

CITY OF TOLLESON, ARIZONA



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF TOLLESON, ARIZONA

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Tolleson's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the City of Tolleson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining, individual fund and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Tolleson, Arizona. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other information included in this report, designated as the "Statistical Section" in the table of contents, has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
January 24, 2012

**CITY OF TOLLESON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

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, 2011. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tolleson, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$84,865,369 (net assets).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,063,457 or 42% of total General Fund expenditures.
- The General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$2,789,106 for the fiscal year ending June 30, 2011.
- General Fund revenues exceeded expenditures by \$2,847,966; a positive variance of \$3,081,412 from the original budget.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$84,865,369 million as of June 30, 2011 as shown in the following condensed statement of net assets. The City has chosen to account for its water, sewer and sanitation operations in an enterprise fund which is shown as Business Activities. General obligation bonds were reclassified from governmental activities to business-type activities at the end of fiscal year 2011. See note 11 to the financial statements.

City of Tolleson Statement of Net Assets

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 |
| Current and other assets | \$ 17,540,732 | \$ 28,776,521 | \$ 16,965,215 | \$ 19,310,973 | \$ 34,505,947 | \$ 48,087,494 |
| Capital assets | 42,776,917 | 34,270,060 | 62,184,649 | 58,764,298 | 104,961,566 | 93,034,358 |
| Total assets | <u>60,317,649</u> | <u>63,046,581</u> | <u>79,149,864</u> | <u>78,075,271</u> | <u>139,467,513</u> | <u>141,121,852</u> |
| Long-term liabilities outstanding | 19,053,329 | 42,345,633 | 29,551,301 | 9,622,261 | 48,604,630 | 51,967,894 |
| Other liabilities | 4,868,685 | 6,224,817 | 1,128,829 | 2,562,936 | 5,997,514 | 8,787,753 |
| Total liabilities | <u>23,922,014</u> | <u>48,570,450</u> | <u>30,680,130</u> | <u>12,185,197</u> | <u>54,602,144</u> | <u>60,755,647</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 24,742,497 | 2,984,211 | 32,661,672 | 49,164,298 | 57,404,169 | 52,148,509 |
| Restricted | 4,420,658 | 3,474,282 | 276,569 | 55,295 | 4,697,227 | 3,529,577 |
| Unrestricted | 7,232,480 | 8,017,638 | 15,531,493 | 16,670,481 | 22,763,973 | 24,688,119 |
| Total net assets | <u>\$ 36,395,635</u> | <u>\$ 14,476,131</u> | <u>\$ 48,469,734</u> | <u>\$ 65,890,074</u> | <u>\$ 84,865,369</u> | <u>\$ 80,366,205</u> |

Governmental Activities

The City has \$84,865,369 in total assets, with \$57,404,169 invested in capital assets, net of related debt. Funds included in the Business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Sanitation. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

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

**City of Tolleson
Changes in Net Assets**

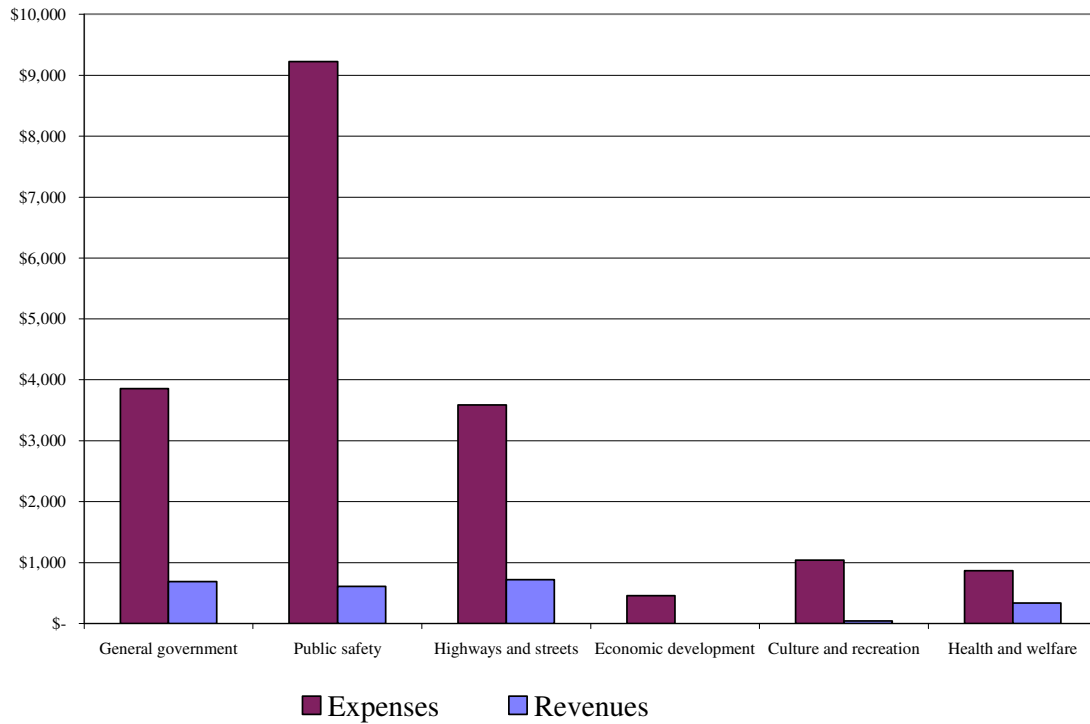
| | Governmental activities | | Business-type activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 | 6/30/2011 | 6/30/2010 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 704,348 | \$ 1,072,420 | \$ 10,395,904 | \$ 9,930,599 | \$ 11,100,252 | \$ 11,003,019 |
| Operating grants and contributions | 825,410 | 1,235,150 | - | - | 825,410 | 1,235,150 |
| Capital grants and contributions | 868,296 | 886,721 | 1,901,328 | 7,966,449 | 2,769,624 | 8,853,170 |
| General revenues: | | | | | | |
| Taxes | 19,281,318 | 14,861,404 | 332,735 | 518,221 | 19,614,053 | 15,379,625 |
| State revenue sharing | 1,129,891 | 1,534,242 | - | - | 1,129,891 | 1,534,242 |
| Other revenue/(expense) | 25,425 | 357,940 | 149,435 | 47,008 | 174,860 | 404,948 |
| Total revenues | <u>22,834,688</u> | <u>19,947,877</u> | <u>12,779,402</u> | <u>18,462,277</u> | <u>35,614,090</u> | <u>38,410,154</u> |
| Expenses: | | | | | | |
| General government | 3,854,836 | 3,931,291 | - | - | 3,854,836 | 3,931,291 |
| Public safety | 9,227,572 | 8,145,407 | - | - | 9,227,572 | 8,145,407 |
| Public works/Streets | 3,587,171 | 3,008,843 | - | - | 3,587,171 | 3,008,843 |
| Health and welfare | 868,049 | 516,178 | - | - | 868,049 | 516,178 |
| Culture and recreation | 459,727 | 1,006,074 | - | - | 459,727 | 1,006,074 |
| Economic development | 1,040,502 | 473,105 | - | - | 1,040,502 | 473,105 |
| Redevelopment and housing | - | 45,851 | - | - | - | 45,851 |
| Interest on long-term debt | 1,695,159 | 1,480,666 | - | - | 1,695,159 | 1,480,666 |
| Water | - | - | 4,314,393 | 4,357,407 | 4,314,393 | 4,357,407 |
| Wastewater treatment/sewer | - | - | 5,424,738 | 4,829,946 | 5,424,738 | 4,829,946 |
| Sanitation and trash | - | - | 642,779 | 705,856 | 642,779 | 705,856 |
| Total expenses | <u>20,733,016</u> | <u>18,607,415</u> | <u>10,381,910</u> | <u>9,893,209</u> | <u>31,114,926</u> | <u>28,500,624</u> |
| Increase (Decrease) in net assets before transfers | 2,101,672 | 1,340,462 | 2,397,492 | 8,569,068 | 4,499,164 | 9,909,530 |
| Transfers | <u>(235,637)</u> | <u>(6,224,014)</u> | <u>235,637</u> | <u>6,224,014</u> | <u>-</u> | <u>-</u> |
| Increase (Decrease) in net assets | 1,866,035 | (4,883,552) | 2,633,129 | 14,793,082 | 4,499,164 | 9,909,530 |
| Net assets, beginning | 14,476,131 | 19,359,683 | 65,890,074 | 51,096,992 | 80,366,205 | 70,456,675 |
| Prior period adjustment | 20,053,469 | - | (20,053,469) | - | - | - |
| Net assets, ending | <u>\$ 36,395,635</u> | <u>\$ 14,476,131</u> | <u>\$ 48,469,734</u> | <u>\$ 65,890,074</u> | <u>\$ 84,865,369</u> | <u>\$ 80,366,205</u> |

Total resources available during the year to finance governmental operations were \$37 million consisting of Net assets at July 1, 2010 of \$14.5 million, program revenues of \$2.3 million and General Revenues of \$20.4 million. Total Governmental Activities during the year were \$20.7 million; thus Governmental Net Assets were increased by \$1,866,035 to \$16.3 million before the prior period adjustments, see note 11 to the financial statements.

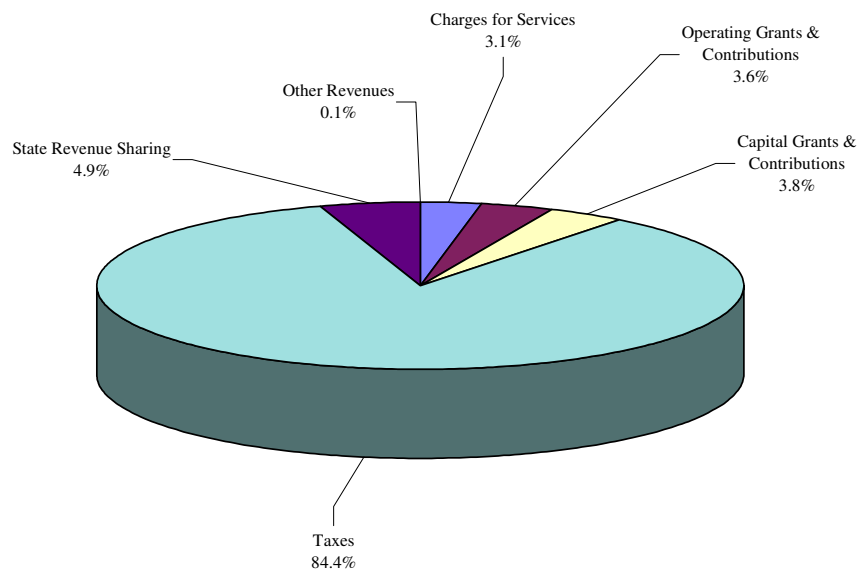
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities

(in Thousands)



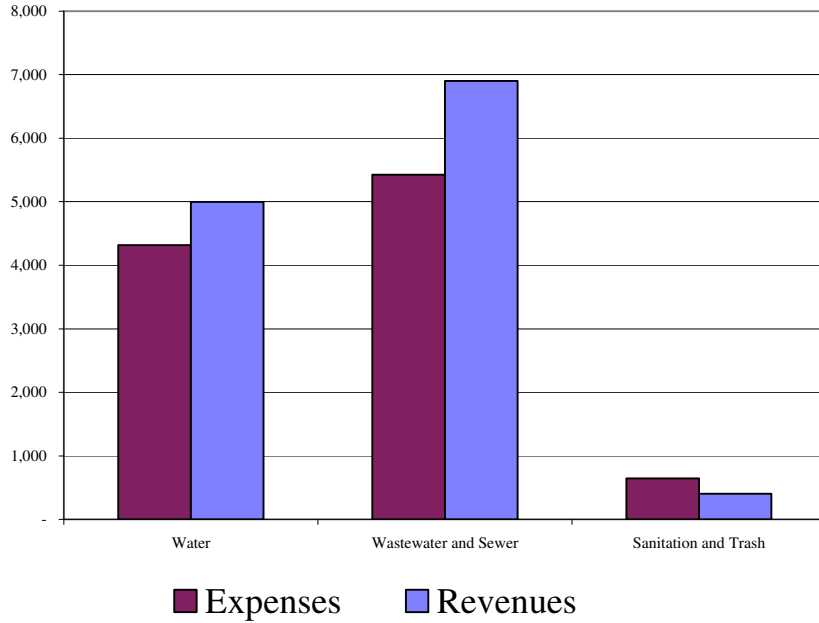
Revenue By Source - Governmental Activities



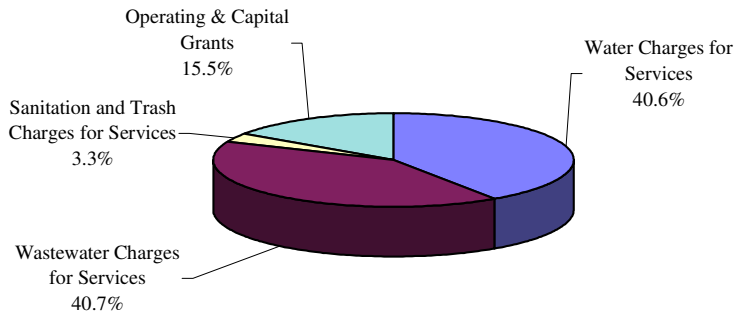
Business Type Activities

Net assets of the Business Type activities at June 30, 2011, as reflected in the Statement of Net Assets were \$48.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$10.4 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$10.4 million. There was also \$1.9 million subsidized by capital grants and contributions. Property tax revenues were \$332,735, and interest earnings and other revenues totaled \$149,435. The Net Assets increased by \$2,633,129 before prior-period adjustments, see note 11 in the financial statements.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Tolleson's governmental funds reported combined ending fund balances of \$12,108,130, a decrease of \$9,625,883 in comparison with the prior year. Approximately, 52% of this total amount, \$5,063,457 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 \$5,063,457, while total fund balance is \$5,692,657. 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 42% of total general fund expenditures, while total fund balance represents 47% of the same amount.

During the year, the City of Tolleson's general fund balance increased by \$2,435,206. The key factor in this increase was sales taxes received in excess of budgeted amounts.

The Debt Service Fund has a total fund balance of \$1,131,283, all of which is restricted for future debt service. The net decrease in the fund balance during the current year was (\$106,269.)

The Capital Projects Fund fund balance decreased by \$12,574,179 during the year. This was due to significant capital improvements made by the City.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted amounts by \$2,789,106 primarily due to sales tax revenues received in excess of projections. The City's total expenditures in the general fund were less than the budgeted amounts by \$292,306.

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 2011, net capital assets of the government activities totaled \$42.8 million and the net capital assets of the business-type activities totaled \$62.2 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had \$19 million in governmental type debt, and \$29.5 million in business-type debt. During the current fiscal year, the City's total debt decreased by \$3.3 million. (See note 6 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 2011-2012 budget. The primary factor was the stagnation of the economy, slight increase in sales tax, and other revenues being flat (no increases). The other major factor was the needs of the City and its employees.

These indicators were considered when adopting the budget for Fiscal Year 2011-2012. Amounts available for appropriation in the General Fund budget was basically no increase change in the budget from the prior year. With a small increase in revenues (for the Fiscal Year 2011-2012) expenditure should equal revenues.

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 Finance Director, City of Tolleson, 9555 West Van Buren, Tolleson , Arizona, 85252 or visit our website at www.tollesonaz.org.

