

CARING · COLLABORATION · EQUITY · INCLUSION · INSPIRE



# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019



CARING · COLLABORATION · EQUITY · INCLUSION · INSPIRE



# **CITY OF TOLLESON, ARIZONA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Prepared by:  
City of Tolleson Finance Department  
9555 W. Van Buren  
Tolleson, Arizona 85353



## TABLE OF CONTENTS

I. INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	i
GFOA Certificate of Achievement	vi
List of Principal Officials	vii
Organizational Chart	viii
II. FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion & Analysis	7
A. Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual	29
Public Safety Tax Fund Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	30
Proprietary Fund Financial Statements	
Statement of Net Position	33
Statement of Revenues, Expenses and Changes in Fund Net Position	35
Statement of Cash Flows	36
Notes to Financial Statements	
1. Summary of Significant Accounting Policies	41
2. Cash and Investments	49
3. Receivables	55
4. Capital Assets	56
5. Long-Term Debt	58
6. Interfund Receivables, Payables and Transfers	60
7. Pensions	60
8. Commitments	78
9. Risk Management	78
10. Restatement	79

	<u>Page</u>
B. Required Supplementary Information	
Schedule of the City's Proportionate Share of the Net Pension Liability	
Cost-Sharing Pension Plan	83
Schedule of Changes in the City's Net Pension Liability and Related Ratios	
Agent Pension Plan	84
Schedule of the City Pension Contributions	86
Notes to Pension Plan Schedules	87
C. Other Supplementary Information	
Budgetary Comparison Schedules – Major Funds	
Capital Improvements Fund	91
Debt Service Fund	92
Non-major Government Funds Financial Statements	
Combining Balance Sheet	95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	96
Budgetary Comparison Schedules – Non-major Funds	
Highway User Revenue Fund	99
Grants Fund	100
III. STATISTICAL SECTION	<u>Page</u>
1 Net Position by Component	102
2 Changes in Net Position	104
3 Fund Balances of Governmental Funds	108
4 Changes in Fund Balances of Governmental Funds	110
5 General Government Tax Revenues By Source	115
6 Assess Value and Estimated Actual Value of Taxable Property	116
7 Property Tax Rates Direct and Overlapping Governments	118
8 Principal Property Taxpayers	119
9 Property Tax Levies and Collections	121
10 Taxable Sales by Category	122
11 Direct and Overlapping Sales Tax Rates	125
12 Ratio of Outstanding Debt by Type	126
13 Ratios of General Bonded Debt Outstanding	128
14 Direct and Overlapping Governmental Activities Debt	129
15 Calculation of Legal Debt Margin	131
16 Legal Debt Margin Information	132
17 Pledged-Revenue Coverage	134
18 Demographic and Economic Statistics	136
19 Principal Employers	137
20 Full-Time Equivalent Employee by Function	139
21 Operating Indicators by Function	140
22 Capital Asset Statistics by Function	142
23 Property Valuations	144
24 Secondary Valuations as a Percentage of Estimated Valuations	145
25 Secondary Valuations by Legal Class	146
26 Secondary Valuations by Major Taxpayer	147

#### IV. COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	151
Schedule of Findings	153
Corrective Action Plan	155

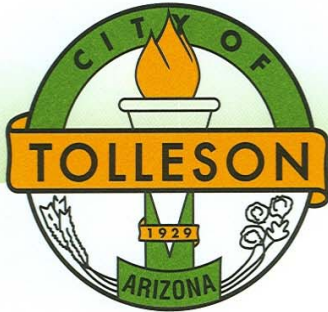




# Introductory Section

---





# CITY OF TOLLESON

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

October 23, 2019

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

State statutes require that cities and towns publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the annual financial report of the City of Tolleson, Arizona for the fiscal year ended June 30, 2019.

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

The City's financial statements have been audited by Henry & Horne, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

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

## **Profile of the City**

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

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

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

## **Economic Condition and Outlook**

The local economy continued to improve during the current fiscal year. Revenues in the General Fund grew by approximately 16%. Sales tax grew by \$3,314,125 or 19% overall, which demonstrates continued growth and improvement in the economy. The revenue forecast for fiscal year 2019-2020 anticipates a continuation of General Fund revenue growth. Expenditures in the General Fund grew by approximately 24% overall due to two large one-time capital expenditures. The City was able to provide salary increases to employees while maintaining costs in commodities and services in order to stay within budget. The City's budget is structurally balanced with ongoing revenues supporting ongoing expenditures. One-time revenues like contracting transaction privilege taxes and building permits support one-time expenditures.

## **Current Condition**

As described above sales tax revenues were higher than previous years. Both the current and future programs are measured for alignment with the Strategic Plan. The financial performance of the City as a whole is reflected in its governmental funds.

As of June 30, 2019, the City's governmental funds reported a combined fund balance of \$39,043,030, of which \$23,333,773 is unassigned and available for spending at the City's discretion.

The City, like most municipalities, is significantly dependent upon sales tax revenues which are subject to economic fluctuations. Sales tax revenues comprised 69% of general fund revenues. Sales taxes and revenues related to the residential and commercial construction industry continued to improve during the fiscal year.

## **Future Economic Outlook**

The City of Tolleson has been able to make strategic reinvestments in existing programs and invest in new programs that provide the opportunity to further position the City as the place to live, work and play. The City will continue to facilitate economic growth through capital projects in the coming year, including the construction of a New City Hall.

## **Accomplishments and Initiatives**

During fiscal year 2019, the City had several significant accomplishments and initiatives.

Within one year, the City reinvested over two million dollars from the General Fund into a city owned building and created a new multigenerational facility known as the Tolleson Parks and Recreation center. The new center offers afterschool programs, summer youth programs, summer reading activities, fieldtrips, fitness classes, youth and adult sports leagues, education classes, arts and crafts, meal programs, and cooking classes.

The 91<sup>st</sup> Avenue widening project was completed to relieve traffic, address safety concerns and provide inviting amenities for residents that was paid entirely in cash from the General Fund. The river walk throughout the walls add character to what could have been only simple walls. Wall seating, instead of benches, found on the west side of the street, offers an opportunity for seating. Light poles inspired by a Santa Fe look add a cohesive look to match downtown Tolleson. Landscaping was added with outlets that will allow for possible holiday lighting throughout the year. The project was filled with features the residents will enjoy for years to come.

City of Tolleson General Obligation Bonds were upgraded to AAA from Fitch Rating Agency and AA from Standard and Poor's in January 2019.

The Housing and Revitalization Department completed 15 Emergency Home Repairs, one Housing Rehab, and two Residential Demolition projects. Sixteen households were assisted with home repairs and rehab. The total number of people served was 44.

The following new restaurants opened in Tolleson this year: Cole Coffeehouse LLC/Bad Ass Coffee, El Camaron Gigante LLC, Q Tamalazo Mexican Food LLC, Restaurant Oaxaqueno Tierra Del Sol, and the Buffalo Spot.

The City of Tolleson became the first local government in the United States to bring the Happiness Advantage / Orange Frog program to all its employees. The workshop provides a blueprint for increasing employee engagement and tapping into people's intrinsic motivations. The Happiness Advantage core principles provide a springboard for people at the individual, team and organization levels; showing people how to infuse positive practices in their personal habits, team work routines and the organization's culture.

## **Expenditure Limitation**

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

On November 8, 2016, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

### **Single Audit**

As a recipient of Federal, State and County financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. Internal control is subject to periodic evaluation by management. The Office of Management and Budget (OMB) set the single audit (Uniform Guidance) threshold for federal awards to \$750,000. As such, the City did not meet the minimum threshold to have a single audit performed.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the third year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

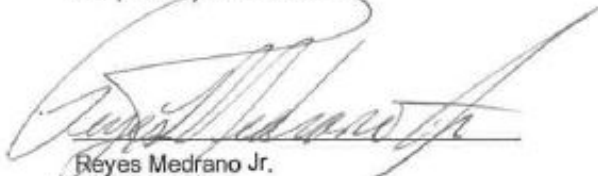
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The preparation of this report would not have been possible without the efficient, effective and dedicated services of the entire staff of the Finance Department and the assistance of personnel in the various departments. We would like to express our appreciation to all members who assisted and contributed to the preparation of this report.

We also wish to express our sincere appreciation to the Mayor, Vice Mayor and Council for unfailing support in maintaining the highest standards of professionalism in the management of the City of Tolleson's finances.

Respectfully Submitted,



Reyes Medrano Jr.  
City Manager



Victoria L. Juvet  
Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Tolleson  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrell*

Executive Director/CEO

CITY OF TOLLESON, ARIZONA  
PRINCIPAL OFFICIALS OF THE CITY  
YEAR ENDED JUNE 30, 2019

MAYOR AND COUNCIL

Anna Tovar, Mayor

Juan F Rodriguez, Vice Mayor

Clorinda Erives, Councilmember

John Carnero, Councilmember

Lupe Leyva Bandin, Councilmember

Albert P. Mendoza, Councilmember

Linda Laborin, Councilmember



MANAGEMENT STAFF

Reyes Medrano, Jr., City Manager

DEPARTMENT HEADS

John Lamb, Magistrate

Wendy Jackson, Human Resources Director

Paul Gilmore, City Engineer

Steve Holliday, IT Director

Jamie McCracken, Field Operations Director

Wayne Booher, Police Chief

Victoria L. Juvet, Chief Financial Officer

Mark Berrelez, Utilities Director

George Good, Fire Chief

Jason Earp, Economic Development Director

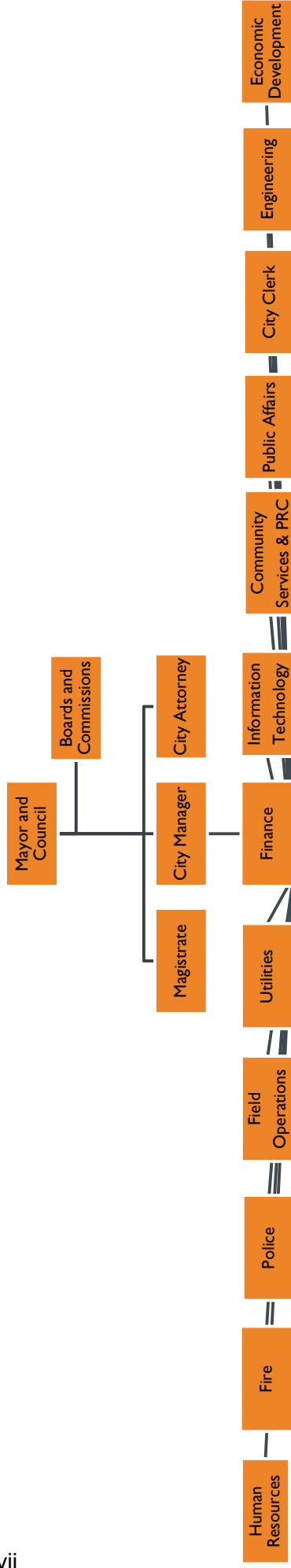
John Paul Lopez, Community Services Director



# CITY OF TOLLESON ORGANIZATIONAL CHART



## Tolleson Citizens





# Financial Section

---



## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council  
City of Tolleson  
Tolleson, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Tolleson, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Public Safety Tax Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, that could have a material impact on the financial statements. For the City of Tolleson, GASB Statement No. 88 added disclosures in the notes to the financial statements. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

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

*Other Information (Continued)*

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tolleson, Arizona's, internal control over financial reporting and compliance.

*Henry + Horne, LLP*

Tempe, Arizona  
October 23, 2019





# Financial Section

---

## MANAGEMENT'S DISCUSSION & ANALYSIS



**CITY OF TOLLESON, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2019**

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

**FINANCIAL ANALYSIS**

- The assets of the City of Tolleson, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$135,025,578 (net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23,333,773 or 78% of total General Fund expenditures.
- The General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$4,656,292 for the fiscal year ending June 30, 2019.
- General Fund revenues exceeded expenditures by \$380,552; a positive variance of \$8,542,201 from the original budget.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

The City of Tolleson maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, public safety fund, capital projects, and debt service fund which are considered to be major funds. Data from two additional governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$135,025,578 as of June 30, 2019 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and sanitation operations in an enterprise fund which is shown as Business Activities.

### City of Tolleson, Arizona Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Current and other assets	\$ 40,666,963	\$ 30,363,118	\$ 32,951,999	\$ 28,864,146	\$ 73,618,962	\$ 59,227,264
Capital assets	58,947,005	50,117,879	60,066,752	61,949,097	119,013,757	112,066,976
Total assets	99,613,968	80,480,997	93,018,751	90,813,243	192,632,719	171,294,240
Deferred outflows of resources	6,438,615	7,243,516	715,959	656,704	7,154,574	7,900,220
Long-term liabilities outstanding	45,124,323	33,350,448	14,454,748	18,135,992	59,579,071	51,486,440
Other liabilities	1,552,632	3,335,758	1,208,992	1,024,174	2,761,624	4,359,932
Total liabilities	46,676,955	36,686,206	15,663,740	19,160,166	62,340,695	55,846,372
Deferred inflows of resources	1,971,240	2,064,028	449,780	261,412	2,421,020	2,325,440
Net position:						
Net investment in capital assets	43,344,723	35,872,282	50,126,416	48,568,972	93,471,139	84,441,254
Restricted	15,686,162	3,652,102	518,226	506,163	16,204,388	4,158,265
Unrestricted	(1,626,497)	9,449,895	26,976,548	22,973,234	25,350,051	32,423,129
Total net position	\$ 57,404,388	\$ 48,974,279	\$ 77,621,190	\$ 72,048,369	\$ 135,025,578	\$ 121,022,648

## Governmental Activities

The City has \$192,632,719 in total assets, with \$93,471,139 invested in capital assets, net of related debt. Funds included in the Business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Sanitation. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

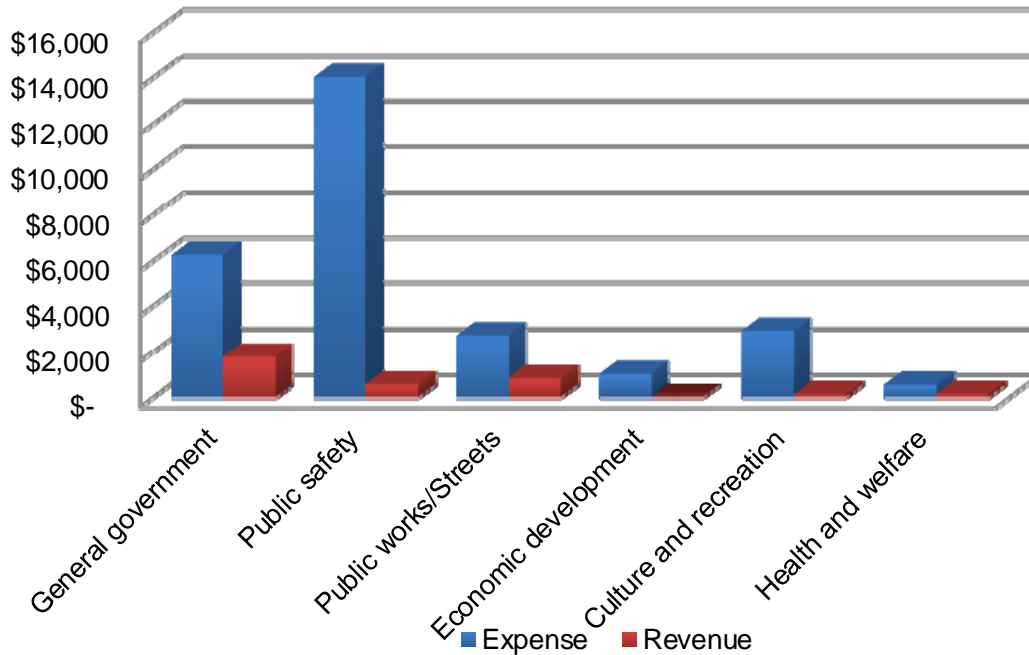
The City's programs include: General Government, Public Safety, Highways and Streets, Economic Development, Culture and Recreation, and Health and Welfare. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's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

