777	100.00%	-	6,563,777	100.00%	-	
2017	7,074,915	7,074,915	100.00%	-	7,074,915	100.00%	-	

Source: Maricopa County Finance Department

**CITY OF TOLLESON, ARIZONA**  
**Table 10**  
**Taxable Sales By Category**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2016	2017
Sales Category		
Commercial & Utilities	1,484,711	1,478,839
Construction	907,458	1,615,343
Manufacturing	769,714	1,011,682
Wholesale	4,387,437	3,908,882
Retail	7,723,550	8,596,691
Real estate	2,150,547	2,114,053
Services	1,232,577	1,330,754
All other outlets	892,220	854,007
 Total	 \$ 19,548,214	 \$ 20,910,251
 City Sales Tax Rate	 2.50%	 2.50%

Note: This schedule requires that governments present revenue information.

**CITY OF TOLLESON, ARIZONA**  
**Table 11**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	City Direct Rate	County
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%
2016	2.50%	8.80%
2017	2.50%	8.80%

Source: Arizona State Revenue



**CITY OF TOLLESON, ARIZONA**  
**Table 12**  
**Ratio of Outstanding Debt By Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Capita)**

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Water Revenue Bonds
2008	33,160	-	-	-	-	-
2009	31,010	9,100	-	-	-	-
2010	32,155	8,780	-	-	-	-
2011	34,744	8,399	-	-	-	-
2012	13,694	8,120	-	-	20,991	-
2013	12,305	7,780	-	-	19,430	-
2014	11,710	7,430	-	-	16,930	-
2015	11,235	7,070	-	-	14,220	-
2016	10,825	6,929	-	-	11,330	-
2017	9,180	6,305	-	-	9,485	-

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

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Business-type Activities**

Capital Leases	Waste Water WIFA Loan	Total Primary Government	Percentage of Personal Income	Per Capita
-	-	33,160	*	4,848
-	-	40,110	*	5,864
-	6,000	46,935	*	6,862
-	3,856	46,999	*	7,181
-	8,895	51,700	*	7,712
-	8,526	48,041	*	7,166
-	8,144	44,214	*	6,544
-	7,750	40,275	*	5,961
-	7,342	36,426	*	5,257
-	6,921	31,891	*	4,443

**CITY OF TOLLESON, ARIZONA**  
**Table 13**  
**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
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
2016	26,438	26,438	199,661	13.24%	6,929	3,816
2017	22,703	22,703	239,606	9.48%	6,929	3,277

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

a See schedule 7 for property value data.

b Population data can be found on schedule 19

**CITY OF TOLLESON, ARIZONA**  
**Table 14**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2017**  
**(Unaudited)**

Governmental Unit	General Obligation Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (a)
Debt repaid with property taxes			
Tolleson Elementary School District No. 17	\$ 5,955,000	70.56%	\$ 4,201,848
Fowler Elementary School District No. 45	4,800,000	9.54%	457,920
Littleton Elementary School District No. 65	21,530,000	19.20%	4,133,760
Tolleson Union High School District No. 214	21,200,000	18.15%	3,847,800
Maricopa County Community College District	445,570,000	0.50%	2,227,850
Western Maricopa Education Center District No. 402 (West-Mec)	138,655,000	1.36%	<u>1,885,708</u>
Subtotal, overlapping debt			\$ 16,754,886
City of Tolleson, Arizona Direct Debt			\$ 22,448,871
Total direct and overlapping debt			<u>\$ 39,203,757</u>

(a) Proportion applicable to the City is computed on the ratio of Net Limited Assessed Property Value for 2016/2017  
 (b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

Source: Stifel, Nicolaus & Company, Inc. (Stifel)

**CITY OF TOLLESON, ARIZONA**  
**Table 15**  
**Calculation of Legal Debt Margin**  
**June 30, 2017**  
**(Unaudited)**

Net Assessed Valuation	<u>\$ 239,605,939</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>	
Debt Limit - 20% of Secondary Net Assessed Valuation	- 47,921,188
Debt Applicable to Limit	
General Obligation Bonds Outstanding	\$ 22,702,537 -
Less Amount Set Aside for Repayment of Debt	- -
Net Debt Applicable to Limit	<u>22,702,537</u>
20% Legal Debt Margin	- <u>25,218,651</u>
<u>All Other General Obligation Bonds</u>	
Debt Limit - 6% of Secondary Net Assessed Valuation	- 14,376,356
Debt Applicable to Limit	
General Obligation Bonds Outstanding	- -
Less Amount Set Aside for Repayment of Debt	- -
Net Debt Applicable to Limit	<u>- -</u>
All Other General Obligation Bonds Debt Margin	<u>14,376,356</u>
Total Legal Debt Margin	<u>\$ 39,595,007</u>