BASIC FINANCIAL STATEMENTS

CITY OF TOLLESON, ARIZONA
Statement of Net Assets
June 30, 2011

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 8,004,874 | \$ 13,474,290 | \$ 21,479,164 |
| Cash with paying agent | 3,758,759 | - | 3,758,759 |
| Receivables (net of allowance) | 2,174,454 | 2,921,189 | 5,095,643 |
| Prepaid items/Inventory | 122,288 | 35,008 | 157,296 |
| Deferred charges | 447,465 | 215,867 | 663,332 |
| Temporarily restricted assets: | | | |
| Cash and cash equivalents | 3,032,892 | 318,861 | 3,351,753 |
| Capital assets (net of accumulated depreciation): | | | |
| Land | 1,842,981 | 2,914,685 | 4,757,666 |
| Buildings | 15,279,218 | 33,384,731 | 48,663,949 |
| Improvements | - | 12,169,424 | 12,169,424 |
| System improvements | - | - | - |
| Machinery and equipment | 3,689,226 | 13,330,715 | 17,019,941 |
| Vehicles | - | 372,305 | 372,305 |
| Infrastructure/Roads | 21,863,906 | - | 21,863,906 |
| Construction in progress | 101,586 | 12,789 | 114,375 |
| Total assets | <u>60,317,649</u> | <u>79,149,864</u> | <u>139,467,513</u> |
| Liabilities | | | |
| Accounts payable and other current liabilities | 1,034,926 | 764,328 | 1,799,254 |
| Interest payable | 833,759 | - | 833,759 |
| Unearned revenue | 75,000 | 6,699 | 81,699 |
| Matured debt principal payable | 2,925,000 | 357,802 | 3,282,802 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,074,050 | 2,696,799 | 3,770,849 |
| Due in more than one year | 17,979,279 | 26,854,502 | 44,833,781 |
| Total liabilities | <u>23,922,014</u> | <u>30,680,130</u> | <u>54,602,144</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 24,742,497 | 32,661,672 | 57,404,169 |
| Restricted for: | | | |
| General government | 207,967 | | 207,967 |
| Public safety | 24,167 | | 24,167 |
| Highways and streets | 24,349 | - | 24,349 |
| Debt service | 1,131,283 | 276,569 | 1,407,852 |
| Capital projects and other | 3,032,892 | - | 3,032,892 |
| Unrestricted | 7,232,480 | 15,531,493 | 22,763,973 |
| Total net assets | <u>\$ 36,395,635</u> | <u>\$ 48,469,734</u> | <u>\$ 84,865,369</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Activities
For the Year Ended June 30, 2011

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------|----------------------|----------------------------------|--------------------------------|---|--------------------------|----------------|
| | | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 3,854,836 | \$ 430,661 | \$ 166,731 | \$ 92,066 | \$ (3,165,378) | \$ - | \$ (3,165,378) |
| Public safety | 9,227,572 | 262,145 | 285,047 | 59,964 | (8,620,416) | - | (8,620,416) |
| Highways and streets | 3,587,171 | - | 5,709 | 716,266 | (2,865,196) | - | (2,865,196) |
| Economic development | 459,727 | - | - | - | (459,727) | - | (459,727) |
| Culture and recreation | 1,040,502 | 11,542 | 30,414 | - | (998,546) | - | (998,546) |
| Health and welfare | 868,049 | - | 337,509 | - | (530,540) | - | (530,540) |
| Interest on long-term debt | 1,695,159 | - | - | - | (1,695,159) | - | (1,695,159) |
| Total governmental activities | 20,733,016 | 704,348 | 825,410 | 868,296 | (18,334,962) | - | (17,804,422) |
| Business-type activities: | | | | | | | |
| Water | 4,314,393 | 4,994,285 | - | - | - | 679,892 | 679,892 |
| Wastewater and Sewer | 5,424,738 | 5,000,253 | - | 1,901,328 | - | 1,476,843 | 1,476,843 |
| Sanitation and Trash | 642,779 | 401,366 | - | - | - | (241,413) | (241,413) |
| Total business-type activities | 10,381,910 | 10,395,904 | - | 1,901,328 | - | 1,915,322 | 1,915,322 |
| Total primary government | \$ 31,114,926 | \$ 11,100,252 | \$ 825,410 | \$ 2,769,624 | | | |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales tax | | | | | 12,209,049 | - | 12,209,049 |
| Property tax | | | | | 6,438,876 | 332,735 | 6,771,611 |
| Auto lieu tax | | | | | 212,480 | - | 212,480 |
| Franchise tax | | | | | 47,098 | - | 47,098 |
| Motor vehicle tax | | | | | 373,815 | | |
| State revenue sharing | | | | | 632,468 | | |
| State sales taxes - revenue sharing (unrestricted) | | | | | 497,423 | | 497,423 |
| Other revenues | | | | | - | 129,072 | 129,072 |
| Unrestricted investment earnings | | | | | 25,425 | 20,363 | 45,788 |
| Transfers | | | | | (235,637) | 235,637 | - |
| Total general revenues & transfers | | | | | 20,200,997 | 717,807 | 19,912,521 |
| Change in net assets | | | | | 1,866,035 | 2,633,129 | 4,499,164 |
| Net assets - beginning | | | | | 14,476,131 | 65,890,074 | 80,366,205 |
| Prior period adjustment | | | | | 20,053,469 | (20,053,469) | - |
| Net assets - ending | | | | | \$ 36,395,635 | \$ 48,469,734 | \$ 84,865,369 |

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

CITY OF TOLLESON, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

| ASSETS | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total Non-major Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|-----------------------------|--------------------------------------|---|
| Cash and cash equivalents | \$ 4,583,698 | \$ 1,011,251 | \$ 332,801 | \$2,077,124 | \$ 8,004,874 |
| Cash with paying agent | - | 3,758,759 | - | - | 3,758,759 |
| Receivables: | | | | | |
| Accounts receivable | 42,423 | - | - | - | 42,423 |
| Taxes receivable | 77,079 | 139,212 | - | - | 216,291 |
| Intergovernmental receivable | 1,489,664 | 60,000 | - | 366,076 | 1,915,740 |
| Due from other funds | 165,000 | - | - | - | 165,000 |
| Prepaid items | 105,698 | - | - | 16,590 | 122,288 |
| Restricted assets | - | - | 3,032,892 | - | 3,032,892 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 6,463,562</u> | <u>\$ 4,969,222</u> | <u>\$ 3,365,693</u> | <u>\$2,459,790</u> | <u>\$ 17,258,267</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 169,326 | \$ - | \$ 162,677 | \$ 128,983 | \$ 460,986 |
| Accrued wages and benefits | 563,034 | - | - | 9,633 | 572,667 |
| Interest payable | - | 833,759 | - | - | 833,759 |
| Intergovernmental payable | 1,273 | - | - | - | 1,273 |
| Due to other funds | - | - | - | 165,000 | 165,000 |
| Deferred revenue | 37,272 | 79,180 | - | 75,000 | 191,452 |
| Matured debt principal payable | - | 2,925,000 | - | - | 2,925,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>770,905</u> | <u>3,837,939</u> | <u>162,677</u> | <u>378,616</u> | <u>5,150,137</u> |
| Fund balances: | | | | | |
| Nonspendable | | | | | |
| Prepaid items | 270,698 | - | - | 16,590 | 287,288 |
| Restricted | | | | | |
| General government | 207,967 | - | - | - | 207,967 |
| Public safety | 24,167 | - | - | - | 24,167 |
| Highways and streets | - | - | - | 24,349 | 24,349 |
| Debt service | - | 1,131,283 | - | - | 1,131,283 |
| Capital projects | - | - | 3,032,892 | - | 3,032,892 |
| Committed | | | | | |
| Capital projects | - | - | 170,124 | - | 170,124 |
| Assigned | | | | | |
| Public safety | - | - | - | 1,956,348 | 1,956,348 |
| Other purposes | 126,368 | - | - | 83,887 | 210,255 |
| Unassigned | 5,063,457 | - | - | - | 5,063,457 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>5,692,657</u> | <u>1,131,283</u> | <u>3,203,016</u> | <u>2,081,174</u> | <u>12,108,130</u> |
| | <u>\$ 6,463,562</u> | <u>\$ 4,969,222</u> | <u>\$ 3,365,693</u> | <u>\$2,459,790</u> | <u>\$ 17,258,267</u> |

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

CITY OF TOLLESON, ARIZONA
Reconciliation of Total Governmental Fund Balance
To Net Assets of Governmental Activities
June 30, 2011

| | | |
|---|---------------------|-----------------------------|
| Total governmental fund balances | | \$ 12,108,130 |
| <p>Amounts reported for governmental activities in the statement of net assets are different because:</p> | | |
| <p>Property taxes not collected within 60 days subsequent to fiscal year end are deferred in the governmental funds</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p> | | |
| Governmental capital assets | \$ 67,716,284 | |
| Less accumulated depreciation | <u>(24,939,367)</u> | 42,776,917 |
| <p>Other long term assets are not available to pay for current period expenditures:</p> | | |
| Deferred charges | | 447,465 |
| <p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p> | | |
| Bonds payable | (\$18,034,420) | |
| Compensated absences | <u>(1,018,909)</u> | (19,053,329) |
| <p>Some revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p> | | |
| | | <u>116,452</u> |
| Total net assets of governmental activities | | <u><u>\$ 36,395,635</u></u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

| | General | Debt Service | Capital Projects | Total Non-major Funds | Total Governmental Funds |
|---|---------------------|---------------------|---------------------|-----------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Sales taxes | \$ 9,941,891 | \$ 720,000 | \$ - | \$ 1,547,158 | \$ 12,209,049 |
| Property taxes | 2,642,431 | 3,765,708 | - | - | 6,408,139 |
| Franchise taxes | 47,098 | - | - | - | 47,098 |
| Intergovernmental revenue | 1,129,891 | - | - | 1,635,196 | 2,765,087 |
| Fines and forfeitures | 260,534 | - | - | - | 260,534 |
| Licenses and permits | 200,816 | - | - | - | 200,816 |
| Charges for services | 333,963 | - | - | - | 333,963 |
| Rents and royalties | 10,500 | - | - | - | 10,500 |
| Impact fees | - | - | 337,312 | - | 337,312 |
| Other revenues: | | | | | |
| Contributions and donations | 61,478 | - | - | - | 61,478 |
| Interest | 5,708 | 3,854 | 13,116 | 2,747 | 25,425 |
| Other | 144,196 | - | - | 356 | 144,552 |
| Total revenues | <u>14,778,506</u> | <u>4,489,562</u> | <u>350,428</u> | <u>3,185,457</u> | <u>22,803,953</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 3,414,644 | 3,312 | 143,754 | - | 3,561,710 |
| Public safety | 7,063,697 | - | 474,000 | 811,657 | 8,349,354 |
| Highways and streets | - | - | 1,464,265 | 790,430 | 2,254,695 |
| Culture and recreation | 891,109 | - | - | - | 891,109 |
| Economic development | 461,333 | - | - | - | 461,333 |
| Health and welfare | - | - | 300,000 | 561,195 | 861,195 |
| Debt service: | | | | | |
| Principal | - | 2,925,000 | - | - | 2,925,000 |
| Interest and fiscal charges | - | 1,667,519 | - | - | 1,667,519 |
| Capital outlay | 99,757 | - | 10,306,951 | 914,601 | 11,321,309 |
| Total expenditures | <u>11,930,540</u> | <u>4,595,831</u> | <u>12,688,970</u> | <u>3,077,883</u> | <u>32,293,224</u> |
| Excess of revenues over (under) expenditures | 2,847,966 | (106,269) | (12,338,542) | 107,574 | (9,489,271) |
| Other financing sources (uses): | | | | | |
| Transfers out | (511,785) | - | (235,637) | - | (747,422) |
| Transfers in | - | - | - | 511,785 | 511,785 |
| Debt issued | - | - | - | - | - |
| Premium on debt issued | - | - | - | - | - |
| Sale of assets | 99,025 | - | - | - | 99,025 |
| Total other financing sources (uses) | <u>(412,760)</u> | <u>-</u> | <u>(235,637)</u> | <u>511,785</u> | <u>(136,612)</u> |
| Net change in fund balance | 2,435,206 | (106,269) | (12,574,179) | 619,359 | (9,625,883) |
| Fund balance, beginning of year | <u>3,257,451</u> | <u>1,237,552</u> | <u>15,777,195</u> | <u>1,461,815</u> | <u>21,734,013</u> |
| Fund balance, end of year | <u>\$ 5,692,657</u> | <u>\$ 1,131,283</u> | <u>\$ 3,203,016</u> | <u>\$ 2,081,174</u> | <u>\$ 12,108,130</u> |

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

CITY OF TOLLESON, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
To The Statement of Activities
For the Year Ended June 30, 2011

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

| | | |
|---|----|-------------------------|
| Net change in fund balances - total governmental funds | \$ | (9,625,883) |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p> | | |
| Capital outlay | \$ | 10,577,704 |
| Depreciation expense | | <u>(1,797,678)</u> |
| | | 8,780,026 |
| <p>The statement of of activities reports gains arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of fixed assets.</p> | | |
| | | (273,169) |
| <p>Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these items are deferred and amortized over th e term of the long-term debt in the statement of activities.</p> | | |
| | | (68,642) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue in the statement of activities.</p> | | |
| | | 30,735 |
| <p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p> | | |
| | | 2,966,001 |
| <p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| | | <u>56,967</u> |
| Change in net assets of governmental activities | \$ | <u><u>1,866,035</u></u> |

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | Original | Final | Actual | Variance with Final Budget |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------------------|
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 7,000,000 | \$ 7,000,000 | \$ 9,941,891 | \$ 2,941,891 |
| Property taxes | 2,611,250 | 2,611,250 | 2,642,431 | 31,181 |
| Franchise taxes | 49,000 | 49,000 | 47,098 | (1,902) |
| Intergovernmental revenue | 1,230,000 | 1,230,000 | 1,129,891 | (100,109) |
| Fines and forfeitures | 251,700 | 251,700 | 260,534 | 8,834 |
| Licenses and permits | 272,000 | 272,000 | 200,816 | (71,184) |
| Charges for services | 425,190 | 425,190 | 333,963 | (91,227) |
| Rents and royalties | 10,500 | 10,500 | 10,500 | - |
| Other revenues: | | | | |
| Contributions and donations | 52,000 | 52,000 | 61,478 | 9,478 |
| Interest | 7,110 | 7,110 | 5,708 | (1,402) |
| Other | 80,650 | 80,650 | 144,196 | 63,546 |
| Total revenues | <u>11,989,400</u> | <u>11,989,400</u> | <u>14,778,506</u> | <u>2,789,106</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Mayor and council | 256,120 | 256,120 | 253,249 | 2,871 |
| City management | 551,535 | 551,535 | 631,507 | (79,972) |
| City clerk | 251,971 | 251,971 | 226,728 | 25,243 |
| Human resources | 167,851 | 167,851 | 208,390 | (40,539) |
| City magistrate | 396,079 | 396,079 | 380,054 | 16,025 |
| Finance | 405,248 | 405,248 | 448,768 | (43,520) |
| Fields operations | 243,256 | 243,256 | 230,886 | 12,370 |
| Public works - grounds maintenance | 321,925 | 321,925 | 292,280 | 29,645 |
| Public works - buildings maintenance | 238,900 | 238,900 | 289,369 | (50,469) |
| Information technology | 202,412 | 202,412 | 206,782 | (4,370) |
| Non-profit donations | 23,000 | 23,000 | 19,695 | 3,305 |
| TQM steering committee | 45,500 | 45,500 | 39,288 | 6,212 |
| Contingency | 50,400 | 50,400 | 50,400 | - |
| Community service | 70,697 | 70,697 | 66,947 | 3,750 |
| Judicial collection | 137,091 | 137,091 | 70,301 | 66,790 |
| Total general government | <u>3,361,985</u> | <u>3,361,985</u> | <u>3,414,644</u> | <u>(52,659)</u> |
| Public safety: | | | | |
| Police administration | 192,036 | 192,036 | 194,357 | (2,321) |
| Police dispatching | 864,981 | 864,981 | 775,166 | 89,815 |
| Police investigations | 381,118 | 381,118 | 476,562 | (95,444) |
| Police field operations | 2,181,080 | 2,181,080 | 2,022,015 | 159,065 |
| Fire administration | 240,631 | 240,631 | 228,727 | 11,904 |
| Fire operations | 2,911,832 | 2,911,832 | 2,911,717 | 115 |
| Public works - building inspection | 395,516 | 395,516 | 405,493 | (9,977) |
| Impound | 61,726 | 61,726 | 49,660 | 12,066 |
| Total public safety | <u>7,228,920</u> | <u>7,228,920</u> | <u>7,063,697</u> | <u>165,223</u> |

(continued)