City of Tolleson, Arizona						
Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Government	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,930,947	\$ 1,885,949	\$ 13,152,387	\$ 13,615,460	\$ 15,083,334	\$ 15,501,409
Operating grants and contributions	1,355,565	972,700	-	-	1,355,565	972,700
Capital grants and contributions	161,413	69,939	-	-	161,413	69,939
General revenues:						
Taxes	31,590,756	27,706,214	3,637,831	3,224,893	35,228,587	30,931,107
Urban revenue sharing	872,525	889,064	-	-	872,525	889,064
Other revenue/(expense)	991,210	449,458	705,392	169,839	1,696,602	619,297
Total revenues	<u>36,902,416</u>	<u>31,973,324</u>	<u>17,495,610</u>	<u>17,010,192</u>	<u>54,398,026</u>	<u>48,983,516</u>
Expenses:						
General government	6,244,732	6,699,834	-	-	6,244,732	6,699,834
Public safety	14,014,601	13,256,375	-	-	14,014,601	13,256,375
Public works/Streets	2,709,339	2,702,277	-	-	2,709,339	2,702,277
Health and welfare	545,600	506,590	-	-	545,600	506,590
Culture and recreation	2,907,590	2,382,861	-	-	2,907,590	2,382,861
Economic development	1,000,307	794,512	-	-	1,000,307	794,512
Interest on long-term debt	727,733	636,533	-	-	727,733	636,533
Water	-	-	5,287,268	5,926,382	5,287,268	5,926,382
Wastewater treatment/sewer	-	-	6,298,733	6,639,875	6,298,733	6,639,875
Sanitation	-	-	362,235	373,399	362,235	373,399
Total expenses	<u>28,149,902</u>	<u>26,978,982</u>	<u>11,948,236</u>	<u>12,939,656</u>	<u>40,098,138</u>	<u>39,918,638</u>
Increase / (decrease) in net position before special items and transfers	8,752,514	4,994,342	5,547,374	4,070,536	14,299,888	9,064,878
Transfers in (out)	(25,447)	(139,000)	25,447	139,000	-	-
Change in net position	<u>8,727,067</u>	<u>4,855,342</u>	<u>5,572,821</u>	<u>4,209,536</u>	<u>14,299,888</u>	<u>9,064,878</u>
Net position, beginning	48,974,279	44,118,937	72,048,369	67,838,833	121,022,648	111,957,770
Restatement	(296,958)	-	-	-	(296,958)	-
Net position, beginning - restated	<u>48,677,321</u>	<u>44,118,937</u>	<u>72,048,369</u>	<u>67,838,833</u>	<u>120,725,690</u>	<u>111,957,770</u>
Ending net position	<u>\$ 57,404,388</u>	<u>\$ 48,974,279</u>	<u>\$ 77,621,190</u>	<u>\$ 72,048,369</u>	<u>\$ 135,025,578</u>	<u>\$ 121,022,648</u>

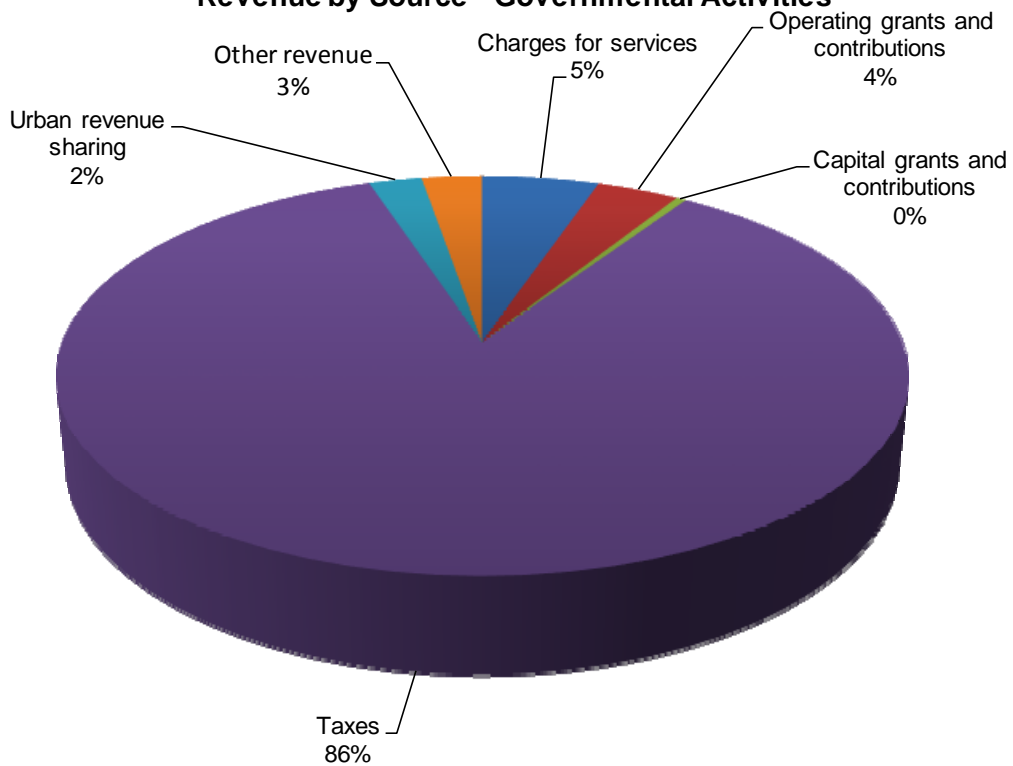
Total resources available during the year to finance governmental operations were \$85.7 million consisting of net position at July 1, 2018 of \$48.7 million, program revenues of \$3.5 million and General Revenues of \$33.5 million. Total Governmental Activities during the year were \$28 million; thus Governmental Net position was increased by \$8.75 million to \$57.4 million before transfers.

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

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



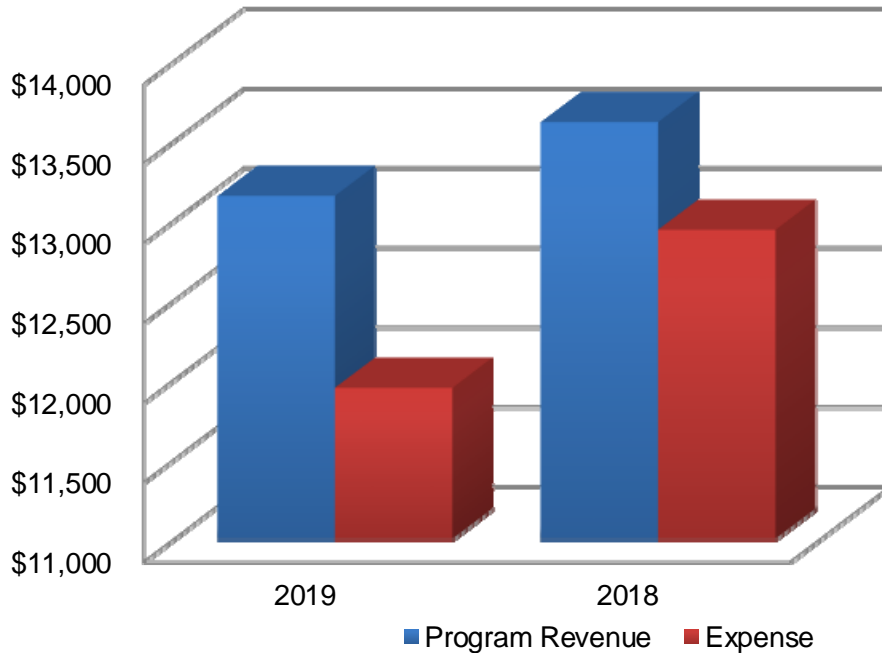
**Revenue by Source - Governmental Activities**



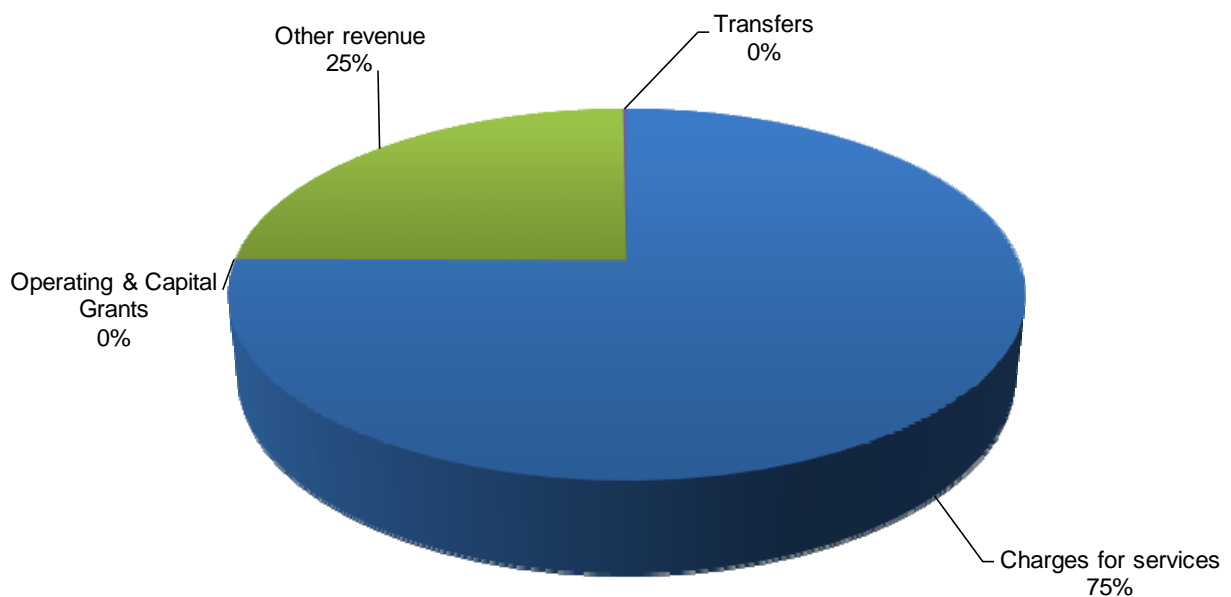
## Business Type Activities

Net position of the Business Type activities at June 30, 2019, as reflected in the Statement of Net Position was \$77.6 million. The cost of providing all Proprietary (Business Type) activities this year was \$11.9 million. As shown in the statement of Changes in Net position, the amounts paid by users of the system were \$13.2 million. Capital contributions were \$0, property tax revenues were \$3,637,831 and interest earnings and other revenues totaled \$705,392. The net position increased by \$5,547,374 before transfers.

**Expenses and Program Revenues - Business-type Activities**  
(in Thousands)



**Revenue by Source - Business-type Activities**





## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Tolleson's governmental funds reported combined ending fund balances of \$39,043,030 an increase of \$12,083,029 in comparison with the prior year. Approximately, 60% of this total amount, \$23,333,773 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 \$23,333,773, while total fund balance is \$23,902,066. 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 78% of total general fund expenditures, while total fund balance represents 80% of the same amount.

During the year, the City of Tolleson's general fund balance increased by \$84,585. The increase was due to sales tax revenue in excess of projected amounts.

The Public Safety Tax Fund balance increased by \$56,889. The key factor to the increase was sales tax in excess of project amounts.

The Capital Projects Fund balance increased by \$11,549,318 during the fiscal year as a result of a general obligation bonds being issued for a new City Hall.

The Debt Service Fund balance increased by \$130,410 during the fiscal year as a result of a tax revenue being greater than the debt service expense.

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

Net position of the proprietary funds was \$77,621,190 as of June 30, 2019. Operating revenues in fiscal year 2019 were \$6,609,408 for water, \$6,085,228 for sewer, and \$457,751 for sanitation while operating expenses were \$5,221,313 for water, \$5,910,048 for sewer, and \$362,235 for sanitation, resulting in operating income of \$1,388,095 for water, \$175,180 for sewer, and \$95,516 for sanitation. The water, sewer, and sanitation operating expenses decreased from the prior year mainly due to a reduction in contractual services, materials, and supplies.

## **General Fund Budgetary Highlights**

Actual general fund revenues exceeded budgeted amounts by \$4,656,292 primarily due to sales tax revenues in excess of projections. The City's total expenditures in the general fund were less than the budgeted amounts by \$3,885,909. There were amendments made during the year between general fund departments to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2019, net capital assets of the government activities totaled \$59 million and the net capital assets of the business-type activities totaled \$60.1 million. Depreciation on capital assets is recognized in the government-wide financial statements. (See note 4 to the financial statements.)

### **Debt**

At year-end, the City had \$45.6 million in governmental type debt, and \$14.5 million in business-type debt. During the current fiscal year, the City's total debt increased by \$6,834,529. (See note 5 to the financial statements for detailed descriptions.)

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

The City continues to grow in residential and commercial development. The City is committed to provide exceptional services and programs to our citizens. The 2019-2020 budget decreased by \$354,213 to \$76,796,734. Several large capital projects were completed in the current year, but the City will be starting a New City Hall construction project. Sales Tax revenue increased by 19% this fiscal year and is projected to increase by another 12% in FY 2020. The budget is structurally balanced with ongoing revenues supporting ongoing program expenditures. The budget document is the comprehensive decision-making tool resulting from the annual budget process.

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

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Chief Financial Officer, City of Tolleson, 9555 West Van Buren, Tolleson, Arizona, 85353 or visit our website at [www.tollesonaz.org](http://www.tollesonaz.org).

# Financial Section

---

## BASIC FINANCIAL STATEMENTS

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

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

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

**Notes to the Financial Statements**



CITY OF TOLLESON, ARIZONA  
STATEMENT OF NET POSITION  
June 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,911,159	\$ 19,837,534	\$ 30,748,693
Investments	13,224,086	9,721,801	22,945,887
Receivables (net of allowances)	4,963,405	2,874,438	7,837,843
Restricted assets	11,545,218	518,226	12,063,444
Prepaid items	23,095	-	23,095
Capital assets:			
Nondepreciable capital assets	5,845,523	4,089,111	9,934,634
Depreciable capital assets (net of accumulated depreciation)	53,101,482	55,977,641	109,079,123
Total assets	<u>99,613,968</u>	<u>93,018,751</u>	<u>192,632,719</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	6,438,615	715,959	7,154,574
Total deferred outflows of resources	<u>6,438,615</u>	<u>715,959</u>	<u>7,154,574</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	771,709	809,932	1,581,641
Accrued wages and benefits	700,555	162,613	863,168
Deposits payable	5,238	133,932	139,170
Interest payable	-	99,739	99,739
Unearned revenue	75,130	2,776	77,906
Noncurrent liabilities:			
Due within one year:			
Compensated absences	579,652	234,836	814,488
Developer agreement payable	425,000	-	425,000
Loans payable	-	464,067	464,067
Bonds payable	1,823,715	1,836,285	3,660,000
Due in more than one year:			
Compensated absences	1,835,567	287,022	2,122,589
Developer agreement payable	927,555	-	927,555
Loans payable	-	5,573,343	5,573,343
Bonds payable	23,276,012	2,066,641	25,342,653
Net pension liability	16,256,822	3,992,554	20,249,376
Total liabilities	<u>46,676,955</u>	<u>15,663,740</u>	<u>62,340,695</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	1,971,240	449,780	2,421,020
Total deferred inflows of resources	<u>1,971,240</u>	<u>449,780</u>	<u>2,421,020</u>
<b>NET POSITION</b>			
Net investment in capital assets	43,344,723	50,126,416	93,471,139
Restricted for:			
General government	410,556	-	410,556
Public safety	2,432,731	-	2,432,731
Highways and streets	545,458	-	545,458
Debt service	456,077	518,226	974,303
Capital projects and other	11,574,765	-	11,574,765
Grants	266,575	-	266,575
Unrestricted (deficit)	<u>(1,626,497)</u>	<u>26,976,548</u>	<u>25,350,051</u>
Total net position	<u>\$ 57,404,388</u>	<u>\$ 77,621,190</u>	<u>\$ 135,025,578</u>

See accompanying notes.