Source: Maricopa County Assessor's Office



**CITY OF TOLLESON, ARIZONA**  
**Table 16**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2008	2009	2010	2011
Net Secondary Assessed Valuation	\$ 228,820,924	\$ 269,602,466	\$ 264,544,909	\$ 264,544,909
Debt Limit	59,493,440	70,096,641	68,781,677	68,781,677
 Total net debt applicable to limit	 33,160,000	 31,010,000	 32,155,000	 29,555,000
Legal debt margin	 \$ 26,333,440	 \$ 39,086,641	 \$ 36,626,677	 \$ 39,226,677
 Total net debt applicable to the limit as a percentage of debt limit.	 55.74%	 44.24%	 46.75%	 42.97%

2012	2013	2014	2015	2016	2017
\$ 217,342,534	\$ 180,067,717	\$ 162,254,481	\$ 168,629,759	\$ 199,662,057	\$ 239,605,939
56,509,059	46,817,606	42,186,165	43,843,737	51,912,135	62,297,544
<u>34,685,000</u>	<u>31,735,000</u>	<u>33,160,790</u>	<u>29,738,090</u>	<u>26,192,537</u>	<u>22,702,537</u>
<u>\$ 21,824,059</u>	<u>\$ 15,082,606</u>	<u>\$ 9,025,375</u>	<u>\$ 14,105,647</u>	<u>\$ 25,719,598</u>	<u>\$ 39,595,007</u>
61.38%	67.78%	78.61%	67.83%	50.46%	36.44%

**CITY OF TOLLESON, ARIZONA**  
**Table 17**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**(Dollars In Thousands)**

Fiscal Year	Revenue Bonds*			
	Public Safety Sales Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal
2008	-	-	-	-
2009	-	-	-	-
2010	780	-	780	320
2011	720	-	720	381
2012	720	-	720	335
2013	720	-	720	340
2014	720	-	720	350
2015	720	-	720	360
2016	720	-	720	375
2017	720	-	720	390

\*Revenue Bonds: Public Safety Sale Tax Bonds

**Special Assessment Bonds**

Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
-	-	-	-	-	-
387	1.10	-	-	-	-
325	1.02	-	-	-	-
374	1.02	-	-	-	-
367	1.02	-	-	-	-
358	1.02	-	-	-	-
345	1.02	-	-	-	-
332	1.02	-	-	-	-
317	1.02	-	-	-	-

**CITY OF TOLLESON, ARIZONA**  
**Table 18**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
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%
2016	6,929	34,485	13,391	N/A	N/A	N/A	4.50%
2017	7,178	31,388	13,588	N/A	N/A	N/A	4.50%

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

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

*Note:* GASB Statement 44 requires that general purpose governments present, at a minimum, population, total and per capita personal income, and unemployment rate. Governments may add other demographic and economic statistics that are useful and relevant to the user of their financial reports, either in this or in additional schedules. *Median age, education level and school enrollment are optional statistics; however, they are among those most commonly presented by governments.*

**CITY OF TOLLESON, ARIZONA**  
**Table 19**  
**Principal Employers**  
**Current and Nine Years Ago**  
**(Unaudited)**

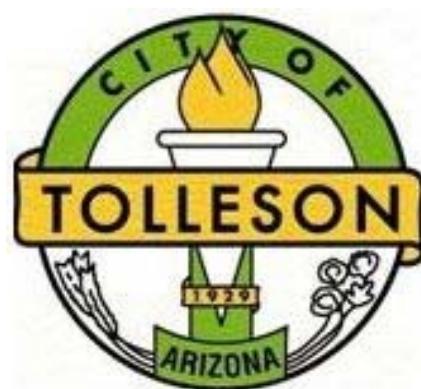
Taxpayer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
J.B. Packerland	1,650	1	11.85%	1,360	1	9.04%
Papa Johns Salads Produce	810	2	5.82%			
Atlas Retail Services	570	3	4.09%			
SVC Manufacturing Inc/Pepsico	430	4	3.09%	550	3	3.67%
Rousseau Farming Co	400	5	2.87%	600	2	4.00%
SRP	400	6	2.87%	300	8	2.00%
Tolleson Union High School Dist 214	380	7	2.73%			
Autozone Inc	350	8	2.51%			
Quiktrip Corp	330	9	2.37%			
Sysco Food Services	320	10	2.30%	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 Padckaging Inc				295	9	1.90%
Total	<u><u>5,640</u></u>		40.50%	<u><u>5,190</u></u>		34.50%