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011 (Continued)

| | | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| Culture and recreation: | | | | |
| Library | 320,992 | 320,992 | 319,084 | 1,908 |
| Parks and recreation | 208,672 | 208,672 | 178,862 | 29,810 |
| Boys and girls club | 142,400 | 142,400 | 128,784 | 13,616 |
| Teen council | 125,647 | 125,647 | 114,317 | 11,330 |
| City promotion | 115,050 | 115,050 | 150,062 | (35,012) |
| Total culture and recreation | <u>912,761</u> | <u>912,761</u> | <u>891,109</u> | <u>21,652</u> |
| Economic development: | | | | |
| Community revitalization | 292,201 | 292,201 | 236,458 | 55,743 |
| Planning and engineering | 325,234 | 325,234 | 224,875 | 100,359 |
| Total economic development | <u>617,435</u> | <u>617,435</u> | <u>461,333</u> | <u>156,102</u> |
| Capital outlay | <u>101,745</u> | <u>101,745</u> | <u>99,757</u> | <u>1,988</u> |
| Total expenditures | <u>12,222,846</u> | <u>12,222,846</u> | <u>11,930,540</u> | <u>292,306</u> |
| Excess of revenues over (under) expenditures | (233,446) | (233,446) | 2,847,966 | 3,081,412 |
| Other financing sources (uses): | | | | |
| Transfers out | (845,583) | (845,583) | (511,785) | 333,798 |
| Transfers in | 520,000 | 520,000 | - | (520,000) |
| Sale of assets | 3,500 | 3,500 | 99,025 | 95,525 |
| Total other financing sources (uses) | <u>(322,083)</u> | <u>(322,083)</u> | <u>(412,760)</u> | <u>(90,677)</u> |
| Net change in fund balance | (555,529) | (555,529) | 2,435,206 | 2,990,735 |
| Fund balance, beginning of year | <u>3,257,451</u> | <u>3,257,451</u> | <u>3,257,451</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 2,701,922</u> | <u>\$ 2,701,922</u> | <u>\$ 5,692,657</u> | <u>\$ 2,990,735</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

| ASSETS | <u>Water</u> | <u>Sanitation and Trash</u> | <u>Wastewater and Sewer</u> | <u>Totals</u> |
|--|---------------------|---------------------------------|---------------------------------|----------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 1,798,169 | \$ 104,528 | \$ 11,571,593 | \$ 13,474,290 |
| Receivables: | | | | |
| Accounts receivable | 722,553 | 39,748 | 1,814,505 | 2,576,806 |
| Taxes receivable | 98,446 | - | 10,300 | 108,746 |
| Intergovernmental receivable | - | - | - | - |
| Settlement receivable | - | - | 235,637 | 235,637 |
| Prepaid items | 11,065 | 2,884 | 21,059 | 35,008 |
| Due from other funds | - | - | - | - |
| Restricted assets | 42,292 | - | 276,569 | 318,861 |
| Total current assets | <u>2,672,525</u> | <u>147,160</u> | <u>13,929,663</u> | <u>16,749,348</u> |
| Noncurrent assets: | | | | |
| Deferred charges | 22,640 | - | 193,227 | 215,867 |
| Capital assets: | | | | |
| Non-depreciable | 121,070 | - | 2,806,404 | 2,927,474 |
| Depreciable, net | 8,810,452 | 158,360 | 50,288,363 | 59,257,175 |
| Total noncurrent assets | <u>8,954,162</u> | <u>158,360</u> | <u>53,287,994</u> | <u>62,400,516</u> |
| Total assets | <u>11,626,687</u> | <u>305,520</u> | <u>67,217,657</u> | <u>79,149,864</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Current liabilities: | | | | |
| Accounts payable | 288,616 | 14,334 | 214,777 | 517,727 |
| Accrued wages and benefits | 11,626 | 3,496 | 23,972 | 39,094 |
| Interest payable | - | - | 136,155 | 136,155 |
| Intergovernmental payable | 28,693 | - | 367 | 29,060 |
| Customer deposits payable | 42,292 | - | - | 42,292 |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | 6,699 | 6,699 |
| Matured loans payable | - | - | 357,802 | 357,802 |
| Compensated absences - current portion | 22,249 | 3,719 | 51,257 | 77,225 |
| Total current liabilities | <u>393,476</u> | <u>21,549</u> | <u>791,029</u> | <u>1,206,054</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences, net of current portion | 88,995 | 14,876 | 205,030 | 308,901 |
| Bonds payable, net of deferred charges | 4,160,408 | - | 16,108,928 | 20,269,336 |
| Loans payable | - | - | 8,895,839 | 8,895,839 |
| Total noncurrent liabilities | <u>4,249,403</u> | <u>14,876</u> | <u>25,209,797</u> | <u>29,474,076</u> |
| Total liabilities | <u>4,642,879</u> | <u>36,425</u> | <u>26,000,826</u> | <u>30,680,130</u> |
| Net assets: | | | | |
| Invested in capital assets, net of related debt | 4,771,114 | 158,360 | 27,732,198 | 32,661,672 |
| Restricted for WIFA loan | - | - | 276,569 | 276,569 |
| Unrestricted | 2,212,694 | 110,735 | 13,208,064 | 15,531,493 |
| Total net assets | <u>\$ 6,983,808</u> | <u>\$ 269,095</u> | <u>\$ 41,216,831</u> | <u>\$ 48,469,734</u> |

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

CITY OF TOLLESON, ARIZONA
Statement Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

| | Water | Sanitation and Trash | Wastewater and Sewer | Totals |
|--|---------------------|-------------------------|-------------------------|----------------------|
| Operating revenues: | | | | |
| Charges for services | \$ 4,994,285 | \$ 401,366 | \$ 5,000,253 | \$ 10,395,904 |
| Total operating revenues | <u>4,994,285</u> | <u>401,366</u> | <u>5,000,253</u> | <u>10,395,904</u> |
| Operating expenses: | | | | |
| Cost of sales and service | 3,932,521 | 610,416 | 3,671,394 | 8,214,331 |
| Depreciation | 381,872 | 32,363 | 1,356,167 | 1,770,402 |
| Total operating expenses | <u>4,314,393</u> | <u>642,779</u> | <u>5,027,561</u> | <u>9,984,733</u> |
| Operating income (loss) | <u>679,892</u> | <u>(241,413)</u> | <u>(27,308)</u> | <u>411,171</u> |
| Non-operating revenues (expenses): | | | | |
| Property taxes | - | - | 332,735 | 332,735 |
| Intergovernmental | - | - | - | - |
| Interest income | 2,640 | 55 | 17,668 | 20,363 |
| Interest expense | - | - | (257,916) | (257,916) |
| Miscellaneous revenues | 673 | 72 | 128,327 | 129,072 |
| Gain (loss) on disposal of assets | - | - | (139,261) | (139,261) |
| Total non-operating revenues (expenses) | <u>3,313</u> | <u>127</u> | <u>81,553</u> | <u>84,993</u> |
| Income (loss) before contributions and transfers | 683,205 | (241,286) | 54,245 | 496,164 |
| Capital contributions | - | - | 1,901,328 | 1,901,328 |
| Transfers out | (250,000) | - | - | (250,000) |
| Transfers in | - | 250,000 | 235,637 | 485,637 |
| Change in net assets | 433,205 | 8,714 | 2,191,210 | 2,633,129 |
| Total net assets, beginning of year | 10,688,371 | 260,381 | 54,941,322 | 65,890,074 |
| Prior period adjustments | <u>(4,137,768)</u> | <u>-</u> | <u>(15,915,701)</u> | <u>(20,053,469)</u> |
| Total net assets, end of year | <u>\$ 6,983,808</u> | <u>\$ 269,095</u> | <u>\$ 41,216,831</u> | <u>\$ 48,469,734</u> |

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

CITY OF TOLLESON, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2011

| | Business-type Activities - Enterprise Funds | | | |
|--|---|----------------------------|-----------------------------|-----------------------------|
| | Water | Sanitation and Trash | Wastewater and Sewer | Totals |
| Cash Flows From Operating Activities: | | | | |
| Cash received from customers, service fees | \$ 4,944,611 | \$ 417,474 | \$ 4,938,734 | \$ 10,300,819 |
| Cash paid to employees | (893,679) | (372,978) | (1,864,356) | (3,131,013) |
| Cash paid to suppliers | (3,043,615) | (235,843) | (3,099,529) | (6,378,987) |
| Cash received from miscellaneous sources | 673 | 72 | 128,327 | 129,072 |
| Net cash flows from operating activities | <u>1,007,990</u> | <u>(191,275)</u> | <u>103,176</u> | <u>919,891</u> |
| Cash Flows From Noncapital and Related Financing Activities: | | | | |
| Cash received from property taxes | - | - | 332,735 | 332,735 |
| Cash received from from other funds | - | 250,000 | 235,637 | 485,637 |
| Cash transferred to other funds | (250,000) | - | - | (250,000) |
| Cash collected from settlement | - | - | 2,023,622 | 2,023,622 |
| Net cash flows from noncapital and related financing activities | <u>(250,000)</u> | <u>250,000</u> | <u>2,591,994</u> | <u>2,591,994</u> |
| Cash Flows From Capital and Related Financing Activities: | | | | |
| Capital contributions | - | - | 1,901,328 | 1,901,328 |
| Principal paid on long term debt | - | - | (346,359) | (346,359) |
| Interest paid on long term debt | - | - | (190,947) | (190,947) |
| Purchases of capital assets | (52,574) | - | (2,841,845) | (2,894,419) |
| Net cash flows from capital and related financing activities | <u>(52,574)</u> | <u>-</u> | <u>(1,477,823)</u> | <u>(1,530,397)</u> |
| Cash Flows From Investing Activities: | | | | |
| Interest on investments | 2,640 | 56 | 17,668 | 20,364 |
| Net change in cash and cash equivalents | 708,056 | 58,781 | 1,235,015 | 2,001,852 |
| Cash and cash equivalents, including restricted cash, beginning of year | <u>1,132,405</u> | <u>45,747</u> | <u>10,613,147</u> | <u>11,791,299</u> |
| Cash and cash equivalents, including restricted cash, end of year | <u><u>\$ 1,840,461</u></u> | <u><u>\$ 104,528</u></u> | <u><u>\$ 11,848,162</u></u> | <u><u>\$ 13,793,151</u></u> |
| Reconciliation of operating income to net cash flows from operating activities: | | | | |
| Operating income (loss) | \$ 679,892 | \$ (241,413) | \$ (27,308) | \$ 411,171 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation/amortization | 381,872 | 32,363 | 1,356,167 | 1,770,402 |
| (Gain) loss on sale of assets | - | - | 139,261 | 139,261 |
| Cash received from miscellaneous sources | 673 | 72 | 128,327 | 129,072 |
| Changes in operating assets and liabilities: | | | | |
| (Increase) decrease in receivables | (49,616) | 16,108 | (68,218) | (101,726) |
| (Increase) decrease in prepaid expenses | (2,247) | 4,103 | (2,101) | (245) |
| Increase (decrease) in accounts payable | 7,627 | (3,568) | (1,513,826) | (1,509,767) |
| Increase (decrease) in accrued wages and benefits | 2,952 | (1,023) | 6,986 | 8,915 |
| Increase (decrease) in interest payable | - | - | 66,969 | 66,969 |
| Increase (decrease) in deferred revenue | - | - | 6,699 | 6,699 |
| Increase (decrease) in intergovernmental payable | (18,281) | - | (27) | (18,308) |
| Increase (decrease) in compensated absences payable | 5,176 | 2,083 | 10,247 | 17,506 |
| Increase (decrease) in customer deposits payable | (58) | - | - | (58) |
| Net cash flows from operating activities | <u><u>\$ 1,007,990</u></u> | <u><u>\$ (191,275)</u></u> | <u><u>\$ 103,176</u></u> | <u><u>\$ 919,891</u></u> |

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

General

The accompanying financial statements include all activities of the City of Tolleson, Arizona (the City). The accounting policies of the City conform to U.S. generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The city is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of the other state and local governments. 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, although legally separate entities, are in, substance, part of the City's operations.

Included within the reporting entity:

The Tolleson Municipal Facilities Corporation 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Exceptions to this general rule occur when elimination of charges between funds would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

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, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the debt service fund.

Property taxes, sales taxes, state shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental funds:

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

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

The **Capital Projects Fund** is used to account for major capital projects of the City and includes proceeds and expenditures of impact fees.

The City reports the following major proprietary funds:

The **Water Fund** account for activities related to the City's water operations.

The **Sanitation and Trash Fund** accounts for the activities of the City's sanitation operations.

The **Wastewater Treatment and Sewer Fund** accounts fro the activities of the City's wastewater treatment and sewer operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 the proprietary funds are charges to customers for sales and services.

Operating expenses for the proprietary 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.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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 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.

Receivables

All trade receivables are shown net of an allowance for uncollectibles.

Maricopa County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Taxes

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Inventories and Prepaid Items

Inventories are recorded as expenditures at the time of purchase, and because the amounts on hand at June 30, 2011 were immaterial, they are not included in the government-wide and fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants

Customer deposits are classified as restricted assets because their use is limited.

Capital Assets

Capital assets, which include property, plant, infrastructure, furniture, equipment and vehicles are reported in the governmental and business-type activities column in the government-wide financial statements as applicable and the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Property, plant, furniture, infrastructure, equipment and vehicles purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

| | |
|-----------------------------------|---------------|
| Building and improvements | 40 years |
| Water Plant | 50 Years |
| Sewer Plant | 50 Years |
| Furniture, Equipment and Vehicles | 5 to 20 years |
| Infrastructure | 50 Years |

The City capitalized all of its existing infrastructure at estimated historical cost after adoption of GASB Statement 34.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

The liability for compensated absences reported in the fund financial statements and 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 are included.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column on the statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Assets and Fund Equity

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net assets and is displayed in three components as follows:

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets are net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 2. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental 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 a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total 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. 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 Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
5. Formal budgetary integration is employed as a management control device during the year for all funds 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.

No Supplementary budgetary appropriations were necessary during the year.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 2. Stewardship, Compliance, and Accountability, Continued

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 present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2011, if any.

Highway User Revenue Funds

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

Note 3. Deposits and Investments

Deposits and investments of the City at June 30, 2011 consist of the following:

| | |
|-----------------------------------|----------------------|
| Deposits: | |
| Cash on Hand | \$ 1,450 |
| Cash in Bank | 330,454 |
| Cash on Deposit with Paying Agent | 3,758,759 |
| Investments | |
| Investment Sweep Account | 6,549,851 |
| Local Government Investment Pool | 17,949,162 |
| | <u>\$ 28,589,676</u> |

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

| | |
|--------------------------------------|----------------------|
| Cash and cash equivalents | \$ 21,479,164 |
| Restricted cash and cash equivalents | 3,351,753 |
| Cash on Deposit with Paying Agent | 3,758,759 |
| | <u>\$ 28,589,676</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 3. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2011, none of the City's bank balance of \$474,051 was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Investments

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

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

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

As of June 30, 2011 the government had the following investments and maturities:

| Investment Type | Fair Value | Investments Maturities (in Years) | | | |
|-----------------------------------|---------------------|-----------------------------------|-------------|-------------|--------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Sweep Account (US Gov Securities) | \$ 6,549,851 | \$ 6,549,851 | \$ - | \$ - | \$ - |
| Government Investment Pool | 17,949,162 | 17,949,162 | - | - | - |
| Total Fair Value | \$24,499,013 | \$24,499,013 | \$ - | \$ - | \$ - |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 3. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). The City limits its credit risk by only investing in U.S. government securities, the State Treasurer's Investment Pool or insured or collateralized investments.

At June 30, 2011 the City had the following investments and quality ratings:

| Investment Type | Fair Value | Quality Ratings | | | |
|-----------------------------------|---------------------|---------------------|-------------|-------------|---------------------|
| | | AAA | AA | A | Unrated |
| Sweep Account (US Gov Securities) | \$ 6,549,851 | \$ 6,549,851 | \$ - | \$ - | \$ - |
| Government Investment Pool | 17,949,162 | - | - | - | 17,949,162 |
| Total Fair Value | \$24,499,013 | \$ 6,549,851 | \$ - | \$ - | \$17,949,162 |

Note 4. Restricted Assets

Restricted assets consisted of the following at June 30, 2011:

Governmental Activities:

Capital Project Funds:

| | |
|-------------------------------|---------------------|
| Reserved for capital outlay | 3,032,892 |
| Total Governmental Activities | <u>\$ 3,032,892</u> |

Business-Type Activities:

Water Fund:

| | |
|-------------------|-----------|
| Customer deposits | \$ 42,292 |
|-------------------|-----------|

Wastewater and Sewer Fund:

| | |
|--------------------------------|-------------------|
| WIFA Loan Reserve | 276,569 |
| Total Business-Type Activities | <u>\$ 318,861</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 5. Capital Assets

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

| Governmental Activities: | Balance 6/30/2010 | Additions | Deletions | Balance 6/30/2011 |
|--|------------------------------|---------------------|------------------------|------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,808,622 | \$ 121,359 | \$ (87,000) | \$ 1,842,981 |
| Construction in progress | 7,532,681 | 8,972,376 | (16,403,471) | 101,586 |
| Total capital assets, not being depreciated | <u>9,341,303</u> | <u>9,093,735</u> | <u>(16,490,471)</u> | <u>1,944,567</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 4,192,267 | 13,330,088 | (320,000) | 17,202,355 |
| Furniture, Equipment, and Vehicles | 4,860,963 | 2,576,336 | (174,896) | 7,262,403 |
| Infrastructure | 39,221,028 | 2,195,061 | (109,126) | 41,306,963 |
| Total capital assets, being depreciated | <u>48,274,258</u> | <u>18,101,485</u> | <u>(604,022)</u> | <u>65,771,721</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,130,536) | (92,751) | 300,150 | (1,923,137) |
| Furniture, Equipment, and Vehicles | (3,349,198) | (396,499) | 172,520 | (3,573,177) |
| Infrastructure | (18,079,803) | (1,399,915) | 36,661 | (19,443,057) |
| Total accumulated depreciation | <u>(23,559,537)</u> | <u>(1,889,165)</u> | <u>509,331</u> | <u>(24,939,371)</u> |
| Total capital assets, being depreciated, net | <u>24,714,721</u> | <u>16,212,320</u> | <u>(94,691)</u> | <u>40,832,350</u> |
| Governmental activities capital assets, net | <u>\$ 34,056,024</u> | <u>\$25,306,055</u> | <u>\$ (16,585,162)</u> | <u>\$ 42,776,917</u> |