CITY OF TOLLESON, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 6,244,732	\$ 1,562,514	\$ 187,833	\$ 15,013
Public safety	14,014,601	303,551	261,334	-
Highways and streets	2,709,339	-	688,185	146,400
Culture and recreation	2,907,590	64,882	63,469	-
Economic development	1,000,307	-	-	-
Health and welfare	545,600	-	154,744	-
Interest on long-term debt	727,733	-	-	-
Total governmental activities	<u>28,149,902</u>	<u>1,930,947</u>	<u>1,355,565</u>	<u>161,413</u>
Business-type activities				
Water	5,287,268	6,609,408	-	-
Sewer	6,298,733	6,085,228	-	-
Sanitation and Trash	362,235	457,751	-	-
Total business-type activities	<u>11,948,236</u>	<u>13,152,387</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 40,098,138</u>	<u>\$ 15,083,334</u>	<u>\$ 1,355,565</u>	<u>\$ 161,413</u>

General revenues

Taxes:

Sales tax

Property tax

Auto lieu tax

Franchise tax

State revenue sharing

Urban revenue sharing (unrestricted)

Unrestricted investment earnings

Miscellaneous

Transfers in (out)

Total general revenues

and transfers

Change in net position

Net position, beginning of year

Restatement

Net position, beginning of year, restated

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (4,479,372)	\$ -	\$ (4,479,372)
(13,449,716)	-	(13,449,716)
(1,874,754)	-	(1,874,754)
(2,779,239)	-	(2,779,239)
(1,000,307)	-	(1,000,307)
(390,856)	-	(390,856)
(727,733)	-	(727,733)
<u>(24,701,977)</u>	<u>-</u>	<u>(24,701,977)</u>
-	1,322,140	1,322,140
-	(213,505)	(213,505)
-	95,516	95,516
<u>-</u>	<u>1,204,151</u>	<u>1,204,151</u>
<u>(24,701,977)</u>	<u>1,204,151</u>	<u>(23,497,826)</u>
25,448,636	-	25,448,636
4,859,308	3,637,831	8,497,139
510,081	-	510,081
47,217	-	47,217
725,514	-	725,514
872,525	-	872,525
838,282	705,392	1,543,674
152,928	-	152,928
<u>(25,447)</u>	<u>25,447</u>	<u>-</u>
<u>33,429,044</u>	<u>4,368,670</u>	<u>37,797,714</u>
8,727,067	5,572,821	14,299,888
48,974,279	72,048,369	121,022,648
(296,958)	-	(296,958)
<u>48,677,321</u>	<u>72,048,369</u>	<u>120,725,690</u>
<u>\$ 57,404,388</u>	<u>\$ 77,621,190</u>	<u>\$ 135,025,578</u>





# Government Funds Financial Statements

---

## **Major Funds**

### **General Fund**

This fund is the general operating fund of the City. It accounts for all financial resources of the City, except those required to be accounted for in other funds.

### **Public Safety Tax Fund**

This fund accounts for the ½ cent sales tax collected to provide for police and fire services.

### **Capital Projects Fund**

This fund accounts for the government's major capital improvements projects including the expenditure of impact fees.

### **Debt Service Fund**

This fund accounts for the government's accumulation of resources for and the payment of long-term debt principal, interest and related costs.

## **Non - Major Funds**

Other governmental funds are the non-major funds and are special revenue and capital project funds.

CITY OF TOLLESON, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	General	Public Safety Tax	Capital Projects	Debt Service
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,540,287	\$ 2,299,979	\$ 21,770	\$ 412,744
Investments	13,224,086	-	-	-
Receivables, net:				
Accounts receivable	204,908	35,228	-	-
Interest receivable	85,204	-	25,277	-
Taxes receivable	68,390	-	-	71,395
Intergovernmental receivable	4,120,187	-	-	-
Prepays	23,095	-	-	-
Restricted cash and investments	-	-	11,545,218	-
<b>Total assets</b>	<b>\$ 25,266,157</b>	<b>\$ 2,335,207</b>	<b>\$ 11,592,265</b>	<b>\$ 484,139</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 648,116	\$ 18,880	\$ 17,500	\$ -
Accrued wages and benefits	685,736	-	-	-
Deposit payable	5,238	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>1,339,090</b>	<b>18,880</b>	<b>17,500</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	25,001	18,238	-	28,062
<b>Total deferred inflow of resources</b>	<b>25,001</b>	<b>18,238</b>	<b>-</b>	<b>28,062</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepaid items	23,095	-	-	-
Restricted				
General government	410,556	-	-	-
Public safety	134,642	2,298,089	-	-
Highways and streets	-	-	-	-
Debt service	-	-	-	456,077
Capital projects	-	-	11,574,765	-
Grants	-	-	-	-
Unassigned	23,333,773	-	-	-
<b>Total fund balances</b>	<b>23,902,066</b>	<b>2,298,089</b>	<b>11,574,765</b>	<b>456,077</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 25,266,157</b>	<b>\$ 2,335,207</b>	<b>\$ 11,592,265</b>	<b>\$ 484,139</b>

See accompanying notes.

Non-Major Governmental Funds	Total Governmental Funds
\$ 636,379	\$ 10,911,159
-	13,224,086
-	240,136
-	110,481
-	139,785
352,816	4,473,003
-	23,095
-	11,545,218
<u>\$ 989,195</u>	<u>\$ 40,666,963</u>
\$ 87,213	\$ 771,709
14,819	700,555
-	5,238
75,130	75,130
<u>177,162</u>	<u>1,552,632</u>
-	71,301
-	71,301
-	23,095
-	410,556
-	2,432,731
545,458	545,458
-	456,077
-	11,574,765
266,575	266,575
-	23,333,773
<u>812,033</u>	<u>39,043,030</u>
<u>\$ 989,195</u>	<u>\$ 40,666,963</u>



CITY OF TOLLESON, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2019

Total governmental funds balances		\$ 39,043,030
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental capital assets	\$ 103,084,190	
Accumulated depreciation	<u>(44,137,185)</u>	58,947,005
Some revenues are unavailable in the governmental fund financial statements but recognized when earned in the statement of activities		71,301
Some liabilities, including net pension liabilities, capital leases, developer agreement payable, loans payable, and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(16,256,822)	
Developer agreement payable	(1,352,555)	
Bonds payable	(25,099,727)	
Compensated absences	<u>(2,415,219)</u>	(45,124,323)
Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	6,438,615	
Deferred inflows of resources related to pensions	<u>(1,971,240)</u>	<u>4,467,375</u>
Total net position of governmental activities		<u><u>\$ 57,404,388</u></u>

CITY OF TOLLESON, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2019

REVENUES	General	Public Safety Tax	Capital Projects	Debt Service
Taxes:				
Sales taxes	\$ 20,901,399	\$ 3,590,237	\$ -	\$ 957,000
Property taxes	4,165,401	-	-	708,203
Franchise taxes	47,217	-	-	-
Intergovernmental revenues	1,816,983	-	-	-
Fines and forfeitures	283,882	-	-	-
Licenses and permits	644,556	-	-	-
Charges for services	1,361,194	20,746	-	-
Rents and royalties	47,045	-	-	-
Contributions and donations	66,619	-	-	-
Investment earnings	676,978	19,842	108,396	31,835
Other revenues	388,061	16,990	-	-
Total revenues	<u>30,399,335</u>	<u>3,647,815</u>	<u>108,396</u>	<u>1,697,038</u>
EXPENDITURES				
Current:				
General government	6,692,032	-	-	-
Public safety	10,633,495	2,428,567	-	-
Highways and streets	1,252,088	-	-	-
Culture and recreation	2,559,148	-	-	-
Economic development	1,284,470	-	-	-
Health and welfare	-	-	-	-
Capital outlay	7,597,550	1,162,359	-	-
Debt service:				
Principal retirement	-	-	-	958,100
Interest and fiscal charges	-	-	162,342	608,528
Bond issuance costs	-	-	226,656	-
Total expenditures	<u>30,018,783</u>	<u>3,590,926</u>	<u>388,998</u>	<u>1,566,628</u>
Excess (deficiency) of revenues over (under) expenditures	<u>380,552</u>	<u>56,889</u>	<u>(280,602)</u>	<u>130,410</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	9,272	-	-	-
General obligation bonds issued	-	-	10,850,000	-
Premium on general obligation bonds	-	-	1,005,367	-
Transfers in	-	-	-	-
Transfers out	(305,239)	-	(25,447)	-
Total other financing sources and (uses)	<u>(295,967)</u>	<u>-</u>	<u>11,829,920</u>	<u>-</u>
Net change in fund balances	84,585	56,889	11,549,318	130,410
Fund balances - beginning of year	<u>23,817,481</u>	<u>2,241,200</u>	<u>25,447</u>	<u>325,667</u>
Fund balances - end of year	<u>\$ 23,902,066</u>	<u>\$ 2,298,089</u>	<u>\$ 11,574,765</u>	<u>\$ 456,077</u>

See accompanying notes.

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 25,448,636
-	4,873,604
-	47,217
1,619,427	3,436,410
-	283,882
-	644,556
-	1,381,940
-	47,045
-	66,619
1,231	838,282
-	405,051
<u>1,620,658</u>	<u>37,473,242</u>
-	6,692,032
261,333	13,323,395
737,670	1,989,758
-	2,559,148
-	1,284,470
518,667	518,667
146,400	8,906,309
-	958,100
-	770,870
-	226,656
<u>1,664,070</u>	<u>37,229,405</u>
<u>(43,412)</u>	<u>243,837</u>
-	9,272
-	10,850,000
-	1,005,367
305,239	305,239
-	(330,686)
<u>305,239</u>	<u>11,839,192</u>
261,827	12,083,029
<u>550,206</u>	<u>26,960,001</u>
<u>\$ 812,033</u>	<u>\$ 39,043,030</u>

CITY OF TOLLESON, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds \$ 12,083,029

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

Capital outlay	\$ 8,906,308	
Depreciation expense	<u>(2,494,412)</u>	6,411,896

In the statement of activities, only gain/loss on the sale of capital assets is  
reported, whereas in the governmental funds, the proceeds from the sale  
increase financial resources. Thus, the change in net position differs from the  
change in fund balance by the book value of the capital asset sold. (7,260)

Governmental funds report the effect of premiums, discounts and similar  
items when debt is first issued, whereas these amounts are deferred  
and amortized in the Statement of Activities.

Amortization of bond premiums and discounts - net		43,137
---	--	--------

City pension contributions are reported as expenditures in the governmental  
funds when made. However, they are reported as deferred outflows of  
resources in the Statement of Net Position because the reported net  
pension liability is measured a year before the City's report date. Pension  
expense, which is the change in the net pension liability adjusted for  
changes in deferred outflows and inflows of resources related to pensions,  
is reported in the Statement of Activities.

City pension contributions	3,240,276	
City proportionate share of State's appropriation to EORP	(31,294)	
Pension expense	<u>(2,541,134)</u>	667,848

Debt proceeds provide current financial resources to governmental funds, but  
issuing debt increases long-term liabilities in the statement of net position.

General obligation bonds issued	(10,850,000)	
Premium on general obligation bonds	<u>(1,005,367)</u>	(11,855,367)

Repayment of long-term debt (e.g., bonds, leases, accounts payable) principal is  
an expenditure in the governmental funds, but the repayment reduces long-term  
liabilities in the statement of net position.

Bond principal repaid	958,100	
Developer agreement principal repaid	<u>407,412</u>	1,365,512

Revenues in the statement of activities that do not provide current financial  
resources are not reported as revenues in the funds. This the change in  
deferred inflows in the statement of activities.

3,942

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.

14,330

Change in net position of governmental activities		<u>\$ 8,727,067</u>
---	--	---------------------



CITY OF TOLLESON, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Taxes				
Sales taxes	\$ 17,500,000	\$ 17,500,000	\$ 20,901,399	\$ 3,401,399
Property taxes	4,144,559	4,144,559	4,165,401	20,842
Franchise taxes	38,000	38,000	47,217	9,217
Intergovernmental revenues	1,812,837	1,812,837	1,816,983	4,146
Fines and forfeitures	246,400	246,400	283,882	37,482
Licenses and permits	460,000	460,000	644,556	184,556
Charges for services	1,272,947	1,272,947	1,361,194	88,247
Rents and royalties	67,000	67,000	47,045	(19,955)
Other revenues:				
Contributions and donations	45,000	45,000	66,619	21,619
Investment earnings	96,200	96,200	676,978	580,778
Other revenues	60,100	60,100	388,061	327,961
<b>TOTAL REVENUES</b>	<b>25,743,043</b>	<b>25,743,043</b>	<b>30,399,335</b>	<b>4,656,292</b>
<b>EXPENDITURES</b>				
General Government	8,129,252	8,137,252	6,692,032	1,445,220
Public Safety	11,144,660	11,144,660	10,633,495	511,165
Highway & streets	1,268,100	1,268,100	1,252,088	16,012
Culture & recreation	3,597,430	3,436,430	2,559,148	877,282
Economic development	1,456,150	1,321,150	1,284,470	36,680
Capital outlay	7,809,100	8,597,100	7,597,550	999,550
<b>TOTAL EXPENDITURES</b>	<b>33,404,692</b>	<b>33,904,692</b>	<b>30,018,783</b>	<b>3,885,909</b>
Excess (deficiency) of revenues over (under) expenditures	(7,661,649)	(8,161,649)	380,552	8,542,201
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	10,000	10,000	9,272	(728)
Transfers out	(363,583)	(363,583)	(305,239)	58,344
<b>Total other financing sources (uses)</b>	<b>(353,583)</b>	<b>(353,583)</b>	<b>(295,967)</b>	<b>57,616</b>
Net change in fund balance	(8,015,232)	(8,515,232)	84,585	8,599,817
Fund balance - beginning of year	23,817,481	23,817,481	23,817,481	-
Fund balance - end of year	<u>\$ 15,802,249</u>	<u>\$ 15,302,249</u>	<u>\$ 23,902,066</u>	<u>\$ 8,599,817</u>

CITY OF TOLLESON, ARIZONA  
PUBLIC SAFETY TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Sales taxes	\$ 2,700,000	\$ 2,700,000	\$ 3,590,237	\$ 890,237
Charges for services	30,000	30,000	20,746	(9,254)
Investment earnings	8,000	8,000	19,842	11,842
Other revenues	-	-	16,990	16,990
Total revenues	<u>2,738,000</u>	<u>2,738,000</u>	<u>3,647,815</u>	<u>909,815</u>
EXPENDITURES				
Public safety				
Services, supplies and other	2,546,950	2,546,950	2,428,567	118,383
Capital outlay	<u>1,174,500</u>	<u>1,174,500</u>	<u>1,162,359</u>	<u>12,141</u>
Total expenditures	<u>3,721,450</u>	<u>3,721,450</u>	<u>3,590,926</u>	<u>130,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(983,450)</u>	<u>(983,450)</u>	<u>56,889</u>	<u>1,040,339</u>
Net change in fund balance	(983,450)	(983,450)	56,889	1,040,339
Fund balance - beginning of year	<u>2,241,200</u>	<u>2,241,200</u>	<u>2,241,200</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,257,750</u>	<u>\$ 1,257,750</u>	<u>\$ 2,298,089</u>	<u>\$ 1,040,339</u>