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

**CITY OF TOLLESON, ARIZONA**  
**Table 20**  
**Full-Time Equivalent Employee By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	37	36	35	35	39	34	45	46.5	42.5	50.5
Police	42	42	43	45	45	43	42	42	43	43
Fire	31	31	31	31	31	31	31	33	32	32
Public Works	16	16	14	14	17	20	18.5	18	21	21
Community Services	12	12	12	12	6	8	8	8	8.5	8.5
Water	8	8	8	8	8	8	8	8	9	9
Sanitation	4	4	3	2	2	2	1.5	1.5	1.5	2
Wastewater/Sewer	35	22	23	21	20	20	21	24	28	21
Total	<b>185</b>	<b>171</b>	<b>169</b>	<b>168</b>	<b>168</b>	<b>166</b>	<b>175</b>	<b>181</b>	<b>185.5</b>	<b>187.0</b>

Source: City Records



**CITY OF TOLLESON, ARIZONA**  
**Table 21**  
**Operating Indicators By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Function/Program	2008	2009	2010
Police			
Physical arrests	408	370	398
Call for services	11,202	11,265	10,137
Traffic violations	5,150	4,716	4,507
Fire			
Emergency responses	2,457	2,310	1,789
Fires extinguished	477	180	172
Inspections	263	250	269
Planning and Building Safety			
Building permits issued	506	564	467
Building inspections conducted	2,567	2,363	1,900
Transit			
Total route miles	6	6	6
Sanitation			
Refuse collected ( <i>tons/day</i> )	41.5	42.0	42.5
Library			
Volumes in collection	22,851	22,582	22,356
Total volumes borrowed	37,657	37,750	24,708
Water			
New connections	60	41	33
Water main breaks			
Average daily consumption ( <i>thousands of gallons</i> )	3,914.0	3,386.2	3,316.0
Peak daily consumption ( <i>thousands of gallons</i> )	6,115.0	6,100.0	5,800.0
Wastewater			
Average daily sewage treatment ( <i>thousands of gallons</i> )	12,664.3	5,558.6	5,348.0

\* Represents 8 months

\*\* Represents 2 months

\*\*\* City outsourced collections to 3rd party in FY 17

Source: City Records

2011	2012	2013	2014	2015	2016	2017
453	235	293	257	248	293	352
8,443	11,287	14,511	12,484	11,712	14,650	15,428
6,302	4,180	1,944	3,582	2,758	3,599	3,433
1,929	1,943	2,122	2,212	2,322	2,636	2,915
157	156	138	134	135	120	116
268	321	271	43	116	633	52**
374	332	344	386	327	336	383
1,792	1,525	912	1425	1460	694*	860*
6	6	6	6	6	6	6
43.0	43.3	15.0	8.45	8.87	8.46	0.42***
23,628	23,980	27,240	26,983	23,172	22,894	24,337
25,101	25,225	37,690	36,480	33,183	29,166	34,419
48	43	257	44	35	19	26
3,596.0	3,281.0	3,876	3,877	3,000	3,823	3,082
5,570.0	4,962.0	5,174	5,384	6,000	7,100	6,480
5,438.0	5,193.0	5,180	5,274	8,230	5,347	5,353

**CITY OF TOLLESON, ARIZONA**  
**Table 22**  
**Capital Asset Statistics By Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police			
Stations	1	1	1
Patrol Units	22	22	22
Fire Stations	1	1	1
Refuse collection			
Collection trucks	2	2	2
Other public works			
Streets ( <i>miles</i> )	33	33	33
Streetlights	750	770	770
Traffic signals			
Parks and recreation			
Acreage	20	20	20
Playgrounds	4	4	4
Baseball/softball diamonds			
Soccer/football fields			
Community/Youth Centers	2	2	2
Water			
Water mains ( <i>miles</i> )	48	48	48
Fire hydrants	430	450	450
Storage capacity ( <i>thousands of gallons</i> )			
Wastewater			
Sanitary sewers ( <i>miles</i> )	46	46	46
Storm sewers ( <i>miles</i> )			
Treatment capacity ( <i>thousands of gallons</i> )	17,500	17,500	17,500