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

| Governmental Activities: | |
|--|---------------------|
| General government | \$ 123,931 |
| Public safety | 238,009 |
| Highways and Streets | 1,364,883 |
| Culture & recreation | 152,492 |
| Health and Welfare | 9,850 |
| Total depreciation expense - governmental activities | <u>\$ 1,889,165</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 5. Capital Assets, Continued

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

| Business Type Activities: | Balance 6/30/2010 | Additions | Deletions | Balance 6/30/2011 |
|--|------------------------------|----------------------|-----------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,914,685 | \$ - | \$ - | \$ 2,914,685 |
| Construction in progress | 24,207,511 | 20,099,680 | (44,294,402) | 12,789 |
| Total capital assets, not being depreciated | <u>27,122,196</u> | <u>20,099,680</u> | <u>(44,294,402)</u> | <u>2,927,474</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 21,475,562 | 20,738,987 | (56,848) | 42,157,701 |
| Improvements other than buildings | 15,566,791 | 1,477,826 | - | 17,044,617 |
| Machinery and equipment | 23,700,147 | 7,718,407 | (1,742,963) | 29,675,591 |
| Vehicles | 1,458,164 | 9,946 | (39,829) | 1,428,281 |
| Total capital assets, being depreciated | <u>62,200,664</u> | <u>29,945,166</u> | <u>(1,839,640)</u> | <u>90,306,190</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (8,167,231) | (641,554) | 35,815 | (8,772,970) |
| Improvements other than buildings | (4,568,009) | (307,184) | - | (4,875,193) |
| Machinery and equipment | (16,793,029) | (756,155) | 1,204,308 | (16,344,876) |
| Vehicles | (1,030,293) | (65,509) | 39,826 | (1,055,976) |
| Total accumulated depreciation | <u>(30,558,562)</u> | <u>(1,770,402)</u> | <u>1,279,949</u> | <u>(31,049,015)</u> |
| Total capital assets, being depreciated, net | <u>31,642,102</u> | <u>28,174,764</u> | <u>(559,691)</u> | <u>59,257,175</u> |
| Business-type activities capital assets, net | <u>\$ 58,764,298</u> | <u>\$ 48,274,444</u> | <u>\$(44,854,093)</u> | <u>\$ 62,184,649</u> |

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

| Business-Type Activities: | |
|---|---------------------|
| Wastewater & Sewer | 1,356,167 |
| Water | 381,872 |
| Sanitation & Trash | 32,363 |
| Total depreciation expense - business-type activities | <u>\$ 1,770,402</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

| | Balance 6/30/2010 | Additions | Retirements | Reclassification * | Balance 6/30/2011 | Due Within One Year |
|----------------------------------|----------------------|-------------------|-----------------------|------------------------|----------------------|------------------------|
| Governmental Activities: | | | | | | |
| Bonds payable | \$ 40,935,000 | \$ - | \$ (2,925,000) | \$ (20,146,200) | \$ 17,863,800 | \$ 870,050 |
| Plus (Less) deferred amounts: | | | | | | |
| Bond premiums | 404,920 | - | (64,392) | (169,908) | 170,620 | - |
| Deferred charges | (70,160) | - | 23,388 | 46,772 | - | - |
| Total bonds payable | <u>41,269,760</u> | <u>-</u> | <u>(2,966,004)</u> | <u>(20,269,336)</u> | <u>18,034,420</u> | <u>870,050</u> |
| Accrued compensated absences | <u>1,075,873</u> | <u>350,369</u> | <u>(407,333)</u> | <u>-</u> | <u>1,018,909</u> | <u>204,000</u> |
| Total Governmental Activities | <u>\$ 42,345,633</u> | <u>\$ 350,369</u> | <u>\$ (3,373,337)</u> | <u>\$ (20,269,336)</u> | <u>\$ 19,053,329</u> | <u>\$ 1,074,050</u> |
| Business-Type Activities: | | | | | | |
| Bonds payable | \$ - | \$ - | \$ - | \$ 20,146,200 | \$ 20,146,200 | \$ 2,249,950 |
| Plus(Less) deferred amounts: | | | | | | |
| Bond premiums | - | - | - | 169,908 | 169,908 | - |
| Deferred charges | - | - | - | (46,772) | (46,772) | - |
| Total bonds payable | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,269,336</u> | <u>20,269,336</u> | <u>2,249,950</u> |
| Loans payable | <u>9,253,641</u> | <u>-</u> | <u>(357,802)</u> | <u>-</u> | <u>8,895,839</u> | <u>369,624</u> |
| Accrued compensated absences | <u>368,620</u> | <u>106,680</u> | <u>(89,174)</u> | <u>-</u> | <u>386,126</u> | <u>77,225</u> |
| Total Business-Type Activities | <u>\$ 9,622,261</u> | <u>\$ 106,680</u> | <u>\$ (446,976)</u> | <u>\$ 20,269,336</u> | <u>\$ 29,551,301</u> | <u>\$ 2,696,799</u> |
| Total Long-Term Liabilities | <u>\$ 51,967,894</u> | <u>\$ 457,049</u> | <u>\$ (3,820,313)</u> | <u>\$ -</u> | <u>\$ 48,604,630</u> | <u>\$ 3,770,849</u> |

* See note 11

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2011:

| | <u>Business Type</u> | <u>Governmental</u> | <u>Total</u> |
|--|----------------------|---------------------|------------------------|
| Loans Payable | | | |
| Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. | \$ 5,189,239 | \$ - | \$ 5,189,239 |
| Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. | 3,706,600 | - | 3,706,600 |
| Total Loans Payable | <u>8,895,839</u> | <u>-</u> | <u>8,895,839</u> |
| Bonds Payable: | | | |
| General Obligation Bonds, Series 2003, due in annual principal and semi-annual interest installments ranging from \$35,844 to \$332,831, bearing interest at 2.5% to 4.0%, maturing on July 1, 2017. | \$ 9,843,450 | \$ 2,131,550 | \$ 11,975,000 |
| General Obligation Refunding Bonds, Series 2004, due in annual principal installments from FY06 to FY10 and a final installment in FY14 and semi-annual interest installments ranging from \$17,775 to \$76,963, bearing interest at 3.5% to 5.0%, maturing on July 1, 2013. | 790,000 | - | 790,000 |
| General Obligation Bonds, Series 2006, due in annual principal and semi-annual interest installments ranging from \$11,000 to \$290,200, bearing interest at 4.0%, maturing on July 1, 2021. | 7,922,750 | 3,902,250 | 11,825,000 |
| Public Safety and Excise Tax Revenue Bonds, Series 2009, due in annual principal and semi-annual interest installments ranging from \$16,875 to \$193,505, bearing interest at 2.0% to 5.0%, maturing on July 1, 2029. | - | 8,455,000 | 8,455,000 |
| General Obligation Bonds, Series 2009A, due in annual principal and semi-annual interest installments ranging from \$7,053 to \$72,591, bearing interest at 3.0% to 5.0%, maturing on July 1, 2029. | - | 3,375,000 | 3,375,000 continued |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 6. Long-Term Debt, Continued

| | <u>Business Type</u> | <u>Governmental</u> | <u>Total</u> |
|---|----------------------|---------------------|-------------------|
| Water and Sewer General Obligation Bonds, Series 1998, due in annual principal installments besides FY11 and FY14 and semi-annual interest installments ranging from \$18,788 to \$66,760, bearing interest at 4.2% to 6.2%, maturing July 1, 2014. | 1,590,000 | - | 1,590,000 |
| Total Bonds Payable | 20,146,200 | 17,863,800 | 38,010,000 |
| Accrued compensated absences | 386,126 | 1,018,909 | 1,405,035 |
| Bond Premiums | 169,908 | 170,620 | 340,528 |
| Deferred Charges | (46,772) | - | (46,772) |
| Total Long-Term Debt | 29,551,301 | 19,053,329 | 48,604,630 |
| Less Current Portion: | (2,619,574) | \$ (870,050) | (3,489,624) |
| Net Long-Term Debt | <u>\$ 26,931,727</u> | <u>18,183,279</u> | <u>45,115,006</u> |

Debt service requirements on long-term debt at June 30, 2011 are as follows:

| Fiscal Year Ended June 30 | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
|------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2012 | \$ 870,050 | \$ 771,500 | \$ 2,619,574 | \$ 1,103,462 |
| 2013 | 886,450 | 743,367 | 2,760,387 | 1,003,782 |
| 2014 | 918,670 | 712,249 | 2,895,782 | 892,073 |
| 2015 | 1,083,770 | 677,093 | 2,873,715 | 774,812 |
| 2016 | 1,116,060 | 634,707 | 2,984,888 | 662,699 |
| 2017-2021 | 6,443,800 | 2,336,706 | 10,308,986 | 1,731,895 |
| 2022-2026 | 3,760,000 | 1,233,118 | 2,732,717 | 584,994 |
| 2027-2031 | 2,785,000 | 275,868 | 1,865,990 | 124,639 |
| Totals | <u>\$ 17,863,800</u> | <u>\$ 7,384,608</u> | <u>\$ 29,042,039</u> | <u>\$ 6,878,356</u> |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

| Fund | Due from Other Funds | Due to Other Funds |
|-----------------|-------------------------|-----------------------|
| General Fund | \$ 165,000 | \$ - |
| Nonmajor funds: | | |
| Grants fund | - | 165,000 |
| Total | \$ 165,000 | \$ 165,000 |

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2011 are as follows:

| | Transfers In | | | Total |
|---------------------|--------------|--------------------|--------------------|------------|
| | Nonmajor | Wastewater Fund | Sanitation Fund | |
| Transfers Out: | | | | |
| General Fund | \$ 511,785 | \$ - | \$ - | \$ 511,785 |
| Capital Projects | - | 235,637 | - | 235,637 |
| Water Fund | - | - | 250,000 | 250,000 |
| Total transfers out | \$ 511,785 | \$ 235,637 | \$ 250,000 | \$ 997,422 |

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. www.azasrs.gov

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement, and 0.25 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

| Year Ended June 30, | Retirement Fund | Health Benefit Supplement Fund | Long-Term Disability Fund |
|------------------------|--------------------|-----------------------------------|------------------------------|
| 2009 | \$ 470,669 | \$ 56,551 | \$ 29,454 |
| 2010 | 505,407 | 39,996 | 24,240 |
| 2011 | 488,431 | 31,984 | 13,552 |

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575. www.psprs.com

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Retirement and Pension Plans, Continued

Funding Policy - For the current fiscal year, active PSPRS members were required by statute to contribute 8.00 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 14.40 percent for police and 14.2 percent for fire of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.07 percent for police and .82 percent for fire.

Actuarial Methods and Assumptions - The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2011 were established by the June 30, 2009 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 to 8.50 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 27 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans 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 presented as required supplementary information on page 52 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.

Annual Pension/OPEB Cost - During the year ended June 30, 2011 the City's annual pension cost of \$317,272 for police and \$304,177 for fire and the annual OPEB cost of \$21,393 for police and \$18,577 for fire was equal to the City's required and actual contributions.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Retirement and Pension Plans, Continued

Annual pension and OPEB cost information for the current and 2 preceding years were as follows:

| Police | | | | |
|------------------|------------------------|---------------------------------|---|------------------------------------|
| Plan | Year Ended June 30, | Annual Pension/ OPEB Cost | Percentage of Annual Cost Contributed | Net Pension/ OPEB Obligation |
| Pension | 2009 | \$ 291,443 | 100% | \$ - |
| | 2010 | 256,196 | 100% | - |
| | 2011 | 317,272 | 100% | - |
| Health Insurance | 2009 | \$ 20,789 | 100% | \$ - |
| | 2010 | 21,242 | 100% | - |
| | 2011 | 21,393 | 100% | - |

| Fire | | | | |
|------------------|------------------------|---------------------------------|---|------------------------------------|
| Plan | Year Ended June 30, | Annual Pension/ OPEB Cost | Percentage of Annual Cost Contributed | Net Pension/ OPEB Obligation |
| Pension | 2009 | \$ 316,161 | 100% | \$ - |
| | 2010 | 298,054 | 100% | - |
| | 2011 | 304,177 | 100% | - |
| Health Insurance | 2009 | \$ 17,535 | 100% | \$ - |
| | 2010 | 19,141 | 100% | - |
| | 2011 | 18,577 | 100% | - |

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 9. Risk Management

The City of Tolleson, Arizona, 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 premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 10. Contingent Liabilities and Commitments

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

Note 11. Prior Period Adjustment – Reclassification of General Obligation Bonds

In previous periods, the City issued general obligation bonds and used the proceeds from the issuance of the bonds to construct governmental and business type assets. When the business type assets were fully constructed, the assets were contributed to the business type funds. In the years the City contributed the assets to the business type funds, the general obligation debt associated with the construction of the assets was not transferred to the business type funds. Therefore, a prior period adjustment was posted in the current period to reclassify a portion of the general obligation debt to the appropriate business type funds. The affect of this adjustment is to decrease net assets in the business type funds and increase governmental net assets.

Note 12. Subsequent Events

On September 13, 2011, the City Council unanimously approved the sale and issuance of General Obligation Bonds, General Obligation Refunding Bonds, and Certificates of Supplemental Interest in City Resolution No. 2060.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TOLLESON, ARIZONA
Required Supplementary Information**

**Schedule of Funding Progress
PSPRS**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2003 through June 30, 2011, based on actuarial valuations follows:

POLICE

| | (a) | (b) | (b) - (a) | (a)/(b) | (c) | Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c) |
|---------------------------|--|--|------------------------------------|-------------------------|---------------------------------------|---|
| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | |
| June 30, 2003 | \$ 2,681,918 | \$ 2,623,969 | (57,949) | 102.2% | \$ 959,776 | 0.0% |
| 2004 | 2,676,907 | 2,866,997 | 190,090 | 93.4% | 1,085,074 | 17.5% |
| 2005 | 2,772,174 | 3,417,739 | 645,565 | 81.1% | 1,079,935 | 59.8% |
| 2006 | 3,026,667 | 3,890,563 | 863,896 | 77.8% | 1,302,274 | 66.3% |
| 2007 | 3,071,938 | 5,062,016 | 1,990,078 | 60.7% | 1,552,405 | 128.2% |
| 2008 | 3,472,838 | 5,277,694 | 1,804,856 | 65.8% | 1,707,450 | 105.7% |
| 2009 | 3,776,676 | 5,884,143 | 2,107,467 | 64.2% | 1,745,584 | 120.7% |
| 2010 | 3,909,688 | 6,092,226 | 2,182,538 | 64.2% | 1,783,677 | 122.4% |
| 2011 | 4,345,575 | 6,863,105 | 2,517,530 | 63.3% | 1,748,104 | 144.0% |

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

| | (a) | (b) | (b) - (a) | (a)/(b) | (c) | Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c) |
|---------------------------|--|--|------------------------------------|-------------------------|---------------------------------------|---|
| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | |
| June 30, 2003 | \$ 2,681,918 | \$ 2,623,969 | (57,949) | 102.2% | \$ 959,776 | 0.0% |
| 2004 | 2,676,907 | 2,866,997 | 190,090 | 93.4% | 1,085,074 | 17.5% |
| 2005 | 2,772,174 | 3,417,739 | 645,565 | 81.1% | 1,079,935 | 59.8% |
| 2006 | 3,026,667 | 3,890,563 | 863,896 | 77.8% | 1,302,274 | 66.3% |
| 2007 | 3,071,938 | 5,062,016 | 1,990,078 | 60.7% | 1,552,405 | 128.2% |

Health insurance subsidy payments reported for fiscal year 2009: \$4,305

CITY OF TOLLESON, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
PSPRS, Continued

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2003 through June 30, 2011, based on actuarial valuations follows:

FIRE

| Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b) - (a) Unfunded AAL (UAAL) | (a)/(b) Funded Ratio | (c) Annual Covered Payroll | Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c) |
|----------------|----------------------------------|--|----------------------------------|-------------------------|-------------------------------|---|
| June 30, 2003 | \$ 2,129,472 | \$ 1,656,254 | (473,218) | 128.6% | \$ 1,148,118 | 0.0% |
| 2004 | 2,410,997 | 2,135,422 | (275,575) | 112.9% | 1,414,028 | -19.5% |
| 2005 | 2,145,982 | 2,388,279 | 242,297 | 89.9% | 1,416,267 | 17.1% |
| 2006 | 2,392,797 | 2,937,121 | 544,324 | 81.5% | 1,680,147 | 32.4% |
| 2007 | 2,800,169 | 3,714,707 | 914,538 | 75.4% | 1,856,146 | 49.3% |
| 2008 | 3,268,016 | 4,136,348 | 868,332 | 79.0% | 2,052,603 | 42.3% |
| 2009 | 3,904,301 | 4,755,181 | 850,880 | 82.1% | 2,100,605 | 40.5% |
| 2010 | 4,749,199 | 5,220,882 | 471,683 | 91.0% | 2,097,226 | 22.5% |
| 2011 | 5,845,969 | 6,791,286 | 945,317 | 86.1% | 1,959,261 | 48.2% |