# Proprietary Fund Financial Statements

---

## **Enterprise Fund**

### **Water Fund**

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

### **Wastewater & Sewer Fund**

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

### **Sanitation & Trash Fund**

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



CITY OF TOLLESON, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2019

	Business-type Activities-Enterprise Funds			
ASSETS				
Current assets	Water	Wastewater and Sewer	Sanitation and Trash	Total
Cash and cash equivalents	\$ 7,115,549	\$ 12,316,258	\$ 405,727	\$ 19,837,534
Investments	4,722,500	4,999,301	-	9,721,801
Receivables (net of allowance):				
Accounts receivable	1,130,664	1,527,569	77,289	2,735,522
Interest receivable	31,622	27,266	-	58,888
Taxes receivable	76,419	3,609	-	80,028
Restricted assets	-	518,226	-	518,226
Total current assets	13,076,754	19,392,229	483,016	32,951,999
Noncurrent assets				
Capital assets:				
Non-depreciable	1,126,798	2,962,313	-	4,089,111
Depreciable, net	8,668,706	47,294,295	14,640	55,977,641
Total noncurrent assets	9,795,504	50,256,608	14,640	60,066,752
Total assets	22,872,258	69,648,837	497,656	93,018,751
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	209,654	462,668	43,637	715,959
Total deferred outflows of resources	209,654	462,668	43,637	715,959
LIABILITIES				
Current liabilities				
Accounts payable	516,435	226,429	5,192	748,056
Accrued wages and benefits	52,382	108,899	1,332	162,613
Interest payable	-	99,740	-	99,740
Intergovernmental payable	61,876	-	-	61,876
Customer deposits payable	133,931	-	-	133,931
Unearned revenue	1,357	1,419	-	2,776
Bonds payable - current portion	336,285	1,500,000	-	1,836,285
Loans payable - current portion	-	464,067	-	464,067
Compensated absences	59,173	175,663	-	234,836
Total current liabilities	1,161,439	2,576,217	6,524	3,744,180
Noncurrent liabilities				
Compensated absences, net of current portion	72,322	214,700	-	287,022
Bonds payable, net of deferred amounts	1,507,602	559,039	-	2,066,641
Loans payable, net of current portion	-	5,573,343	-	5,573,343
Net pension liability	1,106,928	2,546,237	339,389	3,992,554
Total noncurrent liabilities	2,686,852	8,893,319	339,389	11,919,560
Total liabilities	3,848,291	11,469,536	345,913	15,663,740
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	123,201	291,009	35,570	449,780
NET POSITION				
Net investment in capital assets	7,951,617	42,160,159	14,640	50,126,416
Restricted for debt service	-	518,226	-	518,226
Unrestricted	11,158,803	15,672,575	145,170	26,976,548
Total net position	\$ 19,110,420	\$ 58,350,960	\$ 159,810	\$ 77,621,190

See accompanying notes.



CITY OF TOLLESON, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Sanitation and Trash	Total
Operating revenues				
Charges for services	<u>\$ 6,609,408</u>	<u>\$ 6,085,228</u>	<u>\$ 457,751</u>	<u>\$ 13,152,387</u>
Operating expenses				
Salaries, wages and benefits	1,279,736	2,555,312	28,663	3,863,711
Contractual services, materials and supplies	3,440,446	1,612,351	327,922	5,380,719
Depreciation	501,131	1,742,385	5,650	2,249,166
Total operating expenses	<u>5,221,313</u>	<u>5,910,048</u>	<u>362,235</u>	<u>11,493,596</u>
Operating income (loss)	<u>1,388,095</u>	<u>175,180</u>	<u>95,516</u>	<u>1,658,791</u>
Non-operating Revenues (Expenses)				
Property taxes	190,951	3,446,880	-	3,637,831
Investment earnings	294,476	406,105	4,811	705,392
Interest expense	(65,955)	(388,685)	-	(454,640)
Total nonoperating revenue (expense)	<u>419,472</u>	<u>3,464,300</u>	<u>4,811</u>	<u>3,888,583</u>
Income (loss) before transfers	1,807,567	3,639,480	100,327	5,547,374
Transfers in	<u>25,447</u>	<u>-</u>	<u>-</u>	<u>25,447</u>
Change in net position	<u>1,833,014</u>	<u>3,639,480</u>	<u>100,327</u>	<u>5,572,821</u>
Net position, beginning of year	<u>17,277,406</u>	<u>54,711,480</u>	<u>59,483</u>	<u>72,048,369</u>
Total net position-end of year	<u>\$ 19,110,420</u>	<u>\$ 58,350,960</u>	<u>\$ 159,810</u>	<u>\$ 77,621,190</u>

CITY OF TOLLESON, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2019

	Business-type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Sanitation and Trash	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers, service fees	\$ 6,632,338	\$ 6,170,637	\$ 443,450	\$ 13,246,425
Payments for employee wages and benefits	(1,308,067)	(2,628,204)	(29,148)	(3,965,419)
Payments to suppliers	(3,238,306)	(1,634,056)	(340,911)	(5,213,273)
Net cash provided by (used for) operating activities	2,085,965	1,908,377	73,391	4,067,733
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash received from property taxes	189,899	3,452,669	-	3,642,568
Cash transferred from other funds	25,447	-	-	25,447
Net cash provided by (used for) noncapital financing activities	215,346	3,452,669	-	3,668,015
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(86,108)	(280,713)	-	(366,821)
Principal paid on long term debt	(126,900)	(3,299,225)	-	(3,426,125)
Interest paid on long-term debt	(72,828)	(402,897)	-	(475,725)
Net cash provided by (used for) capital and related financing activities	(285,836)	(3,982,835)	-	(4,268,671)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings	284,035	395,055	4,811	683,901
Net cash provided by (used for) investing activities	284,035	395,055	4,811	683,901
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,299,510	1,773,266	78,202	4,150,978
Cash and cash equivalents at beginning of year	9,538,539	16,060,519	327,525	25,926,583
Cash and cash equivalents at end of year	\$ 11,838,049	\$ 17,833,785	\$ 405,727	\$ 30,077,561

See accompanying notes.



Business-type Activities-Enterprise Funds				
	Water	Wastewater and Sewer	Sanitation and Trash	Total
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Net operating income (loss)	\$ 1,388,095	\$ 175,180	\$ 95,516	\$ 1,658,791
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	501,131	1,742,385	5,650	2,249,166
Provision for uncollectible accounts	25,771	6,227	1,792	33,790
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
(Increase)/decrease in:				
Accounts receivable	(18,718)	80,900	(16,093)	46,089
Deferred outflows of resources related to pensions	(22,571)	(36,522)	(162)	(59,255)
Increase/(decrease) in:				
Accounts payable	204,194	(21,705)	(12,989)	169,500
Accrued wages and benefits	3,054	7,540	40	10,634
Accrued liabilities	(2,054)	-	-	(2,054)
Customer deposits	14,520	-	-	14,520
Unearned revenue	1,357	(1,718)	-	(361)
Compensated absences	5,206	(14,606)	-	(9,400)
Net pension liability	(74,471)	(155,653)	(1,931)	(232,055)
Deferred outflows of resources related to pensions	60,451	126,349	1,568	188,368
Net cash provided by (used for) operating activities:	<u>\$ 2,085,965</u>	<u>\$ 1,908,377</u>	<u>\$ 73,391</u>	<u>\$ 4,067,733</u>
Noncash investing, capital, and financing activities:				
Amortization of bond premium	\$ 6,873	\$ 6,791	\$ -	\$ 13,664
Reconciliation of cash, cash equivalents, and investments to the statement of net position				
Cash and cash equivalents	\$ 7,115,549	\$ 12,316,258	\$ 405,727	\$ 19,837,534
Investments	4,722,500	4,999,301	-	9,721,801
Restricted assets	-	518,226	-	518,226
Total cash, cash equivalents, and investments	<u>\$ 11,838,049</u>	<u>\$ 17,833,785</u>	<u>\$ 405,727</u>	<u>\$ 30,077,561</u>



# Notes to the Financial Statements

---



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Tolleson, Arizona is a municipal government that is governed by an elected mayor, vice-mayor, and five-member governing council (council). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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

Individual Component Units – Blended

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

Related Organizations

The City is also responsible for appointing a majority of the members of the boards of the Industrial Development Authority of the City of Tolleson, Arizona but the City's accountability for these organizations does not extend beyond making appointments.

B. Basis of Presentation – Government-Wide Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The Public Safety Tax Special Revenue Fund accounts for the government's sales tax revenues set aside for public safety purposes and related expenditures.

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

The Debt Service Fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest and related costs.

The City reports the following major proprietary funds:

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

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

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

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

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The City's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pollution remediation obligations, and asset retirement obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

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

E. Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments (Continued)

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

F. Receivables and Payables

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

G. Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2019, were immaterial, they are not included in the balance sheet.

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

H. Restricted Assets

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



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at actual cost (or historical cost or estimated historical cost if historical records are not available). Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Land, construction in progress, and water rights are not depreciated. The other property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

J. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

K. Postemployment benefits

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

ASRS, EORP, and PSPRS net OPEB assets/liabilities have not been recorded, or further disclosed, at June 30, 2019 in accordance with GASB Statement 75, due to the relative insignificance to the City's financial statements.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position Flow Assumption

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

M. Fund Balance Flow Assumptions

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

N. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Program Revenues

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

P. Property taxes

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

Q. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

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

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Use of Estimates

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

T. Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, each year, prior to April 1, the Economic Estimates Commission provides the government with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager, subject to City Council approval, may at any time, transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Supplementary budgetary appropriations were necessary during the year.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Budgets and Budgetary Accounting (Continued)

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

U. Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the basic financial statements and the other supplementary information present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2019, if any.

V. Change in accounting principle

For the year ended June 30, 2019, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 requires disclosure of information related to long-term debt. Implementing GASB Statement No. 88 did not have a material effect on the City's financial statements.

NOTE 2 CASH AND INVESTMENTS

The following table summarizes the City's cash and investments at June 30, 2019:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 10,911,159	\$ 19,837,534	\$ 30,748,693
Restricted assets	11,545,218	518,226	12,063,444
Investments	13,224,086	9,721,801	22,945,887
Total	<u>\$ 35,680,463</u>	<u>\$ 30,077,561</u>	<u>\$ 65,758,024</u>

Deposits

Cash in bank - At June 30, 2019, the City had \$3,750 of cash on hand. The carrying amount of the City's cash in bank totaled \$9,278,604 and the bank balance was \$9,836,157. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$9,586,157 was covered by collateral held in the pledging bank's trust department not in the City's name.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments

The City invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The State Board of Investment provides oversight for the State Treasurer's investment pools. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard & Poors with AA+/S1+. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2019, the City's funds invested with the State Treasurer totaled \$21,984,565.

Restricted assets - At June 30, 2019, the City had restricted cash and cash equivalents of \$518,226 which was restricted for debt payments and restricted investments of \$11,545,218 which included \$10,850,000 of unspent debt proceeds to be used for capital projects and \$695,218 for debt reserves.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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

2019 Investment Type	Amount	Remaining Maturity (In Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 18,121,255	\$ 6,746,325	\$ 2,689,634	\$ 8,685,296	\$ -
International Bank of Recon	1,188,270	-	487,253	701,017	-
Inter-American Development Bank Note	225,558	-	225,558	-	-
Asian Development Bank Note	170,751	-	170,751	-	-
International Finance Corporation Note	352,473	-	352,473	-	-
African Development Bank Notes	202,447	-	202,447	-	-
Federal Agency Collateralized Mortgage Obligations	3,300,948	221,394	1,655,943	1,423,611	-
Federal Agency Notes	671,630	-	671,630	-	-
Fannie Mae Notes	1,312,291	-	781,492	530,799	-
Freddie Mac Notes	453,897	-	453,897	-	-
Federal Home Loan Bank Notes	2,392,459	-	-	2,392,459	-
PFM Government Money Market Fund	6,099,126	6,099,126	-	-	-
State Investment Pool (LGIP)	21,984,565	21,984,565	-	-	-
	<u>\$ 56,475,670</u>	<u>\$ 35,051,410</u>	<u>\$ 7,691,078</u>	<u>\$ 13,733,182</u>	<u>\$ -</u>

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (Continued)

Credit Risk

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

2019 Investment Type	Amount	Rating Agency	Rating
U.S. Treasury Notes	\$ 18,121,255	Moody's	Aaa
International Bank of Recon	1,188,270	Moody's	Aaa
Inter-American Development Bank Note	225,558	Moody's	Aaa
Asian Development Bank Note	170,751	Moody's	Aaa
International Finance Corporation Note	352,473	Moody's	Aaa
African Development Bank Notes	202,447	Moody's	Aaa
Federal Agency Collateralized Mortgage Obligations	3,300,948	Moody's	Aaa
Federal Agency Notes	671,630	Moody's	Aaa
Fannie Mae Notes	1,312,291	Moody's	Aaa
Freddie Mac Notes	453,897	Moody's	Aaa
Federal Home Loan Bank Notes	2,392,459	Moody's	Aaa
PFM Government Money Market Fund	6,099,126		Unrated
State Investment Pool (LGIP)	21,984,565	Standard and Poors	AAAf/S1+
	<u>\$ 56,475,670</u>		



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2019, the City's investments are included as follows:

Issuer	Reported Amount	Concentration
U.S. Treasury Notes	\$ 18,121,255	32.1%
International Bank of Recon	1,188,270	2.1%
Inter-American Development Bank Note	225,558	0.4%
Asian Development Bank Note	170,751	0.3%
International Finance Corporation Note	352,473	0.6%
African Development Bank Notes	202,447	0.4%
Federal Agency Collateralized Mortgage Obligations	3,300,948	5.8%
Federal Agency Notes	671,630	1.2%
Fannie Mae Notes	1,312,291	2.3%
Freddie Mac Notes	453,897	0.8%
Federal Home Loan Bank Notes	2,392,459	4.2%
PFM Government Money Market Fund	6,099,126	10.8%
State Investment Pool (LGIP)	21,984,565	38.9%
	<u>\$ 56,475,670</u>	<u>100%</u>

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 2 CASH AND INVESTMENTS (Continued)

Fair value measurement

Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2019:

Investments By Fair Value Level	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 18,121,255	\$ -	\$ 18,121,255	\$ -
International Bank of Recon	1,188,270	-	1,188,270	-
Inter-American Development Bank Note	225,558	-	225,558	-
Asian Development Bank Note	170,751	-	170,751	-
International Finance Corporation Note	352,473	-	352,473	-
African Development Bank Notes	202,447	-	202,447	-
Federal Agency Collateralized Mortgage Obligations	3,300,948	-	3,300,948	-
Federal Agency Notes	671,630	-	671,630	-
Fannie Mae Notes	1,312,291	-	1,312,291	-
Freddie Mac Notes	453,897	-	453,897	-
Federal Home Loan Banks	2,392,459	-	2,392,459	-
Total Investments by Fair Value Level	<u>\$ 28,391,979</u>	<u>\$ -</u>	<u>\$ 28,391,979</u>	<u>\$ -</u>
External Investment Pool Measured at Fair Value				
State Investment Pool (LGIP)	<u>\$ 21,984,565</u>			
Total Investments Measured at Fair Value	<u>50,376,544</u>			
Investments Measured at Amortized Costs				
PFM Government Money Market Fund	<u>6,099,126</u>			
Total Investments	<u>\$ 56,475,670</u>			

Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is a method of supplying system-generated prices to assets using yield curves that is defined by SEI Investments Company. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 3 RECEIVABLES