Source:City Records

2011	2012	2013	2014	2015	2016	2017
1 22 1	1 22 1	1 23 1	1 24 1	1 24 1	1 24 1	1 24 1
2	2	2	6	6	6	2
33 770	34 778	34 778	34 778 12	34 778 12	34 778 12	34 778 12
20 4	20 3	20 3	20 3 1 1	20 3 3 2	20 4 3 2	20 4 3 2
2	2	2	2	2	3	3
48 450	48 451	50 475	56 420	60 700	60 700	56.75 730
46 17,500	46 17,500	37.07 17,500	34.63 2 17,500	35.03 2 17,500	38.12 2 17,500	38.62 2 17,500

**CITY OF TOLLESON, ARIZONA**  
**Table 23**  
**Property Valuations**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited)**

	<u>2016-2017</u> Fiscal Year
Estimated actual valuation	\$ 1,593,519,300
Net primary assessed valuation	178,058,092

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

**CITY OF TOLLESON, ARIZONA**  
**Table 24**  
**Secondary Valuations as a Percentage of Estimated Valuations**  
**For the Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation	Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation
2016-17	\$ 239,605,939	\$ 1,593,519,300	15.04%
2015-16	\$ 199,662,057	\$ 1,326,288,910	15.05%
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%

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

**CITY OF TOLLESON, ARIZONA**  
**Table 25**  
**Secondary Valuations By Legal Class**  
**As of June 30, 2017**  
**(Unaudited)**

Legal Class	Description	2015-2016 Secondary Assessed Valuation	2016 Percent of Total	2016-2017 Secondary Assessed Valuation	2017 Percent of Total
1	Utilities Telecommunication and Commercial and Industrial	\$ 172,787,432	86.54%	\$ 210,836,987	87.99%
2	Agricultural and Vacant	12,297,208	6.16%	12,818,452	5.35%
3	Residential (Owner occupied)	7,641,571	3.83%	8,492,206	3.54%
4	Residential (Rental)	4,977,911	2.49%	5,481,905	2.29%
5	Railroad	644,411	0.32%	618,429	0.26%
6	Non-commercials	1,313,524	0.66%	1,357,960	0.57%
<b>Total</b>		<b>\$ 199,662,057</b>	<b>100.00%</b>	<b>\$ 239,605,939</b>	<b>100.00%</b>

Source: Maricopa County Assessor's Office

**CITY OF TOLLESON, ARIZONA**  
**Table 26**  
**Secondary Valuations By Major Taxpayer**  
**As of June 30, 2017**  
**(Unaudited)**

Taxpayers	Business	Estimated Secondary 2016-17 Assessed Valuation	Estimated as a Percent of the City's 2016-17 Net Secondary Assessed Valuation
SVC Manufacturing	Food Manufacture	\$ 11,452,194	6.43%
LBA Realty Fund III Company IX LLC	Commercial Property	11,090,661	6.23%
Smiths Food & Drugs	Grocery Retailer	10,874,444	6.11%
ABS SW Investor Loc (Albertson)	Grocery Retailer	7,053,886	3.96%
FR CAL 3 Tolleson Buckey LLC	Industrial Property	6,189,828	3.48%
Liberty Property Holdings LP	Asset Management	5,548,122	3.12%
Cole HD Tolleson AZ LLC	Commercial Property	5,544,000	3.11%
Greater Arizona Auto Auctions Inc.	Auto auctions	5,361,660	3.01%
91st Avenue Investment LLC	Commercial Property	4,494,006	2.52%
AZEJM Land Holdings/Oxnard Commerceplex	Commercial Property	4,371,510	2.46%
<b>Total</b>		<b>\$ 71,980,311</b>	<b>40.43%</b>

Source: Maricopa County Assessor's Office



# **Compliance Section**

---



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

To the Honorable Mayor and City Council  
City of 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, 2017, 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 November 10, 2017.

### **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 the 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. 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 the 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.

*Henry + Horne LLP*

Casa Grande, Arizona  
November 10, 2017