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

| Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability (AAL) | (b) - (a) Unfunded AAL (UAAL) | (a)/(b) Funded Ratio | (c) Annual Covered Payroll | Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c) |
|----------------|----------------------------------|--|----------------------------------|-------------------------|-------------------------------|---|
| 2006 | \$ - | \$ 58,525 | 58,525 | 0.0% | \$ 1,680,147 | 3.48% |
| 2007 | - | 92,995 | 92,995 | 0.0% | 1,856,146 | 5.01% |
| 2008 | - | 107,595 | 107,595 | 0.0% | 2,052,603 | 5.24% |
| 2009 | - | 111,312 | 111,312 | 0.0% | 2,100,605 | 5.30% |
| 2010 | - | 129,744 | 129,744 | 0.0% | 2,097,226 | 6.19% |
| 2011 | - | 192,404 | 192,404 | 0.0% | 1,959,261 | 9.82% |

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SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:**

Debt Service Funds

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

Capital Project Funds

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

CITY OF TOLLESON, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|----------------------------------|-------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 720,000 | \$ 720,000 | \$ 720,000 | \$ - |
| Property taxes | 3,575,000 | 3,575,000 | 3,765,708 | 190,708 |
| Other revenues: | | | | |
| Interest | 9,825 | 9,825 | 3,854 | 5,971 |
| Total revenues | <u>4,304,825</u> | <u>4,304,825</u> | <u>4,489,562</u> | <u>196,679</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,169 | 6,169 | 3,312 | 2,857 |
| Debt service: | | | | |
| Principal | 2,925,000 | 2,925,000 | 2,925,000 | - |
| Interest and fiscal charges | 1,667,519 | 1,667,519 | 1,667,519 | - |
| Total expenditures | <u>4,598,688</u> | <u>4,598,688</u> | <u>4,595,831</u> | <u>2,857</u> |
| Net change in fund balance | (293,863) | (293,863) | (106,269) | 187,594 |
| Fund balance, beginning of year | <u>1,237,552</u> | <u>1,237,552</u> | <u>1,237,552</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 943,689</u> | <u>\$ 943,689</u> | <u>\$ 1,131,283</u> | <u>\$ 187,594</u> |

CITY OF TOLLESON, ARIZONA
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-----------------------|-----------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Impact fees | \$ 122,000 | \$ 122,000 | \$ 337,312 | \$ 215,312 |
| Other revenues: | | | | |
| Interest | 11,700 | 11,700 | 13,116 | 1,416 |
| Total revenues | <u>133,700</u> | <u>133,700</u> | <u>350,428</u> | <u>216,728</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 125,000 | 125,000 | 143,754 | 18,754 |
| Public safety | 470,000 | 470,000 | 474,000 | 4,000 |
| Highways and streets | 640,000 | 640,000 | 1,464,265 | 824,265 |
| Health and welfare | - | - | 300,000 | 300,000 |
| Debt service: | | | | |
| Principal | 3,500,000 | 3,500,000 | - | - |
| Capital outlay | 16,785,389 | 16,785,389 | 10,306,951 | (6,478,438) |
| Total expenditures | <u>21,520,389</u> | <u>21,520,389</u> | <u>12,688,970</u> | <u>(5,331,419)</u> |
| Excess of revenues over (under) expenditures | (21,386,689) | (21,386,689) | (12,338,542) | 9,048,147 |
| Other financing sources (uses): | | | | |
| Transfers out | - | - | (235,637) | (235,637) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(235,637)</u> | <u>(235,637)</u> |
| Net change in fund balance | (21,386,689) | (21,386,689) | (12,574,179) | 8,812,510 |
| Fund balance, beginning of year | <u>15,777,195</u> | <u>15,777,195</u> | <u>15,777,195</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ (5,609,494)</u> | <u>\$ (5,609,494)</u> | <u>\$ 3,203,016</u> | <u>\$ 8,812,510</u> |

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SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- The **Highway User Revenue Special Revenue Fund** is used to account for the City's share of motor fuel tax revenues and lottery proceeds.
- The **Grants Fund** accounts for the activity of the City's grants.
- The **Public Safety Tax Fund** accounts for the City's sales tax revenues set aside for public safety purposes and related expenditures.

CITY OF TOLLESON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

| ASSETS | Special Revenue | | | Total Non-major Funds |
|---|-------------------------|------------|----------------------|-----------------------------|
| | Highway User Revenue | Grants | Public Safety Tax | |
| Cash and investments | \$ 56,560 | \$ 221,670 | \$ 1,798,894 | \$ 2,077,124 |
| Receivables: | | | | |
| Accounts receivable | - | - | - | - |
| Intergovernmental receivable | 53,210 | 153,434 | 159,432 | 366,076 |
| Prepaid items | 7,189 | 8,755 | 646 | 16,590 |
| Restricted assets | - | - | - | - |
| Total assets | \$ 116,959 | \$ 383,859 | \$ 1,958,972 | \$ 2,459,790 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 80,787 | \$ 46,993 | \$ 1,203 | \$ 128,983 |
| Accrued wages and benefits | 4,634 | 4,224 | 775 | 9,633 |
| Intergovernmental payable | - | - | - | - |
| Due to other funds | - | 165,000 | - | 165,000 |
| Deferred revenues | - | 75,000 | - | 75,000 |
| Total liabilities | 85,421 | 291,217 | 1,978 | 378,616 |
| Fund balance: | | | | |
| Nonspendable | | | | |
| Prepaid items | 7,189 | 8,755 | 646 | 16,590 |
| Restricted | | | | |
| Highways and streets | 24,349 | - | - | 24,349 |
| Committed | | | | |
| Capital projects | - | - | - | - |
| Assigned | - | - | - | - |
| Public safety | - | - | 1,956,348 | 1,956,348 |
| Other purposes | - | 83,887 | - | 83,887 |
| Total fund balance | 31,538 | 92,642 | 1,956,994 | 2,081,174 |
| Total liabilities and fund balance | \$ 116,959 | \$ 383,859 | \$ 1,958,972 | \$ 2,459,790 |

CITY OF TOLLESON, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

| | Special Revenue | | | Total Non-major Funds |
|---|-------------------------|------------------|----------------------|-----------------------------|
| | Highway User Revenue | Grants | Public Safety Tax | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ - | \$ - | \$ 1,547,158 | \$ 1,547,158 |
| Intergovernmental revenue | 592,004 | 1,043,192 | - | 1,635,196 |
| Fines and forfeitures | - | - | - | - |
| Charges for services | - | - | - | - |
| Other revenues: | | | | |
| Contributions and donations | - | - | - | - |
| Interest | 71 | - | 2,676 | 2,747 |
| Other | 356 | - | - | 356 |
| Total revenues | <u>592,431</u> | <u>1,043,192</u> | <u>1,549,834</u> | <u>3,185,457</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 244,722 | 566,935 | 811,657 |
| Highways and streets | 790,430 | - | - | 790,430 |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | 561,195 | - | 561,195 |
| Capital outlay | - | 653,306 | 261,295 | 914,601 |
| Total expenditures | <u>790,430</u> | <u>1,459,223</u> | <u>828,230</u> | <u>3,077,883</u> |
| Excess of revenues over (under) expenditures | (197,999) | (416,031) | 721,604 | 107,574 |
| Other financing sources (uses): | | | | |
| Transfers in | 180,000 | 331,785 | - | 511,785 |
| Total other financing sources (uses) | <u>180,000</u> | <u>331,785</u> | <u>-</u> | <u>511,785</u> |
| Net change in fund balance | (17,999) | (84,246) | 721,604 | 619,359 |
| Fund balance, beginning of year | <u>49,537</u> | <u>176,888</u> | <u>1,235,390</u> | <u>1,461,815</u> |
| Fund balance, end of year | <u>\$ 31,538</u> | <u>\$ 92,642</u> | <u>\$ 1,956,994</u> | <u>\$ 2,081,174</u> |

CITY OF TOLLESON, ARIZONA
HIGHWAY USER
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|------------------|------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental revenue | \$ 607,402 | \$ 607,402 | \$ 592,004 | \$ (15,398) |
| Other revenues: | | | | |
| Interest | 200 | 200 | 71 | (129) |
| Other | 100 | 100 | 356 | 256 |
| Total revenues | <u>607,702</u> | <u>607,702</u> | <u>592,431</u> | <u>(15,271)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Highways and streets | <u>825,067</u> | <u>825,067</u> | <u>790,430</u> | <u>34,637</u> |
| Total expenditures | <u>825,067</u> | <u>825,067</u> | <u>790,430</u> | <u>34,637</u> |
| Excess of revenues over (under) expenditures | (217,365) | (217,365) | (197,999) | 19,366 |
| Other financing sources (uses): | | | | |
| Transfers in | <u>227,308</u> | <u>227,308</u> | <u>180,000</u> | <u>(47,308)</u> |
| Total other financing sources (uses) | <u>227,308</u> | <u>227,308</u> | <u>180,000</u> | <u>(47,308)</u> |
| Net change in fund balance | 9,943 | 9,943 | (17,999) | (27,942) |
| Fund balance, beginning of year | <u>49,537</u> | <u>49,537</u> | <u>49,537</u> | <u>-</u> |
| Fund balance, end of year | <u>\$ 59,480</u> | <u>\$ 59,480</u> | <u>\$ 31,538</u> | <u>\$ (27,942)</u> |

CITY OF TOLLESON, ARIZONA
GRANTS FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|--------------------------|--------------------------|-------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental revenue | \$ 1,208,024 | \$ 1,208,024 | \$ 1,043,192 | \$ (164,832) |
| Total revenues | <u>1,208,024</u> | <u>1,208,024</u> | <u>1,043,192</u> | <u>(164,832)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 89,825 | 89,825 | 244,722 | (154,897) |
| Redevelopment and housing | 46,120 | 46,120 | - | 46,120 |
| Health and welfare | 638,947 | 638,947 | 561,195 | 77,752 |
| Capital outlay | <u>770,034</u> | <u>770,034</u> | <u>653,306</u> | <u>116,728</u> |
| Total expenditures | <u>1,544,926</u> | <u>1,544,926</u> | <u>1,459,223</u> | <u>85,703</u> |
| Excess of revenues over (under) expenditures | (336,902) | (336,902) | (416,031) | (79,129) |
| Other financing sources (uses): | | | | |
| Transfers in | <u>348,275</u> | <u>348,275</u> | <u>331,785</u> | <u>(16,490)</u> |
| Total other financing sources (uses) | <u>348,275</u> | <u>348,275</u> | <u>331,785</u> | <u>(16,490)</u> |
| Net change in fund balance | 11,373 | 11,373 | (84,246) | (95,619) |
| Fund balance, beginning of year | <u>176,888</u> | <u>176,888</u> | <u>176,888</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 188,261</u></u> | <u><u>\$ 188,261</u></u> | <u><u>\$ 92,642</u></u> | <u><u>\$ (95,619)</u></u> |

CITY OF TOLLESON, ARIZONA
PUBLIC SAFETY TAX FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|----------------------------------|--------------------------|--------------------------|----------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Sales taxes | \$ 690,000 | \$ 690,000 | \$ 1,547,158 | \$ 857,158 |
| Other revenues: | | | | |
| Interest | 2,500 | 2,500 | 2,676 | (176) |
| Total revenues | <u>692,500</u> | <u>692,500</u> | <u>1,549,834</u> | <u>856,982</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 700,000 | 700,000 | 566,935 | 133,065 |
| Capital outlay | 752,700 | 752,700 | 261,295 | 491,405 |
| Total expenditures | <u>1,452,700</u> | <u>1,452,700</u> | <u>828,230</u> | <u>624,470</u> |
| Net change in fund balance | (760,200) | (760,200) | 721,604 | 1,481,804 |
| Fund balance, beginning of year | <u>1,235,390</u> | <u>1,235,390</u> | <u>1,235,390</u> | <u>-</u> |
| Fund balance, end of year | <u><u>\$ 475,190</u></u> | <u><u>\$ 475,190</u></u> | <u><u>\$ 1,956,994</u></u> | <u><u>\$ 1,481,804</u></u> |

STATISTICAL SECTION

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

| Contents | Page |
|---|------|
| Financial Trends | 60 |
| <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i> | |
| Revenue Capacity | 68 |
| <i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i> | |
| Debt Capacity | 77 |
| <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i> | |
| Demographic and Economic Information..... | 85 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i> | |
| Operating Information | 87 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i> | |
| Bond Disclosures | 90 |
| <i>These schedules contain additional information required by the bondholders of the City.</i> | |

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

| | Fiscal Year | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental Activities | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ (4,240,121) | \$ (21,548,681) | \$ (829,196) | \$ 4,950,796 | \$ 2,221,053 |
| Restricted | 2,663,454 | 18,750,329 | 12,742,302 | 1,105,361 | 1,449,789 |
| Unrestricted | 1,896,025 | 5,577,212 | 2,938,087 | 7,399,287 | 15,485,607 |
| Total Governmental Activities Net Assets | <u>\$ 319,358</u> | <u>\$ 2,778,860</u> | <u>\$ 14,851,193</u> | <u>\$ 13,455,444</u> | <u>\$ 19,156,449</u> |
| Business-Type Activities | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 29,240,425 | \$ 27,974,825 | \$ 32,173,302 | \$ 37,415,161 | \$ 37,815,848 |
| Restricted | - | - | - | - | - |
| Unrestricted | 2,592,027 | 3,169,743 | 4,486,610 | 4,436,905 | 4,081,881 |
| Total Business-Type Activities Net Assets | <u>\$ 31,832,452</u> | <u>\$ 31,144,568</u> | <u>\$ 36,659,912</u> | <u>\$ 41,852,066</u> | <u>\$ 41,897,729</u> |
| Primary Government | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 25,000,304 | \$ 6,426,144 | \$ 31,344,106 | \$ 42,365,957 | \$ 40,036,901 |
| Restricted | 2,663,454 | 18,750,329 | 12,742,302 | 1,105,361 | 1,449,789 |
| Unrestricted | 4,488,052 | 8,746,955 | 7,424,697 | 11,836,192 | 19,567,488 |
| Total Primary Government Net assets | <u>\$ 32,151,810</u> | <u>\$ 33,923,428</u> | <u>\$ 51,511,105</u> | <u>\$ 55,307,510</u> | <u>\$ 61,054,178</u> |

Continued

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

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

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2008 | 2009 | 2010 | 2011 |
| Governmental Activities | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 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 | 12,297,505 | 8,389,538 | 8,017,638 | 7,232,480 |
| Total Governmental Activities Net Assets | <u>\$ 20,068,922</u> | <u>\$ 19,359,683</u> | <u>\$ 14,476,131</u> | <u>\$ 36,395,635</u> |
| Business-Type Activities | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 39,948,944 | \$ 40,255,237 | \$ 49,164,298 | \$ 32,661,672 |
| Restricted | - | - | 55,295 | 276,569 |
| Unrestricted | 2,981,113 | 10,841,755 | 16,670,481 | 15,531,493 |
| Total Business-Type Activities Net Assets | <u>\$ 42,930,057</u> | <u>\$ 51,096,992</u> | <u>\$ 65,890,074</u> | <u>\$ 48,469,734</u> |
| Primary Government | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 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 | 15,278,618 | 19,231,293 | 24,688,119 | 22,763,973 |
| Total Primary Government Net assets | <u>\$ 62,998,979</u> | <u>\$ 70,456,675</u> | <u>\$ 80,366,205</u> | <u>\$ 84,865,369</u> |