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

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

	General	Public Safety Tax	Capital Projects	Debt Service	Non-Major Gov. Funds	Total Gov. Funds
Receivables:						
Accounts receivable	\$ 204,908	\$ 35,228	\$ -	\$ -	\$ -	\$ 240,136
Interest receivable	85,204	-	25,277	-	-	110,481
Taxes receivable	68,390	-	-	71,395	-	139,785
Intergovernmental receivable	4,120,187	-	-	-	352,816	4,473,003
	<u>\$ 4,478,689</u>	<u>\$ 35,228</u>	<u>\$ 25,277</u>	<u>\$ 71,395</u>	<u>\$ 352,816</u>	<u>\$ 4,963,405</u>

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

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise
Receivables:				
Accounts receivable	\$ 1,221,436	\$ 1,543,032	\$ 90,386	\$ 2,854,854
Interest receivable	31,622	27,266	-	58,888
Taxes receivable	76,419	3,609	-	80,028
Less: Allowance for doubtful accounts	(90,772)	(15,463)	(13,097)	(119,332)
Net Receivables	<u>\$ 1,238,705</u>	<u>\$ 1,558,444</u>	<u>\$ 77,289</u>	<u>\$ 2,874,438</u>

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 CAPITAL ASSETS

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

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,870,721	\$ 1,870,210	\$ -	\$ 4,740,931
Construction in progress	3,369,151	1,104,592	(3,369,151)	1,104,592
Total capital assets not being depreciated	6,239,872	2,974,802	(3,369,151)	5,845,523
Capital assets, being depreciated:				
Buildings	20,029,118	3,482,987	-	23,512,105
Furniture, equipment, and vehicles	12,745,794	939,010	(93,805)	13,590,999
Improvements	55,256,903	4,878,660	-	60,135,563
Total capital assets being depreciated	88,031,815	9,300,657	(93,805)	97,238,667
Less accumulated depreciation for:				
Buildings	(5,113,643)	(533,296)	-	(5,646,939)
Furniture, equipment, and vehicles	(9,642,965)	(938,014)	86,545	(10,494,434)
Improvements	(26,972,710)	(1,023,102)	-	(27,995,812)
Total accumulated depreciation	(41,729,318)	(2,494,412)	86,545	(44,137,185)
Total capital assets, being depreciated, net	46,302,497	6,806,245	(7,260)	53,101,482
Governmental activities capital assets, net	<u>\$ 52,542,369</u>	<u>\$ 9,781,047</u>	<u>\$ (3,376,411)</u>	<u>\$ 58,947,005</u>

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

Governmental activities:	
General government	\$ 294,580
Public safety	1,003,177
Highways and streets	794,068
Culture and recreation	16,369
Economic development	359,516
Health and welfare	26,702
Total depreciation expense	<u>\$ 2,494,412</u>

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 4 CAPITAL ASSETS (Continued)

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

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,933,202	\$ -	\$ -	\$ 3,933,202
Construction in progress	-	155,909	-	155,909
Total capital assets not being depreciated	3,933,202	155,909	-	4,089,111
Capital assets, being depreciated:				
Buildings	42,489,756	-	-	42,489,756
Improvements other than buildings	17,549,681	40,777	-	17,590,458
Machinery and equipment	41,872,099	83,557	(19,452)	41,936,204
Vehicles	1,596,511	86,578	(21,631)	1,661,458
Total capital assets being depreciated	103,508,047	210,912	(41,083)	103,677,876
Less accumulated depreciation for:				
Buildings	(14,724,114)	(823,713)	-	(15,547,827)
Improvements other than buildings	(7,311,453)	(356,939)	-	(7,668,392)
Machinery and equipment	(22,204,966)	(1,034,997)	19,452	(23,220,511)
Vehicles	(1,251,619)	(33,517)	21,631	(1,263,505)
Total accumulated depreciation	(45,492,152)	(2,249,166)	41,083	(47,700,235)
Total capital assets, being depreciated, net	58,015,895	(2,038,254)	-	55,977,641
Business-Type activities capital assets, net	\$ 61,949,097	\$ (1,882,345)	\$ -	\$ 60,066,752

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

Business-type activities	
Wastewater & sewer	\$ 1,742,385
Water	501,131
Sanitation	5,650
Total depreciation expense	\$ 2,249,166

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	Balance 6/30/18	Additions	Retirements	Balance 6/30/19	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 14,078,500	\$ 10,850,000	\$ (958,100)	\$ 23,970,400	\$ 1,823,715
Bond premiums	167,097	1,005,367	(43,137)	1,129,327	-
Total bonds payable	14,245,597	11,855,367	(1,001,237)	25,099,727	1,823,715
Compensated absences	2,429,549	1,041,467	(1,055,797)	2,415,219	579,652
Developer agreement payable	1,759,967	-	(407,412)	1,352,555	425,000
Net pension liability	16,675,302	-	(418,480)	16,256,822	-
Total other long term debt	20,864,818	1,041,467	(1,881,689)	20,024,596	1,004,652
Total Governmental Activities	\$ 35,110,415	\$ 12,896,834	\$ (2,882,926)	\$ 45,124,323	\$ 2,828,367
Business-type Activities:					
Bonds payable	\$ 6,836,500	\$ -	\$ (2,976,900)	\$ 3,859,600	\$ 1,836,285
Premium on bonds	56,990	-	(13,664)	43,326	-
Total bonds payable	6,893,490	-	(2,990,564)	3,902,926	1,836,285
Loans payable	6,486,635	-	(449,225)	6,037,410	464,067
Compensated absences	531,258	201,821	(211,221)	521,858	234,836
Net pension liability	4,224,609	-	(232,055)	3,992,554	-
Total other long term debt	11,242,502	201,821	(892,501)	10,551,822	698,903
Total Business-type Activities	\$ 18,135,992	\$ 201,821	\$ (3,883,065)	\$ 14,454,748	\$ 2,535,188
Total long-term liabilities	\$ 53,246,407	\$ 13,098,655	\$ (6,765,991)	\$ 59,579,071	\$ 5,363,555

Generally, for governmental activities, compensated absences and net pension liabilities are liquidated by the General Fund.

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

Fiscal year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,823,715	\$ 1,013,860	\$ 2,300,352	\$ 350,497
2021	2,088,563	947,999	1,375,837	265,075
2022	2,159,604	863,307	855,634	213,379
2023	2,269,376	772,122	887,225	182,600
2024	2,324,142	685,297	919,362	150,672
2025 - 2029	7,030,000	2,325,393	2,916,280	401,432
2029-2030	6,275,000	1,324,750	642,321	21,222
Total	\$ 23,970,400	\$ 7,932,728	\$ 9,897,011	\$ 1,584,877

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 5 LONG-TERM DEBT (Continued)

The following is a listing of loans and bonds payable outstanding as of June 30, 2019:

	Balance 6/30/19	Due Within One Year
Loans payable:		
Water Infrastructure Finance Authority of Arizona (WIFA) General Obligation Loan, issued \$5,600,000, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. Payable with revenues from levied ad valorem taxes.	\$ 3,521,823	\$ 270,706
Water Infrastructure Finance Authority of Arizona (WIFA) Revenue Loan, issued \$4,000,000, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. Payable with sewer utility revenues.	2,515,587	193,361
Total loans payable	<u>\$ 6,037,410</u>	<u>\$ 464,067</u>
Bonds Payable:		
General Obligation Bonds, Series 2006, issued \$14,510,000, due in annual principal and semi-annual interest installments ranging from \$11,000 to \$290,200, bearing interest at 4.0%, maturing July 1, 2021.	\$ 2,050,000	\$ 1,500,000
Public Safety and Excise Tax Revenue Bonds, Series 2009, issued \$9,100,000, 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.	5,475,000	440,000
General Obligation Bonds, Series 2009A, issued \$3,590,000, due in annual principal and semi-annual installments ranging from \$7,053 to \$72,591, bearing interest at 3.0% to 5.0%, maturing July 1, 2029.	2,325,000	170,000
General Obligation Bonds, Series 2011, issued \$18,570,000, due in annual principal payments beginning July 1, 2018 and semi-annual interest installments beginning July 1, 2012 ranging from \$30,800 to \$211,023, bearing interest at 3.0% to 4.0%, maturing July 1, 2024.	7,130,000	1,325,000
General Obligation Bonds, Series 2019, issued \$10,850,000, due in annual principal payments beginning July 1, 2020 and semi-annual interest installments beginning July 1, 2019 ranging from \$32,000 to \$442,750, bearing interest at 3.0% to 4.0%, maturing July 1, 2038.	10,850,000	225,000
Total bonds payable	<u>27,830,000</u>	<u>3,660,000</u>
Total loans and bonds payable	<u>\$ 33,867,410</u>	<u>\$ 4,124,067</u>

Legal Debt Margin

The City is subject to a debt limit that is 26 percent of the net secondary assessed valuation of taxable real property. At June 30, 2019, that amount was \$76,949,192. As of June 30, 2019, the total outstanding debt applicable to the limit was \$25,876,823 which is 33.63 percent of the total debt limit.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2019, there were no interfund receivables and payables that resulted from interfund transactions.

Interfund transfers for the fiscal year ended June 30, 2019 are as follows:

Fund	Transfers Out	Transfers In
General Fund	\$ 305,239	\$ -
Capital Projects	25,447	-
Non-Major Governmental Funds	-	(305,239)
Water Fund	-	(25,447)
Total	<u>\$ 330,686</u>	<u>\$ (330,686)</u>

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

NOTE 7 PENSIONS

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

At June 30, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 16,256,822	\$ 3,992,554	\$ 20,249,376
Deferred outflows of resources	6,438,615	715,959	7,154,574
Deferred inflows of resources	1,971,240	449,780	2,421,020
Pension expense	2,541,134	194,041	2,735,175

The City reported \$3,240,276 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Net OPEB asset/liabilities have not been recorded, or further disclosed, at June 30, 2019 in accordance with GASB Statement 75, due to the relative insignificance to the City's financial statements.

**A. Arizona State Retirement System**

**Plan Description** – City employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at [www.azasrs.gov](http://www.azasrs.gov).



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

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

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

\*with actuarially reduced benefits.

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

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019 were \$989,715, \$40,722, and \$14,164, respectively.

During fiscal year 2019, the City paid for ASRS pension contributions as follows: 67 percent from the General Fund, 2 percent from other Non-Major Funds, 10 percent from the Water Fund, 20 percent from the Sewer Fund and 1 percent from the Sanitation Fund.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Pension Liability** - At June 30, 2019, the City reported a liability of \$11,918,662 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018, was 0.08546 percent, which was an increase of 0.00383 percent from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2019, the City recognized pension expense for ASRS of \$667,033. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 328,349	\$ 65,706
Changes of assumptions or other inputs	315,390	1,056,753
Net difference between projected and actual earnings on pension plan investments	-	286,616
Changes in proportion and differences between City contributions and proportionate share of contributions	606,817	-
City contributions subsequent to the measurement date	989,715	-
Total	<u>\$ 2,240,271</u>	<u>\$ 1,409,075</u>

The \$989,715 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Years ending June 30,	
2020	\$ 468,343
2021	(63,551)
2022	(434,775)
2023	(128,536)
2024	-
Thereafter	-

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 20, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not Applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

**Discount Rate** - At June 30, 2018, the discount rate used to measure the ASRS total pension liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Sensitivity of City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% increase (8.5%)
City's proportionate share of the net pension liability	\$ 16,990,328	\$ 11,918,662	\$ 7,681,368

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

**B. Public Safety Personnel Retirement System**

**Plan Description** – City police and fire department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who are PSPRS members participate in the agent plans.

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

PSPRS	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017	On or after July 1, 2017
<b>Retirement and Disability</b>			
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years	Highest 60 consecutive months of last 15 years
Benefit percent			
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement		50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement		90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement		Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefits</b>			
Retired Members		80% of retired member's pension benefit	
Active Members		80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

\* With actuarially reduced benefits

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** - At June 30, 2019, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries		
currently receiving benefits	9	5
Inactive employees entitled to		
but not yet receiving benefits	4	11
Active employees	25	24
Total	38	40

**Contributions** - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members - Pension	7.65% - 11.65%	7.65% - 11.65%
City		
Pension	28.51%	28.64%
Health insurance permium benefit	0.37%	0.46%

In addition, the City was required by statute to contribute at the actuarially determined rate of 28.51 percent for Police and 28.64 percent for Fire of the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

For the agent plans, the City's contributions to the plans for the year ended June 30, 2019, were:

	PSPRS Police	PSPRS Fire
Pension		
Contributions made	\$ 1,107,368	\$ 1,376,357
Health Insurance Premium Benefit		
Annual OPEB cost contributions made	14,371	22,106

During fiscal year 2019, the City paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

**Pension Liability** - At June 30, 2019, the City reported a PSPRS net pension liabilities of \$7,688,370.

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustment	Included for pensions
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Rate of Return
Short term investments	2.00%	0.25%
Risk parity	4.00%	5.00%
Fixed income	5.00%	1.25%
Real assets	9.00%	4.52%
GTS	12.00%	3.96%
Private credit	16.00%	6.75%
Real estate	10.00%	3.75%
Private equity	12.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
Total	100.00%	

**Discount Rates** – At June 30, 2018, the discount rate used to measure the PSPRS total pension liabilities was 7.4 percent, which was the same from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Changes in the Net Pension Liability**

PSPRS - Police	Pension		
	Increase (Decrease)		
	Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 12,132,772	\$ 8,112,614	\$ 4,020,158
Changes for the year:			
Service cost	465,683	-	465,683
Interest on the total liability	892,898	-	892,898
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	457,983	-	457,983
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	1,922,331	(1,922,331)
Contributions - employee	-	185,088	(185,088)
Net investment income	-	566,510	(566,510)
Benefit payments, including refunds of employee contributions	(598,856)	(598,856)	-
Hall/Parker Settlement	-	(254,140)	254,140
Administrative expense	-	(9,322)	9,322
Other changes	-	99	(99)
Net changes	1,217,708	1,811,710	(594,002)
Balances at June 30, 2019	\$ 13,350,480	\$ 9,924,324	\$ 3,426,156

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Changes in the Net Pension Liability (Continued)**

PSPRS - Fire	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 15,764,166	\$ 11,600,767	\$ 4,163,399
Changes for the year:			
Service cost	512,618	-	512,618
Interest on the total liability	1,176,421	-	1,176,421
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	138,781	-	138,781
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	1,163,074	(1,163,074)
Contributions - employee	-	202,211	(202,211)
Net investment income	-	817,294	(817,294)
Benefit payments, including refunds of employee contributions	(245,783)	(245,783)	-
Hall/Parker Settlement	-	(440,563)	440,563
Administrative expense	-	(13,139)	13,139
Other changes	-	128	(128)
Net changes	1,582,037	1,483,222	98,815
Balances at June 30, 2019	\$ 17,346,203	\$ 13,083,989	\$ 4,262,214

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% increase (8.40%)
<b>PSPRS - Police</b>			
Total pension liability	\$ 15,289,125	\$ 13,350,480	\$ 11,775,261
Plan fiduciary net position	9,924,324	9,924,324	9,924,324
Net pension liability	<u>\$ 5,364,801</u>	<u>\$ 3,426,156</u>	<u>\$ 1,850,937</u>
<b>PSPRS - Fire</b>			
Total pension liability	\$ 19,759,104	\$ 17,346,203	\$ 15,379,991
Plan fiduciary net position	13,083,989	13,083,989	13,083,989
Net pension liability	<u>\$ 6,675,115</u>	<u>\$ 4,262,214</u>	<u>\$ 2,296,002</u>

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

**Pension Expense** - For the year ended June 30, 2019, the City recognized \$2,217,829 of PSPRS pension expense.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Pension Deferred Outflows/Inflows of Resources** - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>PSPRS - Police</b>		
Differences between expected and actual experience	\$ 443,091	\$ 484,913
Changes of assumptions or other inputs	665,885	-
Net difference between projected and actual earnings on pension plan investments	117,941	-
City contributions subsequent to the measurement date	1,107,368	-
Total	<u>\$ 2,334,285</u>	<u>\$ 484,913</u>
<b>PSPRS - Fire</b>		
Differences between expected and actual experience	\$ 208,839	\$ 249,594
Changes of assumptions or other inputs	720,141	-
Net difference between projected and actual earnings on pension plan investments	134,158	-
City contributions subsequent to the measurement date	1,376,357	-
Total	<u>\$ 2,439,495</u>	<u>\$ 249,594</u>

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS
	Police
2020	\$ 293,660
2021	208,503
2022	66,622
2023	50,033
2024	47,685
Thereafter	75,501

Year ending June 30,	PSPRS
	Fire
2020	\$ 284,634
2021	218,260
2022	87,995
2023	124,630
2024	65,825
Thereafter	32,200

**B. Elected Officials Retirement Plan**

**Plan description**—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at [www.psprs.com](http://www.psprs.com).

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

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

Retirement and Disability	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5-10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5 with 5-10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefits</b>		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Contributions** - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges.

During fiscal year 2019, the City paid 100 percent of the EORP pension contributions from the General Fund.

**Liability** - At June 30, 2019, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP	
net pension liability	\$ 642,356
State's proportionate share of the EORP	
net pension liability associated with the City	110,064
Total	<u>\$ 752,420</u>

The net liability was measured as of June 30, 2018, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018, was 0.101939 percent, which was a decrease of 0.008041 percent from its proportion measured as of June 30, 2017.

**Expense**—For the year ended June 30, 2019, the City recognized pension expense for EORP of \$(149,687) and revenue of \$(31,294) for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Deferred outflows/inflows of resources** - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,019
Changes of assumptions or other inputs	4,002	267,418
Net difference between projected and actual earnings on pension plan investments	5,574	-
Changes in proportion and differences between City contributions and proportionate share of contributions	67,129	-
City contributions subsequent to the measurement date	63,819	-
Total	<u>\$ 140,524</u>	<u>\$ 277,437</u>

The \$63,819 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Years ending June 30,	EORP
2020	\$ (184,227)
2021	(14,231)
2022	(2,365)
2023	91
2024	-
Thereafter	-

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

EORP	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustment	Included for pensions
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable



CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP Asset Class	Target Allocation	Long-Term
		Expected Arithmetic Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

**Discount rate** - At June 30, 2018, the discount rate used to measure the EORP total pension liability was 7.40 percent, which was an increase of 3.49 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarial rates, and State contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 7 PENSIONS (Continued)

**Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate** —The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.40 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

EORP	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% increase (8.40%)
City's proportionate share of the net pension liability	\$ 737,574	\$ 642,356	\$ 561,418

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

NOTE 8 COMMITMENTS

The City has a commitment relating to the purchase of land aggregated approximately \$1,309,000 that will be financed from operating funds. These contracts will be paid in future periods.

NOTE 9 RISK MANAGEMENT

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

CITY OF TOLLESON, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

NOTE 10      RESTATEMENT

Net position as of July 1, 2018 has been restated as follows due to a correction of an error for the recording of the financial impact of a developer agreement. Additionally, net position has been restated as follows due to the recording of net pension liability for a plan that was previously insignificant to the financial statements. As a result, the effect of fiscal year 2019 is as follows:

	<u>Governmental Activities</u>
Net Position as previously reported at June 30, 2018	\$ 48,974,279
Restatement -	
Reimbursement of developer agreement payable	664,523
Pension expense	<u>(961,481)</u>
Total restatement	<u>(296,958)</u>
Net position as restated, July 1, 2018	<u><u>\$ 48,677,321</u></u>



# Required Supplementary Information

---



CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COST-SHARING PENSION PLAN  
June 30, 2019

Arizona Retirement System

	Reporting Fiscal Year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
City's proportion of the net pension liability	0.085460%	0.081630%	0.078415%	0.077390%	0.074250%	Information not available*
City's proportionate share of the net pension liability	\$ 11,918,662	\$ 12,716,363	\$ 12,656,162	\$ 12,054,148	\$ 10,986,414	
City's covered payroll	8,894,734	7,951,763	7,592,673	6,969,789	6,799,467	
City's proportionate share of the net pension liability as a percentage of its covered payroll	134.00%	159.92%	166.69%	172.95%	161.58%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	69.92%	67.06%	68.35%	69.49%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
City's proportion of the net pension liability	0.101939%	0.093390%	0.069212%	0.060990%	0.081390%	Information not available*
City's proportionate share of the net pension liability	\$ 642,356	\$ 1,144,221	\$ 653,884	\$ 476,603	\$ 545,776	
State's proportionate share of the net pension liability associated with the City	110,064	237,474	135,009	148,585	167,340	
Total	<u>\$ 752,420</u>	<u>\$ 1,381,695</u>	<u>\$ 788,893</u>	<u>\$ 625,188</u>	<u>\$ 713,116</u>	
City's covered payroll	\$ 87,413	\$ 77,094	\$ 55,562	\$ 54,621	\$ 57,464	
City's proportionate share of the net pension liability as a percentage of its covered payroll	734.85%	1484.20%	1176.86%	872.56%	949.77%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	19.66%	23.42%	28.32%	31.91%	

\* Additional years' information will be displayed as it becomes available

CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
AGENT PENSION PLAN  
June 30, 2019

City of Tolleson Police Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)					2014-2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						
Service cost	\$ 465,683	\$ 473,995	\$ 398,983	\$ 385,782	\$ 381,895	Information not available*
Interest on the total pension liability	892,898	863,811	764,905	708,237	606,076	
Changes on benefit terms	-	40,808	530,259	-	164,727	
Differences between expected and actual experience in the measurement of the pension liability	457,983	(650,605)	28,330	91,845	(166,928)	
Changes of assumptions or other inputs	-	357,571	453,240	-	792,851	
Benefit payments, including refunds of employee contributions	(598,856)	(466,574)	(412,948)	(528,208)	(430,081)	
Net change in total pension liability	1,217,708	619,006	1,762,769	657,656	1,348,540	
Total pension liability - beginning	12,132,772	11,513,766	9,750,997	9,093,341	7,744,801	
Total pension liability - ending (a)	<u>\$ 13,350,480</u>	<u>\$ 12,132,772</u>	<u>\$ 11,513,766</u>	<u>\$ 9,750,997</u>	<u>\$ 9,093,341</u>	
Plan fiduciary net position						
Contributions - employer	\$1,922,331	\$1,513,489	\$1,161,744	\$ 454,309	\$ 426,364	
Contributions - employee	185,088	230,920	238,489	217,506	201,353	
Net investment income	566,510	753,490	31,927	179,481	577,456	
Benefit payments, including refunds of employee contributions	(598,856)	(466,574)	(412,948)	(528,208)	(430,081)	
Hall/Parker Settlement	(254,140)	-	-	-	-	
Administrative expense	(9,322)	(7,067)	(4,993)	(4,761)	-	
Other changes	99	78	(34,989)	(78,507)	(4,650)	
Net change in plan fiduciary net position	1,811,710	2,024,336	979,230	239,820	770,442	
Plan fiduciary net position - beginning	8,112,614	6,088,278	5,109,048	4,869,228	4,098,786	
Plan fiduciary net position - ending (b)	<u>9,924,324</u>	<u>8,112,614</u>	<u>6,088,278</u>	<u>\$ 5,109,048</u>	<u>\$ 4,869,228</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 3,426,156</u>	<u>\$ 4,020,158</u>	<u>\$ 5,425,488</u>	<u>\$ 4,641,949</u>	<u>\$ 4,224,113</u>	
Plan fiduciary net position as a percentage of the total pension liability	74.34%	66.87%	52.88%	52.40%	53.55%	
Covered payroll	\$ 5,570,442	\$ 4,457,959	\$ 2,158,238	\$ 2,105,501	\$ 1,057,426	
City's net pension liability as a percentage of payroll	61.51%	90.18%	251.39%	220.47%	215.93%	

\* Additional years' information will be displayed as it becomes available



City of Tolleson Fire  
Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014-2010
Total pension liability						
Service cost	\$ 512,618	\$ 553,129	\$ 434,330	\$ 437,425	\$ 416,879	Information not available*
Interest on the total pension liability	1,176,421	1,078,336	902,804	809,086	721,067	
Changes on benefit terms	-	107,196	1,210,896	-	(63,500)	
Differences between expected and actual experience in the measurement of the pension liability	138,781	(291,050)	(25,025)	179,866	(67,804)	
Changes of assumptions or other inputs	-	336,050	530,950	-	414,674	
Benefit payments, including refunds of employee contributions	(245,783)	(241,485)	(230,974)	(230,974)	(389,667)	
Net change in total pension liability	1,582,037	1,542,176	2,822,981	1,195,403	1,031,649	
Total pension liability - beginning	15,764,166	14,221,990	11,399,009	10,203,606	9,171,957	
Total pension liability - ending (a)	<u>\$ 17,346,203</u>	<u>\$ 15,764,166</u>	<u>\$ 14,221,990</u>	<u>\$ 11,399,009</u>	<u>\$ 10,203,606</u>	
Plan fiduciary net position						
Contributions - employer	\$ 1,163,074	\$ 833,691	\$ 751,037	\$ 401,653	\$ 360,947	
Contributions - employee	202,211	286,450	295,993	269,101	232,876	
Net investment income	817,294	1,157,802	51,108	289,531	913,806	
Benefit payments, including refunds of employee contributions	(245,783)	(241,485)	(230,974)	(230,974)	(389,667)	
Hall/Parker Settlement	(440,563)	-	-	-	-	
Administrative expense	(13,139)	(10,645)	(7,754)	(7,452)	-	
Other changes	128	49,430	243,929	1,330	(12,064)	
Net change in plan fiduciary net position	1,483,222	2,075,243	1,103,339	723,189	1,105,898	
Plan fiduciary net position - beginning	11,600,767	9,525,524	8,422,185	7,698,996	6,593,098	
Plan fiduciary net position - ending (b)	<u>\$ 13,083,989</u>	<u>\$ 11,600,767</u>	<u>\$ 9,525,524</u>	<u>\$ 8,422,185</u>	<u>\$ 7,698,996</u>	
City's net pension liability - ending (a) - (b)	<u>\$ 4,262,214</u>	<u>\$ 4,163,399</u>	<u>\$ 4,696,466</u>	<u>\$ 2,976,824</u>	<u>\$ 2,504,610</u>	
Plan fiduciary net position as a percentage of the total pension liability	75.43%	73.59%	66.98%	73.89%	75.45%	
Covered payroll	\$ 4,229,787	\$ 4,011,950	\$ 2,480,871	\$ 2,262,991	\$ 2,462,694	
City's net pension liability as a percentage of covered payroll	100.77%	103.77%	189.31%	131.54%	110.12%	

\* Additional years' information will be displayed as it becomes available

CITY OF TOLLESON, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY PENSION CONTRIBUTIONS  
June 30, 2019

Arizona Retirement System	Reporting Fiscal Year						2013-2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 989,715	\$ 969,526	\$ 857,200	\$ 823,805	\$ 758,313	\$ 727,543	Information not available*
City's contributions in relation to the statutorily required contribution	989,715	969,526	857,200	823,805	758,313	727,543	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 8,852,549	\$ 8,894,734	\$ 7,951,763	\$ 7,592,673	\$ 6,969,789	\$ 6,799,467	
City's contributions as a percentage of covered payroll	11.18%	10.90%	10.78%	10.85%	10.88%	10.70%	

Elected Officials Retirement Plan	Reporting Fiscal Year						2013-2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 63,819	\$ 20,542	\$ 18,117	\$ 13,057	\$ 12,836	\$ 18,492	Information not available*
City's contributions in relation to the actuarially determined contribution	63,819	20,542	18,117	13,057	12,836	18,492	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 103,771	\$ 87,413	\$ 77,094	\$ 55,562	\$ 54,621	\$ 57,464	
City's contributions as a percentage of covered payroll	61.50%	23.50%	23.50%	23.50%	23.50%	32.18%	

The City was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2019, 2018, or 2017. Information for fiscal years 2016 through 2010 is not available.

City of Tolleson Police Public Safety Personnel Retirement System	Reporting Fiscal Year						2013-2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,922,331	\$ 1,513,489	\$ 1,161,744	\$ 454,309	\$ 426,364	\$ 207,044	Information not available*
City's contributions in relation to the actuarially determined contribution	1,922,331	1,513,489	1,161,744	454,309	426,364	207,044	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 6,009,162	\$ 5,570,442	\$ 4,457,959	\$ 2,158,238	\$ 2,105,501	\$ 1,057,426	
City's contributions as a percentage of covered payroll	31.99%	27.17%	26.06%	21.05%	20.25%	19.58%	

City of Tolleson Fire Public Safety Personnel Retirement System	Reporting Fiscal Year						2013-2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,163,074	\$ 833,691	\$ 751,037	\$ 401,653	\$ 360,947	\$ 348,225	Information not available*
City's contributions in relation to the actuarially determined contribution	1,163,074	833,691	751,037	401,653	360,947	348,225	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 4,099,662	\$ 4,229,787	\$ 4,011,950	\$ 2,480,871	\$ 2,262,991	\$ 2,462,694	
City's contributions as a percentage of covered payroll	28.37%	19.71%	18.72%	16.19%	15.95%	14.14%	

\* Additional years' information will be displayed as it becomes available

CITY OF TOLLESON  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE PENSION PLAN SCHEDULE  
June 30, 2019

NOTE 1            ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method Actuarial assumptions:	7-year smoothed market value; 80%/120% market corridor
Investment rate of return	PSPRS members with initial membership date before July 1, 2017: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables , with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF TOLLESON  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE PENSION PLAN SCHEDULE  
June 30, 2019

NOTE 2          FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plan's pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS- required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS- required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

# Other Supplementary Information

---

## BUDGETARY COMPARISON SCHEDULES

MAJOR GOVERNMENTAL FUND



CITY OF TOLLESON, ARIZONA  
CAPITAL IMPROVEMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 108,396	\$ 108,396
EXPENDITURES				
Debt service:				
Interest and fiscal charges	-	-	162,342	(162,342)
Bond issuance costs	-	-	226,656	(226,656)
Total expenditures	-	-	388,998	(388,998)
Excess of revenues over (under) expenditures	-	-	(280,602)	(280,602)
OTHER FINANCING SOURCES (USES)				
General obligation bonds issued	11,515,000	11,515,000	10,850,000	(665,000)
Premium on general obligation bonds	-	-	1,005,367	1,005,367
Transfers out	(25,212)	(25,212)	(25,447)	(235)
Total other financing sources (uses):	11,489,788	11,489,788	11,829,920	340,132
Net change in fund balance	11,489,788	11,489,788	11,549,318	59,530
Fund balance - beginning of year	25,447	25,447	25,447	-
Fund balance - end of year	\$ 11,515,235	\$ 11,515,235	\$ 11,574,765	\$ 59,530

CITY OF TOLLESON, ARIZONA  
DEBT SERVICE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Sales taxes	\$ 957,000	\$ 957,000	\$ 957,000	\$ -
Property taxes	3,821,000	3,821,000	708,203	(3,112,797)
Investment earnings	2,825	2,825	31,835	29,010
Total revenues	4,780,825	4,780,825	1,697,038	(3,083,787)
EXPENDITURES				
Debt service:				
Principal retirement	3,809,000	3,809,000	958,100	2,850,900
Interest and fiscal charges	1,060,100	1,060,100	608,528	451,572
Total expenditures	4,869,100	4,869,100	1,566,628	3,302,472
Net change in fund balance	(88,275)	(88,275)	130,410	218,685
Fund balance - beginning of year	325,667	325,667	325,667	-
Fund balance - end of year	\$ 237,392	\$ 237,392	\$ 456,077	\$ 218,685