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

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

| | Fiscal Year | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Expenses | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General Government | \$ 2,431,591 | \$ 2,464,743 | \$ 3,004,134 | \$ 2,872,180 | \$ 3,550,585 | \$ 3,822,213 | \$ 3,650,530 | \$ 3,931,291 | \$ 3,854,836 |
| Public Safety | 4,558,745 | 4,941,569 | 5,096,894 | 5,889,231 | 6,626,522 | 7,703,746 | 8,104,259 | 8,145,407 | 9,227,572 |
| Highways and Streets | 559,155 | 461,355 | 945,312 | 1,637,889 | 1,938,450 | 2,381,538 | 2,368,382 | 3,008,843 | 3,587,171 |
| Culture and Recreation | 399,991 | 451,018 | 516,835 | 574,885 | 673,985 | 832,630 | 937,312 | 1,006,074 | 459,727 |
| Redevelopment and Housing | 540,621 | 79,718 | 323,500 | 939,826 | 303,415 | 133,088 | 84,312 | 45,851 | - |
| Economic Development | 372,672 | 209,859 | 234,162 | 204,727 | 453,934 | 996,855 | 1,158,833 | 473,105 | 1,040,502 |
| Health and Welfare | 291,249 | 306,424 | 405,961 | 345,586 | 417,437 | 424,425 | 463,758 | 516,178 | 868,049 |
| Interest on Long-Term Debt | 403,707 | 940,647 | 941,461 | 900,986 | 1,281,503 | 1,346,285 | 1,643,613 | 1,480,666 | 1,695,159 |
| Total Governmental Activities | <u>9,557,731</u> | <u>9,855,333</u> | <u>11,468,259</u> | <u>13,365,310</u> | <u>15,245,831</u> | <u>17,640,780</u> | <u>18,410,999</u> | <u>18,607,415</u> | <u>20,733,016</u> |
| Business-Type Activities | | | | | | | | | |
| Water | 3,171,338 | 3,580,845 | 3,784,431 | 4,323,817 | 4,599,323 | 5,380,335 | 4,598,229 | 4,357,407 | 4,314,393 |
| Sanitation | 608,308 | 657,766 | 683,147 | 641,379 | 777,284 | 856,835 | 871,399 | 705,856 | 642,779 |
| Wastewater and Sewer | 4,422,689 | 4,711,857 | 5,453,702 | 5,083,277 | 5,836,115 | 14,119,679 | 6,634,221 | 4,829,946 | 5,424,738 |
| Total Business-Type Activities | <u>8,202,335</u> | <u>8,950,468</u> | <u>9,921,280</u> | <u>10,048,473</u> | <u>11,212,722</u> | <u>20,356,849</u> | <u>12,103,849</u> | <u>9,893,209</u> | <u>10,381,910</u> |
| Total Primary Government Expenses | <u>\$ 17,760,066</u> | <u>\$ 18,805,801</u> | <u>\$ 21,389,539</u> | <u>\$ 23,413,783</u> | <u>\$ 26,458,553</u> | <u>\$ 37,997,629</u> | <u>\$ 30,514,848</u> | <u>\$ 28,500,624</u> | <u>\$ 31,114,926</u> |
| Program Revenues | | | | | | | | | |
| Governmental Activities: | | | | | | | | | |
| Fines, Fees and Charges for Services: | | | | | | | | | |
| General Government | \$ 802,765 | \$ 1,096,312 | \$ 904,960 | \$ 1,402,472 | \$ 1,852,530 | \$ 1,665,484 | \$ 823,834 | \$ 897,801 | \$ 430,661 |
| Public Safety | 20,549 | 24,829 | 45,466 | 58,736 | 66,854 | 96,266 | 160,912 | 163,335 | 262,145 |
| Highways and Streets | - | - | - | - | 126,896 | - | - | - | - |
| Culture and Recreation | - | - | - | - | - | 583 | 10,401 | 11,284 | 11,542 |
| Redevelopment and Housing | - | - | - | 5,000 | 23,673 | 1,115 | - | - | - |
| Other | 14,359 | - | - | - | - | - | - | - | - |
| Operating Grants and Contributions | 1,251,772 | 1,196,584 | 1,507,052 | 1,462,303 | 1,909,919 | 1,133,422 | 1,217,159 | 1,235,150 | 825,410 |
| Capital Grants and Contributions | 575,889 | 767,341 | 389,218 | 1,294,420 | 1,440,787 | 863,849 | 1,413,167 | 1,059,482 | 868,296 |
| Total Governmental Activities Program Revenues | <u>2,665,334</u> | <u>3,085,066</u> | <u>2,846,696</u> | <u>4,222,931</u> | <u>5,420,659</u> | <u>3,760,719</u> | <u>3,625,473</u> | <u>3,367,052</u> | <u>2,398,054</u> |
| (Concluded) | | | | | | | | | |
| Business-Type Activities | | | | | | | | | |
| Charges for Services: | | | | | | | | | |
| Water | \$ 2,997,494 | \$ 3,323,723 | \$ 3,645,595 | \$ 3,836,178 | \$ 4,019,325 | \$ 4,121,579 | \$ 4,644,492 | \$ 4,639,765 | \$ 4,994,285 |
| Sanitation | 381,440 | 376,513 | 384,781 | 361,689 | 407,257 | 388,789 | 401,076 | 409,697 | 401,366 |
| Wastewater and Sewer | 4,501,198 | 4,883,216 | 5,721,059 | 5,343,513 | 6,354,925 | 7,212,855 | 5,405,133 | 4,881,137 | 5,000,253 |
| Capital Grants and Contributions | 155,655 | 251,998 | 1,289,993 | 1,468,629 | - | - | - | 7,966,449 | 1,901,328 |
| Total Business-Type Activities Program | <u>8,035,787</u> | <u>8,835,450</u> | <u>11,041,428</u> | <u>11,010,009</u> | <u>10,781,507</u> | <u>11,723,223</u> | <u>10,450,701</u> | <u>17,897,048</u> | <u>12,297,232</u> |
| Total Primary Government Revenues | <u>\$ 10,701,121</u> | <u>\$ 11,920,516</u> | <u>\$ 13,888,124</u> | <u>\$ 15,232,940</u> | <u>\$ 16,202,166</u> | <u>\$ 15,483,942</u> | <u>\$ 14,076,174</u> | <u>\$ 21,264,100</u> | <u>\$ 14,695,286</u> |

Continued

General Revenues and Other Changes in Net

Assets

Governmental Activities:

| | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|
| Taxes: | | | | | | | | | | |
| Sales Taxes | \$ 3,145,738 | \$ 3,822,712 | \$ 4,599,155 | \$ 5,689,397 | \$ 6,951,574 | \$ 8,040,066 | \$ 8,339,786 | \$ 8,390,330 | \$ 12,209,049 | |
| Property Taxes | 2,101,918 | 3,407,213 | 3,400,276 | 3,774,315 | 5,306,125 | 5,296,591 | 5,354,004 | 6,421,551 | 6,812,691 | |
| Franchise Taxes | 52,127 | 36,561 | 39,101 | 42,919 | 47,600 | 48,846 | 48,936 | 49,523 | 47,098 | |
| State Revenue Sharing | 531,634 | 448,502 | 457,248 | 520,775 | 737,755 | 914,464 | 970,001 | 838,960 | 632,468 | |
| State Sales Tax Revenue Sharing | 386,748 | 420,951 | 460,793 | 537,425 | 617,617 | 597,135 | 516,997 | 476,855 | 497,423 | |
| Auto Lieu Tax Revenue Sharing | 196,181 | 204,963 | 213,302 | 242,315 | 269,862 | 273,035 | 222,573 | 218,427 | 212,480 | |
| Grants and Contributions Not Restricted | - | - | - | - | - | 600,000 | - | - | - | |
| Interest | (50,265) | 272,423 | 399,696 | 619,370 | 1,337,479 | 1,243,415 | 287,709 | 69,793 | 25,425 | |
| Other | 575,000 | 16,444 | 62,720 | 48,686 | 141,473 | 134,737 | 116,862 | 115,386 | - | |
| Transfers | - | 600,000 | (4,173,581) | (3,728,572) | 116,692 | (2,355,755) | (1,780,581) | (6,224,014) | (235,637) | |
| Total Governmental Activities: | 6,939,081 | 9,229,769 | 5,458,710 | 7,746,630 | 15,526,177 | 14,792,534 | 14,076,287 | 10,356,811 | 20,200,997 | |

Business-type Activities:

| | | | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Property Taxes | - | - | - | - | - | - | - | 518,221 | 332,735 |
| Impact Fees | - | - | 129,066 | 342,738 | 365,151 | - | - | - | - |
| Interest | (19,738) | 26,894 | 82,549 | 159,308 | 228,419 | 110,199 | 22,143 | 23,957 | 20,363 |
| Litigation Settlement | - | - | - | - | - | - | 8,000,000 | - | - |
| Other | - | - | - | - | - | - | 17,359 | 23,051 | 129,072 |
| Transfers | (575,000) | (600,000) | 4,173,581 | 3,728,572 | (116,692) | 2,355,755 | 1,780,581 | 6,224,014 | 235,637 |
| Total Business-Type Activities | (594,738) | (573,106) | 4,385,196 | 4,230,618 | 476,878 | 2,465,954 | 9,820,083 | 6,789,243 | 717,807 |
| Total Primary Government | \$ 6,344,343 | \$ 8,656,663 | \$ 9,843,906 | \$ 11,977,248 | \$ 16,003,055 | \$ 17,258,488 | \$ 23,896,370 | \$ 17,146,054 | \$ 20,918,804 |

Change in Net Assets

| | | | | | | | | | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| Governmental Activities | \$ 46,684 | \$ 2,459,502 | \$ (3,162,853) | \$ (1,395,749) | \$ 5,701,005 | \$ 912,473 | \$ (709,239) | \$ (4,883,552) | \$ 1,866,035 |
| Business-Type Activities | (761,286) | (688,124) | 5,505,344 | 5,192,154 | 45,663 | (6,167,672) | 8,166,935 | 14,793,082 | 2,633,129 |
| Total Primary Government | \$ (714,602) | \$ 1,771,378 | \$ 2,342,491 | \$ 3,796,405 | \$ 5,746,668 | \$ (5,255,199) | \$ 7,457,696 | \$ 9,909,530 | \$ 4,499,164 |

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

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

| | Fiscal Year | | | | | |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| General Fund | | | | | | |
| Restricted | \$ - | \$ 48,289 | \$ 52,223 | \$ 54,507 | \$ 63,572 | \$ 74,242 |
| Committed | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | - | - |
| Assigned | - | - | - | - | - | - |
| Unassigned | 2,061,225 | 1,400,502 | 1,519,875 | 1,724,307 | 3,167,647 | 5,191,070 |
| Total General Fund | <u>\$ 2,061,225</u> | <u>\$ 1,448,791</u> | <u>\$ 1,572,098</u> | <u>\$ 1,778,814</u> | <u>\$ 3,231,219</u> | <u>\$ 5,265,312</u> |
| All Other Governmental Funds | | | | | | |
| Restricted: | | | | | | |
| Highways and streets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt service | 387,831 | 451,482 | 703,568 | 749,084 | 784,455 | 1,086,052 |
| Capital projects | | | | | | |
| Other purposes | | 1,716 | 3,838 | 5,661 | 8,638 | 10,970 |
| Nonspendable: | | | | | | |
| Prepaid items | - | - | - | - | - | - |
| Committed for: | | | | | | |
| Capital projects | 2,074,997 | 2,132,413 | 20,412,910 | 11,618,284 | 11,317,935 | 24,967,162 |
| Assigned for: | | | | | | |
| Public safety | 170,640 | 139,744 | 473,459 | 358,099 | 312,268 | 352,767 |
| Other purposes | - | - | - | - | - | - |
| Total All Other Governmental Funds | <u>\$ 2,633,468</u> | <u>\$ 2,725,355</u> | <u>\$ 21,593,775</u> | <u>\$ 12,731,128</u> | <u>\$ 12,423,296</u> | <u>\$ 26,416,951</u> |

Continued

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

Fiscal Year

| 2008 | 2009 | 2010 | 2011 |
|----------------------|----------------------|----------------------|---------------------|
| \$ 81,028 | \$ 86,390 | \$ 95,161 | \$ 232,134 |
| - | - | - | - |
| - | - | - | 270,698 |
| - | - | - | 126,368 |
| <u>4,831,002</u> | <u>3,191,659</u> | <u>2,898,744</u> | <u>5,063,457</u> |
| <u>\$ 4,912,030</u> | <u>\$ 3,278,049</u> | <u>\$ 2,993,905</u> | <u>\$ 5,692,657</u> |
| | | | |
| \$ - | \$ - | \$ - | \$ 24,349 |
| 1,159,549 | 1,097,006 | 1,237,552 | 1,131,283 |
| 11,717 | 11,362 | 12,794 | 3,032,892 |
| - | - | - | 16,590 |
| 17,680,295 | 21,282,772 | 12,748,910 | 170,124 |
| 1,289,574 | 5,047,024 | 4,740,852 | 1,956,348 |
| - | - | - | 83,887 |
| <u>\$ 20,141,135</u> | <u>\$ 27,438,164</u> | <u>\$ 18,740,108</u> | <u>\$ 6,415,473</u> |

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

| | Fiscal Year | | | | |
|--|---------------------|---------------------|----------------------|-----------------------|-------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Revenues | | | | | |
| Taxes | \$ 5,432,265 | \$ 5,299,783 | \$ 7,266,486 | \$ 8,038,532 | \$ 9,506,631 |
| Intergovernmental | 1,973,982 | 2,338,770 | 2,233,511 | 2,581,940 | 2,716,956 |
| Fines and Penalties | 182,033 | 169,011 | 176,271 | 196,407 | 280,702 |
| Licenses and Permits | 791,601 | 768,487 | 1,090,528 | 244,827 | 435,731 |
| Charges for Services | 460,977 | 444,247 | 620,683 | 497,692 | 738,273 |
| Rents and Royalties | - | - | - | 11,500 | 11,502 |
| Contributions and Donations | - | - | - | 56,455 | 45,862 |
| Impact fees | - | - | - | 389,218 | 1,294,420 |
| Special assessments | 57,135 | 66,210 | 66,679 | - | - |
| Interest | 130,312 | (50,265) | 272,423 | 399,696 | 619,370 |
| Other | 66,066 | 45,023 | 54,933 | 62,720 | 48,686 |
| Total revenues | <u>9,094,371</u> | <u>9,081,266</u> | <u>11,781,514</u> | <u>12,478,987</u> | <u>15,698,133</u> |
| Expenditures | | | | | |
| General government | 1,951,646 | 2,067,919 | 2,235,792 | 2,818,419 | 2,910,221 |
| Public Safety | 3,714,785 | 4,532,192 | 4,845,274 | 5,207,800 | 5,822,932 |
| Highways and Streets | 420,769 | 529,680 | 429,007 | 951,724 | 770,726 |
| Culture and Recreation | 325,393 | 372,072 | 443,583 | 528,536 | 566,595 |
| Redevelopment and Housing | - | 540,621 | 79,718 | 323,500 | 939,826 |
| Economic Development | 528,769 | 382,811 | 220,748 | 234,162 | 204,727 |
| Health and Welfare | 376,563 | 279,851 | 295,540 | 395,443 | 335,736 |
| Capital Outlay | 1,277,459 | 464,799 | 893,288 | 8,532,714 | 1,780,050 |
| Debt Service | | | | | |
| Principal Retirement | 636,295 | 661,654 | 964,410 | 1,072,918 | 1,226,311 |
| Interest on Long-Term Debt | 445,664 | 403,707 | 1,181,772 | 969,205 | 928,730 |
| Issuance Costs | - | - | 462,794 | - | - |
| Total Expenditures | <u>9,677,343</u> | <u>10,235,306</u> | <u>12,051,926</u> | <u>21,034,421</u> | <u>15,485,854</u> |
| Excess of Revenues Over (Under) Expenditures | (582,972) | (1,154,040) | (270,412) | (8,555,434) | 212,279 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 693,661 | 661,321 | 835,581 | 876,124 | 1,245,746 |
| Transfers Out | (418,962) | (86,321) | (235,581) | (976,621) | (645,746) |
| Proceeds of Refunding Debt Issuance | - | - | 3,809,484 | - | - |
| Proceeds of Long-Term Debt Issuance | - | - | 18,597,882 | - | - |
| Payment to Refunded Debt Escrow Agent | - | - | (3,745,227) | - | - |
| Proceeds from Capital Leases | - | 204,739 | - | - | - |
| Proceeds from Sale of Capital Assets | 1,350 | - | - | - | - |
| Total other Financing Sources (Uses) | <u>276,049</u> | <u>779,739</u> | <u>19,262,139</u> | <u>(100,497)</u> | <u>600,000</u> |
| Net Change in Fund Balance | <u>\$ (306,923)</u> | <u>\$ (374,301)</u> | <u>\$ 18,991,727</u> | <u>\$ (8,655,931)</u> | <u>\$ 812,279</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 12.9% | 10.9% | 23.4% | 16.3% | 15.7% |