# Other Supplementary Information

---

## **BUDGETARY COMPARISON SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS



CITY OF TOLLESON, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2019

	Special Revenue		
	Highway User Revenue Fund	Grants	Total
ASSETS			
Cash and cash equivalents	\$ 325,132	\$ 311,247	\$ 636,379
Receivables, net:			
Intergovernmental	254,032	98,784	352,816
Total assets	<u>\$ 579,164</u>	<u>\$ 410,031</u>	<u>\$ 989,195</u>
LIABILITIES			
Accounts payable	\$ 33,706	\$ 53,507	\$ 87,213
Accrued wages and benefits	-	14,819	14,819
Unearned revenue	-	75,130	75,130
Total liabilities	<u>33,706</u>	<u>143,456</u>	<u>177,162</u>
FUND BALANCES			
Restricted			
Highways and streets	545,458	-	545,458
Grants	-	266,575	266,575
Total fund balances	<u>545,458</u>	<u>266,575</u>	<u>812,033</u>
Total liabilities and fund balances	<u>\$ 579,164</u>	<u>\$ 410,031</u>	<u>\$ 989,195</u>

CITY OF TOLLESON, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2019

	Special Revenue		
	Highway User Revenue Fund	Grants	Total
REVENUES			
Intergovernmental	\$ 998,266	\$ 621,161	\$ 1,619,427
Investment earnings	1,231	-	1,231
Total revenues	999,497	621,161	1,620,658
EXPENDITURES			
Current:			
Public safety	-	261,333	261,333
Highway and streets	737,670	-	737,670
Health & welfare	-	518,667	518,667
Capital outlay	-	146,400	146,400
Total expenditures	737,670	926,400	1,664,070
Excess of revenues over (under) expenditures	261,827	(305,239)	(43,412)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	305,239	305,239
Total other financing sources (uses)	-	305,239	305,239
Net change in fund balances	261,827	-	261,827
Fund balances - beginning of year	283,631	266,575	550,206
Fund balances - end of year	\$ 545,458	\$ 266,575	\$ 812,033

# Other Supplementary Information

---

## NON-MAJOR GOVERNMENT FUNDS

### FINANCIAL STATEMENTS

#### Special Revenue Funds

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



CITY OF TOLLESON, ARIZONA  
HIGHWAY USER REVENUE  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenues	\$ 768,170	\$ 768,170	\$ 998,266	\$ 230,096
Investment earnings	3,000	3,000	1,231	(1,769)
Total revenues	771,170	771,170	999,497	228,327
EXPENDITURES				
Current:				
Highways & streets	740,000	740,000	737,670	2,330
Total expenditures	740,000	740,000	737,670	2,330
Excess (deficiency) of revenues over (under) expenditures	31,170	31,170	261,827	230,657
Net change in fund balance	31,170	31,170	261,827	230,657
Fund balance - beginning of year	283,631	283,631	283,631	-
Fund balance - end of year	\$ 314,801	\$ 314,801	\$ 545,458	\$ 230,657

CITY OF TOLLESON, ARIZONA  
GRANTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenues	\$ 1,168,213	\$ 1,168,213	\$ 621,161	\$ (547,052)
EXPENDITURES				
Current:				
Public safety	474,198	474,198	261,333	212,865
Health and welfare	845,198	845,198	518,667	326,531
Capital outlay	212,400	212,400	146,400	66,000
Total expenditures	1,531,796	1,531,796	926,400	605,396
Excess (deficiency) of revenues over (under) expenditures	(363,583)	(363,583)	(305,239)	58,344
OTHER FINANCING SOURCES (USES)				
Transfers in	363,583	363,583	305,239	(58,344)
Total other financing sources and (uses)	363,583	363,583	305,239	(58,344)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	266,575	266,575	266,575	-
Fund balance - end of year	\$ 266,575	\$ 266,575	\$ 266,575	\$ -



# Statistical Section

---

## Contents

## Pages

### Financial Trends

102-113

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

### Revenue Capacity

115-125

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

### Debt Capacity

126-135

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

### Demographic and Economic Statistics

136-147

These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.

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

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

	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 2,984,211	\$ 24,742,497	\$ 25,900,750	\$ 26,194,336
Restricted	3,474,282	4,420,658	2,971,007	3,426,973
Unrestricted	8,017,638	7,323,480	9,964,703	11,029,738
Total Governmental Activities Net Position	<u>\$ 14,476,131</u>	<u>\$ 36,486,635</u>	<u>\$ 38,836,460</u>	<u>\$ 40,651,047</u>
Business-Type Activities				
Net investment in capital assets	\$ 49,164,298	\$ 32,661,672	\$ 31,376,028	\$ 32,356,074
Restricted	55,295	276,569	492,978	493,772
Unrestricted	16,670,481	15,531,493	17,720,898	19,174,850
Total Business-Type Activities Net Position	<u>\$ 65,890,074</u>	<u>\$ 48,469,734</u>	<u>\$ 49,589,904</u>	<u>\$ 52,024,696</u>
Primary Government				
Net investment in capital assets	\$ 52,148,509	\$ 57,404,169	\$ 57,276,778	\$ 58,550,410
Restricted	3,529,577	4,697,227	3,463,985	3,920,745
Unrestricted	24,688,119	22,854,973	27,685,601	30,204,588
Total Primary Government Net Position	<u>\$ 80,366,205</u>	<u>\$ 84,956,369</u>	<u>\$ 88,426,364</u>	<u>\$ 92,675,743</u>

2014	2015	2016	2017	2018	2019
\$ 27,534,901	\$ 30,954,613	\$ 30,421,590	\$ 32,215,631	\$ 35,872,282	43,344,723
5,110,928	2,633,181	4,896,402	5,684,881	3,652,102	15,686,162
9,625,353	(373,945)	4,441,397	6,218,425	9,449,895	(1,626,497)
<u>\$ 42,271,182</u>	<u>\$ 33,213,849</u>	<u>\$ 39,759,389</u>	<u>\$ 44,118,937</u>	<u>\$ 48,974,279</u>	<u>\$ 57,404,388</u>
\$ 34,835,900	\$ 42,351,199	\$ 46,812,938	\$ 47,446,347	\$ 48,568,972	\$ 50,126,416
494,335	494,852	-	499,179	506,163	518,226
20,708,802	17,740,832	18,087,097	19,893,307	22,973,234	26,976,548
<u>\$ 56,039,037</u>	<u>\$ 60,586,883</u>	<u>\$ 64,900,035</u>	<u>\$ 67,838,833</u>	<u>\$ 72,048,369</u>	<u>\$ 77,621,190</u>
\$ 62,370,801	\$ 73,305,812	\$ 77,234,528	\$ 79,661,978	\$ 84,441,254	\$ 93,471,139
5,605,263	3,128,033	4,896,402	6,184,060	4,158,265	16,204,388
30,334,155	17,366,887	22,528,494	26,111,732	32,423,129	25,350,051
<u>\$ 98,310,219</u>	<u>\$ 93,800,732</u>	<u>\$ 104,659,424</u>	<u>\$ 111,957,770</u>	<u>\$ 121,022,648</u>	<u>\$135,025,578</u>

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

	2010	2011	2012	2013
<b>Expenses</b>				
Governmental activities:				
General Government	\$ 3,931,291	\$ 3,854,836	\$ 3,554,245	\$ 4,160,877
Public Safety	8,145,407	9,227,572	9,590,713	9,921,501
Highways and Streets	3,008,843	3,587,171	2,867,554	2,497,012
Culture and Recreation	1,006,074	1,040,502	1,171,266	562,374
Redevelopment and Housing	45,851	-	-	-
Economic Development	473,105	459,727	545,153	1,175,131
Health and Welfare	516,178	868,049	547,528	343,153
Interest on Long-Term Debt	1,480,666	1,695,159	914,964	864,780
Total Governmental Activities	<u>18,607,415</u>	<u>20,733,016</u>	<u>19,191,423</u>	<u>19,524,828</u>
Business-Type Activities				
Water	4,357,407	4,314,393	6,095,971	5,021,689
Sanitation	705,856	642,779	491,293	614,402
Wastewater and Sewer	4,829,946	5,424,738	6,644,923	6,579,691
Total Business-Type Activities	<u>9,893,209</u>	<u>10,381,910</u>	<u>13,232,187</u>	<u>12,215,782</u>
Total Primary Government Expenses	<u>\$ 28,500,624</u>	<u>\$ 31,114,926</u>	<u>\$ 32,423,610</u>	<u>\$ 31,740,610</u>
<b>Program Revenues</b>				
Governmental Activities:				
Fines, Fees and Charges for Services:				
General Government	\$ 897,801	\$ 430,661	\$ 581,769	\$ 554,874
Public Safety	163,335	262,145	207,948	226,830
Highways and Streets	-	-	-	-
Culture and Recreation	11,284	11,542	25,690	16,825
Redevelopment and Housing	-	-	-	-
Other	-	-	-	-
Operating Grants and Contributions	1,235,150	825,410	878,403	830,814
Capital Grants and Contributions	1,059,482	868,296	235,653	171,515
Total Governmental Activities Program Revenues	<u>3,367,052</u>	<u>2,398,054</u>	<u>1,929,463</u>	<u>1,800,858</u>
Business-Type Activities				
Charges for Services:				
Water	\$ 4,639,765	\$ 4,994,285	\$ 6,394,604	\$ 6,479,996
Sanitation	409,697	401,366	347,800	360,618
Wastewater and Sewer	4,881,137	5,000,253	5,500,611	5,535,850
Capital Grants and Contributions	7,966,449	1,901,328	-	-
Total Business-Type Activities Program Revenues	<u>17,897,048</u>	<u>12,297,232</u>	<u>12,243,015</u>	<u>12,376,464</u>
Total Primary Government Revenues	<u>\$ 21,264,100</u>	<u>\$ 14,695,286</u>	<u>\$ 14,172,478</u>	<u>\$ 14,177,322</u>

2014	2015	2016	2017	2018	2019
\$ 4,069,698	\$ 5,415,488	\$ 5,596,149	\$ 6,057,979	\$ 6,699,834	\$ 6,244,732
9,342,079	10,820,773	11,510,678	13,703,866	13,256,375	14,014,601
4,278,584	2,155,241	2,146,277	2,158,993	2,702,277	2,709,339
885,714	1,691,577	1,667,220	2,438,231	2,382,861	2,907,590
-	-	-	-	-	-
1,464,624	715,207	641,130	1,196,079	794,512	1,000,307
378,772	426,259	510,429	455,278	506,590	545,600
812,432	776,981	750,181	717,956	636,533	727,733
<u>21,231,903</u>	<u>22,001,526</u>	<u>22,822,064</u>	<u>26,728,382</u>	<u>26,978,982</u>	<u>28,149,902</u>
5,446,163	5,032,519	5,379,124	5,294,611	5,926,382	5,287,268
630,134	502,305	475,758	418,557	373,399	362,235
<u>6,238,217</u>	<u>6,408,153</u>	<u>6,434,002</u>	<u>6,720,582</u>	<u>6,639,875</u>	<u>6,298,733</u>
<u>12,314,514</u>	<u>11,942,977</u>	<u>12,288,884</u>	<u>12,433,750</u>	<u>12,939,656</u>	<u>11,948,236</u>
<u>\$ 33,546,417</u>	<u>\$ 33,944,503</u>	<u>\$ 35,110,948</u>	<u>\$ 39,162,132</u>	<u>\$ 39,918,638</u>	<u>\$ 40,098,138</u>
\$ 795,223	\$ 888,639	\$ 883,447	\$ 1,005,417	\$ 1,527,499	\$ 1,562,514
302,522	273,624	598,221	404,051	321,968	303,551
-	-	126,794	-	-	-
17,292	14,458	122,954	22,316	36,482	64,882
10,978	-	-	-	-	-
-	9,250	-	-	-	-
771,285	916,333	759,072	973,563	972,700	1,355,565
370,799	-	21,240	18,472	69,939	161,413
<u>2,268,099</u>	<u>2,102,304</u>	<u>2,511,728</u>	<u>2,423,819</u>	<u>2,928,588</u>	<u>3,447,925</u>
\$ 6,666,770	\$ 6,583,969	\$ 6,596,501	\$ 6,460,671	\$ 6,873,286	\$ 6,609,408
324,197	355,328	352,861	384,453	449,095	457,751
6,713,988	5,420,273	5,899,361	5,743,503	6,293,079	6,085,228
-	4,673,401	150,584	49,811	-	-
<u>13,704,955</u>	<u>17,032,971</u>	<u>12,999,307</u>	<u>12,638,438</u>	<u>13,615,460</u>	<u>13,152,387</u>
<u>\$ 15,973,054</u>	<u>\$ 19,135,275</u>	<u>\$ 15,511,035</u>	<u>\$ 15,062,257</u>	<u>\$ 16,544,048</u>	<u>\$ 16,600,312</u>

(Continued)

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

	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities:				
Taxes:				
Sales Taxes	\$ 8,390,330	\$ 12,209,049	\$ 13,525,808	\$ 14,230,041
Property Taxes	6,421,551	6,812,691	5,343,971	4,478,071
Franchise Taxes	49,523	47,098	39,871	56,905
State Revenue Sharing	838,960	632,468	567,191	668,558
State Income Tax Revenue Sharing	476,855	497,423	511,429	535,720
Auto Lieu Tax Revenue Sharing	218,427	212,480	220,391	208,723
Grants and Contributions Not Restricted	-	-	-	-
Interest	69,793	25,425	36,451	72,680
Other	115,386	-	5,491	-
Transfers	(6,224,014)	(235,637)	(152,748)	-
Total Governmental Activities:	<u>10,356,811</u>	<u>20,200,997</u>	<u>20,097,855</u>	<u>20,250,698</u>
Business-type Activities:				
Property Taxes	518,221	332,735	1,401,895	2,420,551
Impact Fees	-	-	-	-
Interest	23,957	20,363	35,712	18,325
Litigation Settlement	-	-	-	-
Other	23,051	129,072	123,917	97,616
Transfers	6,224,014	235,637	152,748	-
Total Business-Type Activities	<u>6,789,243</u>	<u>717,807</u>	<u>1,714,272</u>	<u>2,536,492</u>
Total Primary Government	<u>\$ 17,146,054</u>	<u>\$ 20,918,804</u>	<u>\$ 21,812,127</u>	<u>\$ 22,787,190</u>
<b>Change in Net Position</b>				
Governmental Activities	\$ (4,883,552)	\$ 1,866,035	\$ 2,835,895	\$ 2,526,728
Business-Type Activities	<u>14,793,082</u>	<u>2,633,129</u>	<u>725,100</u>	<u>2,697,174</u>
Total Primary Government	<u>\$ 9,909,530</u>	<u>\$ 4,499,164</u>	<u>\$ 3,560,995</u>	<u>\$ 5,223,902</u>