Fiscal Year

| 2007 | 2008 | 2009 | 2010 | 2011 |
|----------------------|-----------------------|---------------------|-----------------------|-----------------------|
| \$ 12,305,299 | \$ 13,321,689 | \$ 13,716,741 | \$ 14,865,486 | \$ 18,664,286 |
| 3,471,197 | 3,461,353 | 3,294,551 | 3,584,672 | 2,765,087 |
| 288,234 | 315,097 | 304,939 | 292,923 | 260,534 |
| 667,321 | 417,515 | 300,274 | 343,496 | 200,816 |
| 1,102,896 | 1,019,346 | 378,435 | 425,500 | 333,963 |
| 11,502 | 11,500 | 11,500 | 10,500 | 10,500 |
| 63,956 | 56,703 | 48,020 | 71,441 | 61,478 |
| 1,440,787 | 863,849 | 997,327 | 172,761 | 337,312 |
| - | - | - | - | - |
| 1,337,479 | 1,243,415 | 287,709 | 69,793 | 25,425 |
| 141,473 | 134,737 | 112,098 | 114,501 | 144,552 |
| <u>20,830,144</u> | <u>20,845,204</u> | <u>19,451,594</u> | <u>19,951,073</u> | <u>22,803,953</u> |
| 3,154,669 | 3,470,208 | 3,382,113 | 3,759,888 | 3,561,710 |
| 6,409,618 | 7,473,144 | 8,158,326 | 7,776,447 | 8,349,354 |
| 942,851 | 1,102,384 | 1,093,369 | 1,731,442 | 2,254,695 |
| 905,282 | 814,152 | 827,972 | 841,414 | 891,109 |
| 303,415 | 133,088 | 84,312 | 45,851 | - |
| 453,934 | 996,855 | 1,158,833 | 470,138 | 461,333 |
| 407,587 | 414,575 | 453,908 | 500,477 | 861,195 |
| 4,093,797 | 9,710,643 | 3,910,866 | 12,843,567 | 11,321,309 |
| 1,955,000 | 1,975,000 | 2,150,000 | 2,765,000 | 2,925,000 |
| 1,316,908 | 1,384,243 | 1,384,535 | 1,750,350 | 1,667,519 |
| 205,595 | - | 297,103 | 100,768 | - |
| <u>20,148,656</u> | <u>27,474,292</u> | <u>22,901,337</u> | <u>32,585,342</u> | <u>32,293,224</u> |
| 681,488 | (6,629,088) | (3,449,743) | (12,634,269) | (9,489,271) |
| 1,155,201 | 558,005 | 777,072 | 2,092,220 | 511,785 |
| (466,746) | (558,005) | (777,072) | (2,092,220) | (747,422) |
| - | - | - | - | - |
| 14,658,105 | - | 9,108,027 | 3,642,923 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | 4,764 | 9,146 | 99,025 |
| <u>15,346,560</u> | <u>-</u> | <u>9,112,791</u> | <u>3,652,069</u> | <u>(136,612)</u> |
| <u>\$ 16,028,048</u> | <u>\$ (6,629,088)</u> | <u>\$ 5,663,048</u> | <u>\$ (8,982,200)</u> | <u>\$ (9,625,883)</u> |
| 21.7% | 18.9% | 18.7% | 14.2% | 14.2% |

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

| Fiscal Year | Property | Sales & Use | Franchise | Total |
|-----------------------|--------------|--------------|-----------|--------------|
| 2002 | \$ 2,100,870 | \$ 3,274,176 | \$ 57,219 | \$ 5,432,265 |
| 2003 | 2,101,918 | 3,145,738 | 52,127 | 5,299,783 |
| 2004 | 3,407,213 | 3,822,712 | 36,561 | 7,266,486 |
| 2005 | 3,400,276 | 4,599,155 | 39,101 | 8,038,532 |
| 2006 | 3,774,315 | 5,689,397 | 42,919 | 9,506,631 |
| 2007 | 5,306,125 | 6,951,574 | 47,600 | 12,305,299 |
| 2008 | 5,232,777 | 8,040,066 | 48,846 | 13,321,689 |
| 2009 | 5,328,019 | 8,339,786 | 48,936 | 13,716,741 |
| 2010 | 6,425,633 | 8,390,330 | 49,523 | 14,865,486 |
| 2011 | 6,408,139 | 12,209,049 | 47,098 | 18,664,286 |
| Change 2002 - 2011 | 205.0% | 272.9% | -17.7% | 243.6% |

CITY OF TOLLESON, ARIZONA
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 Vaccant | Residential Property | Others | Total Taxable Assessed Value | Total Direct Tax Rate/Thousand | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|----------------|--|-----------------------------|-------------------------|--------|------------------------------------|--------------------------------------|--------------------------------------|---|
| 2002 | \$ 72,951 | \$ 4,195 | \$ 7,105 | \$ 179 | \$ 84,430 | 2.2390 | 84,430 | 100.000% |
| 2003 | 88,598 | 4,887 | 7,079 | 1,326 | 101,890 | 1.9944 | 101,890 | 100.000% |
| 2004 | 101,260 | 5,049 | 8,490 | 2,084 | 116,883 | 2.6733 | 116,883 | 100.000% |
| 2005 | 111,066 | 7,518 | 9,561 | 2,301 | 130,446 | 2.4061 | 130,446 | 100.000% |
| 2006 | 118,966 | 8,248 | 12,230 | 1,150 | 140,594 | 2.4275 | 140,594 | 100.000% |
| 2007 | 138,161 | 9,746 | 12,324 | 916 | 161,147 | 2.9666 | 161,146 | 100.001% |
| 2008 | 151,547 | 10,141 | 18,017 | 2,940 | 182,645 | 2.6736 | 182,645 | 100.000% |
| 2009 | 189,008 | 13,446 | 17,373 | 28,192 | 248,019 | 2.2993 | 248,019 | 100.000% |
| 2010 | 231,012 | 15,949 | 17,373 | 3,170 | 264,546 | 2.5074 | 264,546 | 100.000% |
| 2011 | 231,573 | 15,934 | 14,458 | 2,580 | 264,545 | 2.4390 | 264,545 | 100.000% |

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

| Fiscal Year | Direct Rates | | | Overlapping Rates | | | |
|-------------|--------------|---------------------------------|-------------------|-------------------|---|--------|------------|
| | Basic Rate | General Obligation Debt Service | Total Direct Rate | School District | Flood Control and Water Conservation District | County | Rate Total |
| 2002 | 1.0822 | 1.1568 | 2.2390 | 18.1043 | 1.5238 | 1.7820 | 23.6491 |
| 2003 | 1.0393 | 0.9550 | 1.9943 | 18.9472 | 1.1127 | 2.1713 | 24.2255 |
| 2004 | 1.0200 | 1.6533 | 2.6733 | 21.5682 | 1.4695 | 1.7525 | 27.4635 |
| 2005 | 1.0185 | 1.3876 | 2.4061 | 18.9920 | 1.4281 | 1.6668 | 24.4930 |
| 2006 | 1.0168 | 1.4204 | 2.4372 | 16.8140 | 1.8952 | 1.7940 | 22.9404 |
| 2007 | 0.9658 | 2.0008 | 2.9666 | 16.7640 | 1.5145 | 1.2301 | 22.4752 |
| 2008 | 0.9369 | 1.7367 | 2.6736 | N/A | N/A | N/A | 2.6736 |
| 2009 | 0.9502 | 1.3491 | 2.2993 | N/A | N/A | N/A | 2.2993 |
| 2010 | 0.9822 | 1.5901 | 2.5723 | N/A | N/A | N/A | 2.5723 |
| 2011 | 0.9742 | 1.4648 | 2.4390 | 16.5884 | 1.5730 | 1.6660 | 22.2664 |

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

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

| Taxpayer | 2011 | | | 2002 | | |
|------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| SVC Manufacturing | 23,449,546 | 1 | 8.86% | | | |
| Smiths Food & Drugs | \$ 16,870,166 | 2 | 6.38% | \$ 90,963,501 | 1 | 10.77% |
| LBA Realty Fund | 8,540,001 | 3 | 3.23% | \$ 7,466,736 | 2 | 8.84% |
| ABS SW Investor LLC | 7,029,582 | 4 | 2.66% | | | |
| Cole HD Ttolleson AZ LLC | 6,089,049 | 5 | 2.30% | | | |
| Greater Arizona Auto Auction | 5,408,977 | 6 | 2.04% | | | |
| Continental Pet Technologies | 5,311,228 | 7 | 2.01% | | | |
| AZEJM Land Holdings | 3,782,763 | 8 | 1.43% | | | |
| The Price Compnay | 3,670,568 | 9 | 1.39% | | | |
| 91ST Ave. Investment Company | 3,397,240 | 10 | 1.28% | | | |
| Albertson's Inc. | | | | 4,357,276 | 3 | 5.16% |
| Rickett and Coleman Inc. | | | | 2,143,353 | 4 | 2.54% |
| Phoenix Investors LLC | | | | 2,137,571 | 5 | 2.53% |
| Auto Zone | | | | 1,835,879 | 6 | 2.17% |
| Freightliner | | | | 1,797,430 | 7 | 2.13% |
| Sysco Continental Food | | | | 1,728,455 | 8 | 2.05% |
| Cabot Industrial Properties | | | | 1,646,549 | 9 | 1.95% |
| Oire Arizona LLC | | | | 1,536,108 | 10 | 1.82% |
| Total | <u>\$ 83,549,120</u> | | 31.58% | <u>\$ 115,612,858</u> | | 39.96% |

Source: Maricopa County Finance Department and Arizona Department of Revenue

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

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | | |
|-------------------------------------|--|---|--------------------|---------------------------------------|---------------------------|--|------------------------------------|---|
| | | Amount | Percent of Levy | | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy | Outstanding Delinquent Taxes | Ratio of Delinquent Taxes to Levy |
| 2002 | \$ 1,959,622 | 1,856,102 | 94.72% | \$ 94,374 | \$ 1,950,476 | 99.53% | \$ 9,146 | 0.47% |
| 2003 | 2,057,877 | 2,016,545 | 97.99% | 27,614 | 2,044,159 | 99.33% | 13,718 | 0.67% |
| 2004 | 3,269,241 | 3,201,164 | 97.92% | 57,022 | 3,258,186 | 99.66% | 11,055 | 0.34% |
| 2005 | 3,211,569 | 3,166,023 | 98.58% | 21,103 | 3,187,126 | 99.24% | 24,443 | 0.76% |
| 2006 | 3,458,342 | 3,404,020 | 98.43% | 54,322 | 3,458,342 | 100.00% | - | |
| 2007 | 4,832,448 | 4,762,611 | 98.55% | 69,837 | 4,832,448 | 100.00% | - | |
| 2008 | 4,820,835 | 4,751,204 | 98.56% | 14,933 | 4,796,137 | 99.49% | 24,698 | 0.51% |
| 2009 | 5,047,936 | 4,944,634 | 97.95% | 102,364 | 5,046,998 | 99.98% | 938 | 0.02% |
| 2010 | 6,408,160 | 6,307,767 | 98.43% | - | 6,307,767 | 98.43% | | |
| 2011 | 6,213,365 | 6,062,224 | 97.57% | - | 6,062,224 | 97.57% | | |

Source: Maricopa County Finance Department

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

| Sales Category | Calendar Year | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Commercial & Utilities | \$ 509,327 | \$ 516,783 | \$ 663,060 | \$ 728,211 |
| Construction | 915,450 | 693,189 | 660,922 | 991,926 |
| Manufacturing | 3,813 | 3,552 | 27,404 | 95,760 |
| Wholesale | 23,358 | 42,896 | 39,084 | 324,661 |
| Retail | 1,232,246 | 1,214,444 | 1,349,780 | 1,645,538 |
| Real estate | 267,187 | 227,044 | 333,385 | 467,451 |
| Services | 121,567 | 177,162 | 161,321 | 70,674 |
| All other outlets | 203,457 | 183,245 | 532,503 | 203,289 |
| Total | \$ 3,276,405 | \$ 3,058,315 | \$ 3,767,459 | \$ 4,527,510 |
| City Sales Tax Rate | 2.00% | 2.00% | 2.00% | 2.00% |

Continued

Source: Arizona State Revenue

Calendar Year

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 861,639 | \$ 912,479 | \$ 978,793 | \$ 1,150,144 | \$ 1,165,867 | \$ 1,248,634 |
| 861,048 | 1,665,023 | 1,283,547 | 1,004,232 | 946,494 | 1,012,531 |
| 204,578 | 243,652 | 224,719 | 300,971 | 205,326 | 210,445 |
| 453,111 | 510,924 | 712,445 | 1,058,059 | 1,250,650 | 1,546,804 |
| 1,940,859 | 2,082,489 | 2,414,728 | 2,560,041 | 2,549,657 | 5,400,145 |
| 761,679 | 845,664 | 1,121,113 | 1,546,407 | 1,319,640 | 1,487,355 |
| 80,083 | 100,357 | 131,097 | 214,422 | 169,887 | 219,932 |
| 381,063 | 590,986 | 1,173,623 | 564,692 | 566,379 | 1,083,202 |
| \$ 5,544,060 | \$ 6,951,574 | \$ 8,040,065 | \$ 8,398,968 | \$ 8,173,900 | \$ 12,209,048 |
| 2.00% | 2.00% | 2.00% | 2.50% | 2.50% | 2.50% |

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

| Fiscal Year | City Direct Rate | County |
|----------------|------------------------|--------|
| 2002 | 2.00% | 8.30% |
| 2003 | 2.00% | 8.30% |
| 2004 | 2.00% | 8.30% |
| 2005 | 2.00% | 8.30% |
| 2006 | 2.00% | 8.30% |
| 2007 | 2.00% | 8.30% |
| 2008 | 2.00% | 8.30% |
| 2009 | 2.50% | 8.80% |
| 2010 | 2.50% | 8.80% |
| 2011 | 2.50% | 8.80% |

Source: Arizona State Revenue

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

done

-

| Fiscal Year | Governmental Activities | | | Capital Leases | Business-type Activities | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------------------|---------------|--------------------------|----------------|--------------------------|----------------|--------------------------|--------------------------|-------------------------------|------------|
| | General Obligation Bonds | Revenue Bonds | Special Assessment Bonds | | Water Revenue Bonds | Capital Leases | Waste Water Revenue Loan | | | |
| 2002 | \$ 8,580 | \$ - | \$ 165 | | | \$ 69 | \$ 8,814 | * | \$ 1,745 | |
| 2003 | 7,450 | - | 85 | | | 65 | 7,600 | * | 1,404 | |
| 2004 | 24,820 | - | | 59 | | | 24,879 | * | 4,557 | |
| 2005 | 23,780 | - | | 26 | | | 23,806 | * | 3,664 | |
| 2006 | 22,580 | - | | | | | 22,580 | * | 3,475 | |
| 2007 | 35,135 | - | | | | | 35,135 | * | 5,407 | |
| 2008 | 33,160 | - | | | | | 33,160 | * | 4,848 | |
| 2009 | 31,010 | 9,100 | | | | | 40,110 | * | 5,864 | |
| 2010 | 32,155 | 8,780 | | | | | 40,935 | * | 6,862 | |
| 2011 | 34,744 | 8,399 | | | | | 43,143 | * | 7,181 | |

* Information on personal income fro these fical years was not available

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

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Net General Obligation Bonded Debt</u> | <u>Taxable Assessed Value of Property</u> | <u>Percentage of Actual Taxable Value of Property</u> | <u>Population</u> | <u>Per Capita</u> |
|------------------------|---|---|---|---|-------------------|-----------------------|
| 2002 | \$ 8,580 | \$ 8,580 | \$ 84,430 | 10.16% | 5,050 | \$ 1,699 |
| 2003 | 7,450 | 7,450 | 101,890 | 7.31% | 5,415 | 1,376 |
| 2004 | 24,820 | 24,820 | 116,883 | 21.23% | 5,460 | 4,546 |
| 2005 | 23,780 | 23,780 | 130,446 | 18.23% | 6,498 | 3,660 |
| 2006 | 22,580 | 22,580 | 140,594 | 16.06% | 6,498 | 3,475 |
| 2007 | 35,135 | 35,135 | 161,147 | 21.80% | 6,498 | 5,407 |
| 2008 | 33,160 | 33,160 | 182,645 | 18.16% | 6,840 | 4,848 |
| 2009 | 31,010 | 31,010 | 248,019 | 12.50% | 6,840 | 4,534 |
| 2010 | 32,155 | 32,155 | 264,546 | 12.15% | 6,840 | 4,701 |
| 2011 | 34,744 | 34,744 | 264,545 | 13.13% | 6,545 | 5,308 |

CITY OF TOLLESON, ARIZONA
Direct and Overlapping Governmental Activities Debt
June 30, 2011
(Unaudited)
(Dollars in Thousands)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|---------------------------------------|-----------------------------|--|---|
| - | | | |
| Debt repaid with property taxes | | | |
| Tolleson Elementary School | \$ 12,240 | 66.900% | \$ 8,189 |
| Fowler Elementary School | 16,735 | 6.910% | 1,156 |
| Littleton Elementary School | 17,050 | 26.460% | 4,511 |
| Tolleson Union High School | 76,375 | 19.840% | 15,153 |
| Maricopa County Community College | 671,250 | 0.560% | <u>3,759</u> |
| Subtotal, overlapping debt | | | \$ 32,768 |
| City of Tolleson, Arizona Direct Debt | | | 29,545 |
| Total direct and overlapping debt | | | <u><u>\$ 62,313</u></u> |

Source: Maricopa County

CITY OF TOLLESON, ARIZONA
Calculation of Legal Debt Margin
June 30, 2011
(Unaudited)

| | | |
|--|---------------|----------------|
| Net Secondary Assessed Valuation | | \$ 264,544,909 |
| <hr/> | | |
| Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds | | |
| Debt Limite - 20% of Secondary Net Assessed Valuation | | 52,908,982 |
| Debt Applicable to Limit | | |
| General Obligation Bonds Outstanding | \$ 29,555,000 | |
| Less Amount Set Aside for Repayment of Debt | - | |
| Net Debt Applicable to Limit | | 29,555,000 |
| 20% Legal Debt Margin | | 23,353,982 |
| <hr/> | | |
| All Other General Obligation Bonds | | |
| Debt Limite - 6% of Secondary Net Assessed Valuation | | 15,872,695 |
| Debt Applicable to Limit | | |
| General Obligation Bonds Outstanding | \$ - | |
| Less Amount Set Aside for Repayment of Debt | - | |
| Net Debt Applicable to Limit | | - |
| All Other General Obligation Bonds Debt Margin | | 15,872,695 |
| Total Legal Debt Margin | | \$ 39,226,677 |

Source: Maricopa County Assessor's Office

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

| | Fiscal Year | | | |
|--|----------------------|----------------------|----------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Net Secondary Assessed Valuation | \$ 76,249,427 | \$ 84,429,720 | \$ 101,889,901 | \$ 116,882,783 |
| Debt Limit | 19,824,851 | 21,951,727 | 26,491,374 | 30,389,524 |
| Total net debt applicable to limit | <u>8,580,000</u> | <u>8,025,000</u> | <u>7,450,000</u> | <u>24,820,000</u> |
| Legal debt margin | <u>\$ 11,244,851</u> | <u>\$ 13,926,727</u> | <u>\$ 19,041,374</u> | <u>\$ 5,569,524</u> |
| | | | | Continued |
| Total net debt applicable to the limit as a percentage of debt limit. | 43.28% | 36.56% | 28.12% | 81.67% |

| Fiscal Year | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| \$ 138,841,887 | \$ 161,146,390 | \$ 228,820,924 | \$ 269,602,466 | \$ 264,544,909 | \$ 264,544,909 |
| 36,098,891 | 41,898,061 | 59,493,440 | 70,096,641 | 68,781,677 | 68,781,677 |
| 23,780,000 | 35,135,000 | 33,160,000 | 31,010,000 | 32,155,000 | 29,555,000 |
| \$ 12,318,891 | \$ 6,763,061 | \$ 26,333,440 | \$ 39,086,641 | \$ 36,626,677 | \$ 39,226,677 |
| 65.87% | 83.86% | 55.74% | 44.24% | 46.75% | 42.97% |

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

| Fiscal Year | Revenue Bonds* | | | | | | Special Assessment Bonds | | | |
|-------------|-------------------------|--------------------------|-----------------------|------------------------|-----------------------|----------|--------------------------------|------------------------|-----------------------|----------|
| | Utility Service Charges | Less: Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage | Special Assessment Collections | Debt Service Principal | Debt Service Interest | Coverage |
| 2002 | 2,730 | 2,192 | 538 | 215 | 26 | 2.23 | 66 | 75 | 12 | 0.76 |
| 2003 | - | - | - | - | - | - | 66 | 80 | 7 | 0.76 |
| 2004 | - | - | - | - | - | - | 67 | 85 | 3 | 0.76 |
| 2005 | - | - | - | - | - | - | - | - | - | - |
| 2006 | - | - | - | - | - | - | - | - | - | - |
| 2007 | - | - | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - |
| 2009 | - | - | - | - | - | - | - | - | - | - |
| 2010 | 780 | - | 780 | 320 | 387 | 1.10 | - | - | - | - |
| 2011 | 720 | - | 720 | 381 | 325 | 1.02 | - | - | - | - |

***Revenue Bonds: Water Bonds For Years 2001 and 2002, Public Safty Sale Tax Bonds For years 2010**

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

| Calendar Year | Population | Personal Income (thousands of dollars) | Per Capita Personal Income | Median Age | Education Level in Years of Schooling | School Enrollment | Unemployment Rate |
|---------------|------------|---|----------------------------|------------|---------------------------------------|-------------------|-------------------|
| 2002 | 5,050 | N/A | N/A | N/A | N/A | N/A | 5.50% |
| 2003 | 5,415 | N/A | N/A | N/A | N/A | N/A | 5.10% |
| 2004 | 5,460 | N/A | N/A | N/A | N/A | N/A | 4.30% |
| 2005 | 6,498 | N/A | N/A | N/A | N/A | N/A | 4.00% |
| 2006 | 6,498 | N/A | N/A | N/A | N/A | N/A | 3.70% |
| 2007 | 6,498 | N/A | N/A | N/A | N/A | N/A | 3.70% |
| 2008 | 6,840 | N/A | N/A | N/A | N/A | N/A | 4.60% |
| 2009 | 6,840 | N/A | N/A | N/A | N/A | N/A | 9.80% |
| 2010 | 6,840 | N/A | N/A | N/A | N/A | N/A | 9.80% |
| 2011 | 6,545 | N/A | N/A | N/A | N/A | N/A | 8.40% |

Sources: Maricopa Associates of Governments and Arizona Department of Economic Security

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

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

| Taxpayer | 2011 | | | 2002 | | |
|-------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| J.B. Packerland | 1,325 | 1 | 8.83% | 1,000 | 1 | 10.00% |
| Fry's Distribution | 725 | 2 | 4.83% | 400 | 5 | 4.00% |
| Sysco Food Services | 525 | 3 | 3.50% | | | |
| Greater Auto Auction | 400 | 4 | 2.67% | 700 | 2 | 7.00% |
| Alberson's Distribution | 400 | 5 | 2.67% | 425 | 4 | 4.25% |
| Pepsico | 400 | 6 | 2.67% | | | |
| Home Depot | 300 | 7 | 2.00% | | | |
| Salt River Project | 400 | 8 | 2.67% | 435 | 3 | 4.35% |
| Auto Zone | 290 | 9 | 1.93% | | | |
| Berry Plastics, Inc. | 200 | 10 | 1.33% | | | |
| Borden Creamette | | | | 270 | 6 | 2.70% |
| EverKrisp | | | | 250 | 7 | 2.50% |
| WinCup | | | | 200 | 8 | 2.00% |
| K-mart | | | | 120 | 9 | 1.20% |
| Total | 4,965 | | 33.10% | 3,800 | | 38.00% |

Source: Arizona Industrial Directory and Arizona Service Director

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

| Function/Program | Full-time-Equivalent Employees as of June 30 | | | | | | | | | |
|-------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General government | 26 | 25 | 25 | 26 | 28 | 31 | 37 | 36 | 35 | 35 |
| Police | 28 | 34 | 34 | 34 | 34 | 37 | 42 | 42 | 43 | 45 |
| Fire | 22 | 23 | 25 | 27 | 28 | 31 | 31 | 31 | 31 | 31 |
| Public Works | 15 | 15 | 15 | 14 | 16 | 15 | 16 | 16 | 14 | 14 |
| Community Services | 10 | 10 | 10 | 10 | 11 | 12 | 12 | 12 | 12 | 12 |
| Water | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Sanitation | 5 | 5 | 5 | 5 | 3 | 4 | 4 | 4 | 3 | 2 |
| Wastewater/Sewer | 35 | 35 | 33 | 34 | 34 | 33 | 35 | 22 | 23 | 21 |
| Total | 148 | 154 | 155 | 158 | 162 | 171 | 185 | 171 | 169 | 168 |

Source: City Records

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

| Function/Program | Fiscal Years | | | | | | | | | |
|---|--------------|----------|----------|----------|----------|----------|----------|---------|---------|---------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Police | | | | | | | | | | |
| Physical arrests | 270 | 433 | 411 | 435 | 255* | 488 | 408 | 370 | 398 | 453 |
| Call for services | 9,364 | 7,296 | 8,023 | 9,203 | 6313* | 10,055 | 11,202 | 11,265 | 10,137 | 8,443 |
| Traffic violations | 3,354 | 5,134 | 5,945 | 7,100 | 3633* | 6,588 | 5,150 | 4,716 | 4,507 | 6,302 |
| Fire | | | | | | | | | | |
| Emergency responses | 2,074 | 2,069 | 2,436 | 2,754 | 2,243 | 2,047 | 2,457 | 2,310 | 1,789 | 1,929 |
| Fires extinguished | | | | | | 296 | 477 | 180 | 172 | 157 |
| Inspections | 188 | 188 | 91 | 150 | 200 | 200 | 263 | 250 | 269 | 268 |
| Planning and Building Safety | | | | | | | | | | |
| Building permits issued | 315 | 283 | 382 | 424 | 364 | 502 | 506 | 564 | 467 | 374 |
| Building inspections conducted | 437 | 1,001 | 1,455 | 1,330 | 1,307 | 3,213 | 2,567 | 2,363 | 1,900 | 1,792 |
| Transit | | | | | | | | | | |
| Total route miles | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation | | | | | | | | | | |
| Refuse collected (<i>tons/day</i>) | 39.0 | 39.0 | 39.0 | 40.0 | 40.0 | 41.0 | 41.5 | 42.0 | 42.5 | 43.0 |
| Library | | | | | | | | | | |
| Volumes in collection | 22,458 | 22,425 | 22,679 | 16,697 | 22,000 | 22,582 | 22,851 | 22,582 | 22,356 | 23,628 |
| Total volumes borrowed | 27,801 | 29,378 | 39,219 | 32,290 | 28,200 | 32,556 | 37,657 | 37,750 | 24,708 | 25,101 |
| Water | | | | | | | | | | |
| New connections | 19 | 15 | 30 | 18 | 41 | 104 | 60 | 41 | 33 | 48 |
| Water main breaks | | | | | | | | | | |
| Average daily consumption (<i>thousands of gallons</i>) | 3,040.0 | 3,185.0 | 3,988.0 | 3,623.0 | 4,090.0 | 4,100.0 | 3,914.0 | 3,386.2 | 3,316.0 | 3,596.0 |
| Peak daily consumption (<i>thousands of gallons</i>) | 5,485.0 | 4,952.0 | 5,285.0 | 6,568.0 | 6,125.0 | 6,110.0 | 6,115.0 | 6,100.0 | 5,800.0 | 5,570.0 |
| Wastewater | | | | | | | | | | |
| Average daily sewage treatment (<i>thousands of gallons</i>) | 12,647.6 | 12,898.4 | 12,055.4 | 13,934.6 | 12,940.0 | 13,934.6 | 12,664.3 | 5,558.6 | 5,348.0 | 5,438.0 |

* Represents 6 months
Source: City Records

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

| Function/Program | Fiscal Year | | | | | | | | | |
|--|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol Units | 17 | 17 | 18 | 19 | 20 | 21 | 22 | 22 | 22 | 22 |
| Fire Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Refuse collection | | | | | | | | | | |
| Collection trucks | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Other public works | | | | | | | | | | |
| Streets (<i>miles</i>) | 31 | 31 | 32 | 32 | 33 | 33 | 33 | 33 | 33 | 33 |
| Streetlights | 580 | 586 | 586 | 596 | 662 | 744 | 750 | 770 | 770 | 770 |
| Traffic signals | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Acreage | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Playgrounds | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Baseball/softball diamonds | | | | | | | | | | |
| Soccer/football fields | | | | | | | | | | |
| Community/Youth Centers | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water | | | | | | | | | | |
| Water mains (<i>miles</i>) | 42 | 46 | 47 | 47 | 48 | 48 | 48 | 48 | 48 | 48 |
| Fire hydrants | 419 | 421 | 430 | 430 | 430 | 430 | 430 | 450 | 450 | 450 |
| Storage capacity (<i>thousands of gallons</i>) | | | | | | | | | | |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (<i>miles</i>) | 40 | 44 | 45 | 45 | 46 | 46 | 46 | 46 | 46 | 46 |
| Storm sewers (<i>miles</i>) | | | | | | | | | | |
| Treatment capacity (<i>thousands of gallons</i>) | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 | 17,500 |

Source: City Records

CITY OF TOLLESON, ARIZONA
Property Valuations
For the Fiscal Year Ended June 30, 2011
(Unaudited)

| | <u>2010-2011 Fiscal Year</u> | |
|----------------------------------|------------------------------|---------------|
| Estimated actual valuation * | \$ | 1,605,400,518 |
| Net secondary assessed valuation | | 264,544,908 |
| Net primary assessed valuation | | 230,584,032 |

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

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

| <u>Fiscal Year</u> | <u>Net Secondary Assessed Valuation</u> | <u>Estimated Actual Valuation</u> | <u>Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation</u> |
|--------------------|---|-----------------------------------|--|
| 2009-10 | \$ 264,544,909 | \$ 1,403,066,293 | 18.85% |
| 2009-10 | \$ 269,602,469 | \$ 1,410,933,224 | 19.11% |
| 2008-09 | \$ 228,820,924 | \$ 1,197,074,943 | 19.12% |
| 2007-08 | \$ 182,645,598 | \$ 931,382,193 | 19.61% |
| 2006-07 | \$ 161,146,393 | \$ 901,564,190 | 17.87% |
| 2005-06 | \$ 140,593,938 | \$ 714,964,836 | 19.66% |
| 2004-05 | \$ 130,445,954 | \$ 661,762,845 | 19.71% |
| 2003-04 | \$ 116,882,783 | \$ 549,792,911 | 21.26% |
| 2002-03 | \$ 101,889,901 | \$ 481,680,135 | 21.15% |
| 2001-02 | \$ 84,429,720 | \$ 391,064,102 | 18.64% |

Source: Maricopa County Assessor's Office and Arizona Research Foundation

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Legal Class
As of June 30, 2011
(Unaudited)

| Legal Class | Description | 2009-2010 Secondary Assessed Valuation | 2010 Percent of Total | 2010-2011 Secondary Assessed Valuation | 2011 Percent of Total |
|--------------|--|---|-----------------------------|---|-----------------------------|
| 1 | Utilities Telecommunication and Commercial and Industrial | \$ 229,933,000 | 85.29% | \$ 231,573,000 | 87.54% |
| 2 | Agricultural and Vacant | 16,240,000 | 6.02% | 15,934,000 | 6.02% |
| 3 | Residential (Owner occupied) | 15,324,000 | 5.68% | 10,282,000 | 3.89% |
| 4 | Residential (Rental) | 5,542,000 | 2.06% | 4,176,000 | 1.58% |
| 5 | Railroad | 425,000 | 0.16% | 402,000 | 0.15% |
| 6 | Non-commercials | <u>2,117,000</u> | <u>0.79%</u> | <u>2,178,000</u> | <u>0.82%</u> |
| Total | | <u><u>\$ 269,581,000</u></u> | <u><u>100.00%</u></u> | <u><u>\$ 264,545,000</u></u> | <u><u>100.00%</u></u> |

**Source: Maricopa County Treasurer's Office and Abstract of the Assessment Roll, State of Arizona
Department of Revenue.**

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Major Taxpayer
As of June 30, 2011
(Unaudited)

| Taxpayers | Business | Estimated Secondary 2010-11 Assessed Valuation | Estimated as a Percent of the City's 2010-11 Net Secondary Assessed Valuation |
|---|---------------------|--|--|
| SVC Manufacturing | Food Manufacture | \$ 23,449,546 | 8.86% |
| Smiths Food & Drugs | Grocery Retailer | 16,870,166 | 6.38% |
| LBA Realty Fund III Company IX LLC | Commercial Property | 8,540,001 | 3.23% |
| ABS SW Investor Loc (Albertson) | Grocery Retailer | 7,029,582 | 2.66% |
| Cole HD Tolleson AZ LLC | Commercial Property | 6,089,049 | 2.30% |
| Greater Arizona Auto Auctions Inc. | Auto auctions | 5,408,977 | 2.04% |
| Continintal Pet Technologies Inc. | Manufacturing | 5,311,228 | 2.01% |
| AZEJM Land Holdings/Oxnard Commerceplex | Commercial Property | 3,782,763 | 1.43% |
| The Price company | Wholesale | 3,670,568 | 1.39% |
| 91st Avenue Investment LLC | Commercial Property | 3,397,240 | 1.28% |
| Total | | \$ 83,549,120 | 22.72% |

Source: Maricopa County Treasurer's Office

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FEDERAL AND STATE REPORTS

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

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City Tolleson, Arizona as of and for the year ended June 30, 2011, which collectively comprise the City of Tolleson, Arizona’s basic financial statements and have issued our report thereon dated January 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



HintonBurdick, PLLC

January 24, 2012



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

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the basic financial statements of the City of Tolleson, Arizona for the year ended June 30, 2011, and have issued our report thereon dated January 24, 2012. Our audit also included test work on the City of Tolleson's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The City of Tolleson complied, in all material respects, with the requirements identified above for the year ended June 30, 2011.

HintonBurdick, PLLC
January 24, 2012

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