2014	2015	2016	2017	2018	2019
\$ 14,360,574	\$ 17,564,422	\$ 19,592,713	\$ 20,910,180	\$ 21,434,225	\$ 25,448,636
4,481,523	4,508,560	3,917,340	5,615,157	4,955,918	4,859,308
44,393	45,765	44,139	49,514	42,647	47,217
729,523	792,313	1,042,649	1,093,270	689,720	725,514
569,695	598,140	788,017	857,378	889,064	872,525
233,354	249,830	269,956	275,697	583,704	510,081
-	-	-	-	-	-
56,799	38,073	147,383	162,952	285,082	838,282
30,635	37,376	55,827	119,963	164,376	152,928
110,500	(282,785)	(116,962)	(420,000)	(139,000)	(25,447)
<u>20,616,996</u>	<u>23,551,694</u>	<u>25,741,062</u>	<u>28,664,111</u>	<u>28,905,736</u>	<u>33,429,044</u>
2,553,157	2,654,745	3,293,011	2,157,082	3,224,893	3,637,831
-	-	-	-	-	-
18,924	14,960	96,484	99,441	169,839	705,392
-	-	-	-	-	-
27,424	77,861	96,272	57,587	-	-
(110,500)	282,785	116,962	420,000	139,000	25,447
<u>2,489,005</u>	<u>3,030,351</u>	<u>3,602,729</u>	<u>2,734,110</u>	<u>3,533,732</u>	<u>4,368,670</u>
<u>\$ 23,106,001</u>	<u>\$ 26,582,045</u>	<u>\$ 29,343,791</u>	<u>\$ 31,398,221</u>	<u>\$ 32,439,468</u>	<u>\$ 37,797,714</u>
\$ 1,653,192	\$ 3,652,472	\$ 5,430,726	\$ 4,359,548	\$ 4,855,342	\$ 8,727,067
<u>3,879,446</u>	<u>8,120,345</u>	<u>4,313,152</u>	<u>2,938,798</u>	<u>4,209,536</u>	<u>5,572,821</u>
<u>\$ 5,532,638</u>	<u>\$ 11,772,817</u>	<u>\$ 9,743,878</u>	<u>\$ 7,298,346</u>	<u>\$ 9,064,878</u>	<u>\$ 14,299,888</u>

(Concluded)

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

	2010	2011	2012	2013
General Fund				
Restricted	\$ 95,161	\$ 232,134	\$ 273,271	\$ 376,237
Committed	-	-	-	-
Nonspendable	-	270,698	-	141,648
Assigned	-	126,368	1,126,841	1,126,841
Unassigned	2,898,744	5,063,457	6,343,285	7,405,570
Total General Fund	<u>\$ 2,993,905</u>	<u>\$ 5,692,657</u>	<u>\$ 7,743,397</u>	<u>\$ 9,050,296</u>
All Other Governmental Funds				
Restricted:				
Highways and streets	\$ -	\$ 24,349	\$ 309,630	\$ 873,739
Debt service	1,237,552	1,131,283	1,023,296	944,792
Capital projects	-	3,032,892	7,244,810	6,705,563
Public safety	4,740,852	1,956,348	2,901,442	3,359,496
Other purposes	12,794	-	-	-
Nonspendable:				
Prepaid items	-	16,590	-	13,117
Committed for:				
Capital projects	12,748,910	170,124	13,501	-
Assigned for:				
Public safety	-	-	-	-
Other purposes	-	83,887	91,301	330,144
Total All Other Governmental Funds	<u>\$ 18,740,108</u>	<u>\$ 6,415,473</u>	<u>\$ 11,583,980</u>	<u>\$ 12,226,851</u>

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



2014	2015	2016	2017	2018	2019
\$ 336,340	\$ 485,014	\$ 563,507	\$ 829,648	\$ 509,582	\$ 545,198
-	-	-	-	-	-
5,000	4,446	-	1,017	4,505	23,095
-	-	-	-	-	-
7,556,991	9,879,027	16,564,021	21,220,634	23,303,394	23,333,773
<u>\$ 7,898,331</u>	<u>\$ 10,368,487</u>	<u>\$ 17,127,528</u>	<u>\$ 22,051,299</u>	<u>\$ 23,817,481</u>	<u>\$ 23,902,066</u>
\$ 871,385	\$ 884,657	\$ 1,030,489	\$ 1,040,487	\$ 283,631	\$ 545,458
1,133,469	938,131	879,996	609,568	325,667	456,077
3,718,026	474,052	242,592	169,021	25,447	11,574,765
3,118,808	3,821,797	3,773,814	2,810,608	2,241,200	2,298,089
-	-	266,943	225,549	-	266,575
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
382,343	306,810	-	-	-	-
<u>\$ 9,224,031</u>	<u>\$ 6,425,447</u>	<u>\$ 6,193,834</u>	<u>\$ 4,855,233</u>	<u>\$ 2,875,945</u>	<u>\$ 15,140,964</u>

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

	2010	2011	2012	2013
<b>Revenues</b>				
Taxes	\$ 14,865,486	\$ 18,664,286	\$ 18,618,296	\$ 18,440,757
Intergovernmental	3,584,672	2,765,087	2,344,955	2,352,598
Fines and Penalties	292,923	260,534	209,436	228,788
Licenses and Permits	343,496	200,816	294,465	250,467
Charges for Services	425,500	333,963	375,380	372,889
Rents and Royalties	10,500	10,500	10,500	11,340
Contributions and Donations	71,441	61,478	83,707	119,578
Impact fees	172,761	337,312	138,117	171,515
Special assessments	-	-	-	-
Interest	69,793	25,425	36,451	72,682
Other	114,501	144,552	98,533	65,467
Total revenues	19,951,073	22,803,953	22,209,840	22,086,081
<b>Expenditures</b>				
General government	3,759,888	3,561,710	3,440,722	3,815,498
Public Safety	7,776,447	8,349,354	8,068,283	8,614,560
Highways and Streets	1,731,442	2,254,695	1,574,097	1,938,342
Culture and Recreation	841,414	891,109	1,017,582	1,003,847
Redevelopment and Housing	45,851	-	-	-
Economic Development	470,138	461,333	543,328	626,154
Health and Welfare	500,477	861,195	535,879	326,804
Capital Outlay	12,843,567	11,321,309	2,443,569	956,887
Debt Service				
Principal Retirement	2,765,000	2,925,000	2,366,550	1,730,000
Interest on Long-Term Debt	1,750,350	1,667,519	926,071	903,538
Issuance Costs	100,768	-	86,642	-
Total Expenditures	32,585,342	32,293,224	21,002,723	19,915,630
Excess of Revenues Over (Under) Expenditures	(12,634,269)	(9,489,271)	1,207,117	2,170,451

2014	2015	2016	2017	2018	2019
\$ 18,514,067	\$ 21,730,411	\$ 23,625,789	\$ 26,519,434	\$ 26,406,680	\$ 30,369,457
2,471,590	2,740,020	2,686,665	2,957,255	3,095,010	3,436,410
256,498	236,270	272,888	325,149	292,883	283,882
396,364	462,220	305,411	506,796	650,962	644,556
521,705	537,114	628,428	1,096,911	1,319,914	1,381,940
11,340	11,340	-	-	62,525	47,045
105,353	126,881	74,790	66,681	40,437	66,619
370,799	-	-	-	-	-
-	-	-	-	-	-
56,800	38,077	146,674	168,706	285,082	838,282
35,920	55,702	74,675	88,835	254,617	405,051
22,740,436	25,938,035	27,815,320	31,729,767	32,408,110	37,473,242
4,415,415	5,078,029	4,826,824	5,631,593	6,688,536	6,692,032
9,129,552	9,482,850	10,965,063	11,837,178	13,257,541	13,323,395
6,866,301	6,137,597	1,360,043	1,382,414	1,694,376	1,989,758
1,305,402	1,509,987	1,628,078	1,800,987	2,032,198	2,559,148
-	-	-	-	-	-
881,237	725,924	619,344	1,201,318	1,006,559	1,284,470
366,784	405,236	476,396	457,557	481,220	518,667
2,232,168	937,440	1,447,693	2,648,333	4,995,043	8,906,309
945,000	835,000	785,000	2,035,000	1,406,500	958,100
839,087	803,637	776,837	744,612	663,188	770,870
-	-	-	-	-	226,656
26,980,946	25,915,700	22,885,278	27,738,992	32,225,161	37,229,405
(4,240,510)	22,335	4,930,042	3,990,775	182,949	243,837

(Continued)

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

	2010	2011	2012	2013
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,092,220	511,785	801,535	1,763,792
Transfers Out	(2,092,220)	(747,422)	(954,283)	(1,763,792)
Proceeds of Refunding Debt Issuance	-	-	-	-
Proceeds of general obligation bond issuance	-	-	-	-
Premium on general obligation bond issuance	-	-	-	-
Proceeds of Long-Term Debt Issuance	3,642,923	-	6,159,387	-
Payment to Refunded Debt Escrow Agent	-	-	-	-
Proceeds from Capital Leases	-	-	-	-
Proceeds from Sale of Capital Assets	9,146	99,025	5,491	14,441
Total other Financing Sources (Uses)	<u>3,652,069</u>	<u>(136,612)</u>	<u>6,012,130</u>	<u>14,441</u>
<b>Net Change in Fund Balance</b>	<u><b>\$ (8,982,200)</b></u>	<u><b>\$ (9,625,883)</b></u>	<u><b>\$ 7,219,247</b></u>	<u><b>\$ 2,184,892</b></u>
Debt Service as a Percentage of Noncapital Expenditures	23.4%	21.9%	18.2%	13.9%

2014	2015	2016	2017	2018	2019
3,751,052	3,091,764	3,134,362	2,596,590	1,518,209	305,239
(3,640,552)	(3,374,549)	(3,251,324)	(3,016,589)	(1,657,209)	(330,686)
-	-	-	-	-	-
-	-	-	-	-	10,850,000
-	-	-	-	-	1,005,367
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,282	15,023	17,525	14,394	9,520	9,272
118,782	(267,762)	(99,437)	(405,605)	(129,480)	11,839,192
<u>\$ (4,121,728)</u>	<u>\$ (245,427)</u>	<u>\$ 4,830,605</u>	<u>\$ 3,585,170</u>	<u>\$ 53,469</u>	<u>\$ 12,083,029</u>
7.2%	6.6%	7.3%	10.8%	7.5%	6.9%
					(Concluded)



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

Fiscal Year	Property	Sales & Use	Franchise	Total
2010	6,610,689	8,390,330	49,523	15,050,542
2011	6,383,556	12,209,049	47,098	18,639,703
2012	6,095,554	13,525,808	39,871	19,661,233
2013	6,203,478	14,230,041	56,905	20,490,424
2014	6,255,451	14,360,574	44,393	20,660,418
2015	6,340,170	17,564,422	41,385	23,945,977
2016	6,855,672	19,592,784	44,139	26,492,595
2017	7,291,580	20,910,251	49,514	28,251,345
2018	7,737,978	21,434,225	42,647	29,214,850
2019	8,100,140	25,448,636	47,217	33,595,993
Change 2010-2019	22.5%	203.3%	-4.7%	123.2%

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

Fiscal Year	Industrial & Commercial Property	Agricultural and Vacant	Residential Property	Others	Total Taxable Assessed Value
2010	231,012	15,949	17,373	3,170	264,546
2011	231,573	15,934	14,458	2,580	264,545
2012	192,440	11,383	11,455	2,064	217,342
2013	160,559	9,294	8,456	1,759	180,068
2014	143,031	8,901	8,076	2,246	162,254
2015	147,663	9,698	9,009	2,259	168,629
2016	172,787	12,297	12,619	1,958	199,661
2017	210,837	12,818	13,974	1,976	239,605
2018	239,361	13,797	15,834	2,264	271,256
2019	264,312	9,810	20,042	1,794	295,958



<u>Total Direct Tax Rate/Thousand</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2.5074	264,546	100.000%
2.4390	264,545	100.000%
2.9084	217,342	100.000%
3.4163	180,068	100.000%
3.7612	162,254	100.000%
3.7457	168,629	100.000%
3.9715	199,661	100.000%
3.9734	239,605	100.000%
3.9895	271,256	100.000%
3.8319	295,958	100.000%

**CITY OF TOLLESON, ARIZONA**  
**Table 7**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**(Rate per \$1,000 of Assessed Value)**

Fiscal Year	Direct Rates			Overlapping Rates			Rate Total
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	Flood Control and Water Conservation District	County	
2010	0.9822	1.5901	2.5723	N/A	N/A	N/A	2.5723
2011	0.9742	1.4648	2.4390	N/A	N/A	N/A	2.4390
2012	1.1232	1.7852	2.9084	N/A	N/A	N/A	2.9084
2013	1.2643	2.1520	3.4163	N/A	N/A	N/A	3.4163
2014	1.7811	1.9801	3.7612	N/A	N/A	N/A	3.7612
2015	1.8309	1.9148	3.7457	N/A	N/A	N/A	3.7457
2016	1.8344	2.1371	3.9715	N/A	N/A	N/A	3.9715
2017	1.8325	2.1409	3.9734	N/A	N/A	N/A	3.9734
2018	1.8325	2.1570	3.9895	N/A	N/A	N/A	3.9895
2019	1.8039	2.0280	3.8319	N/A	N/A	N/A	3.8319

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

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

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Smiths Food & Drug Centers Inc	\$ 15,572,596	1	7.51%	\$ -	-	-
FR CAL 3 Tolleson Buckeye LLC	12,477,132	2	6.02%	14,525,920	1	5.49%
ABS SW Investor LLC (Albertson)	12,470,801	3	6.02%	11,702,641	3	4.42%
BPP Pacific Industrial AZ Reit Owner LLC	11,835,702	4	5.71%	7,953,388	4	3.00%
SVC Manufacturing Inc	10,782,342	5	5.20%	-	-	-
Cam Investment 338 LLC/2601 Wilshire LLC	6,224,706	6	3.00%	-	-	-
Greater Arizona Auto Auctions Inc	4,815,180	7	2.32%	5,679,426	5	2.15%
AZEJM Land Holdings/Oxnard	4,703,767	8	2.27%	4,491,182	7	1.70%
Liberty Property	7,112,970	9	3.43%	-	-	-
First Industrial LP	3,780,000	10	1.82%	-	-	-
Price Company	-	-	-	4,039,425	9	1.53%
LBA Realty Fund III Company IX LLC	-	-	-	13,545,000	2	5.12%
91st Avenue Investment Co.	-	-	-	5,557,860	6	2.11%
Pratte Buckeye Property LLC	-	-	-	4,135,151	8	1.56%
Credit Suissi 1st Boston Mortgage Securities	-	-	-	4,036,932	10	1.53%
Total	<u>\$ 89,775,196</u>			<u>\$ 75,666,925</u>		<u>28.61%</u>

Source: Maricopa County Assessor's Office

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



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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Levy
		Amount	Percent of Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy		
2010	6,408,160	6,287,726	98.12%	119,392	6,407,118	99.98%	1,042	0.02%
2011	6,213,365	6,062,224	97.57%	151,141	6,213,365	100.00%	-	-
2012	6,260,000	6,030,900	96.34%	40,114	6,071,014	96.98%	188,986	3.02%
2013	6,121,245	6,049,524	98.83%	46,142	6,095,666	99.58%	25,579	0.42%
2014	6,063,150	6,063,150	100.00%	-	6,063,150	100.00%	-	-
2015	6,189,084	6,143,072	99.26%	-	6,143,072	99.26%	46,012	0.74%
2016	6,563,777	6,563,777	100.00%	-	6,563,777	100.00%	-	-
2017	7,074,915	7,074,915	100.00%	-	7,074,915	100.00%	-	-
2018	7,649,751	7,649,751	100.00%	-	7,649,751	100.00%	-	-
2019	7,941,559	7,909,802	99.60%	-	7,909,802	99.60%	31,757	0.40%

Source: Maricopa County Finance Department

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

	2010	2011	2012	2013
Sales Category				
Commercial & Utilities	\$ 1,165,867	\$ 1,248,634	\$ 1,305,659	\$ 1,340,608
Construction	946,494	1,012,531	870,319	696,757
Manufacturing	205,326	210,445	244,306	273,890
Wholesale	1,250,650	1,546,804	1,717,069	1,739,508
Retail	2,549,657	5,400,145	6,594,272	6,900,851
Real estate	1,319,640	1,487,355	1,776,811	1,843,998
Services	169,887	219,932	154,590	674,710
All other outlets	782,809	1,083,202	862,782	759,719
Total	<u>\$ 8,390,330</u>	<u>\$ 12,209,048</u>	<u>\$ 13,525,808</u>	<u>\$ 14,230,041</u>
City Sales Tax Rate	2.50%	2.50%	2.50%	2.50%

Source: Arizona State Revenue

*Note:* This schedule requires that governments present revenue information about their most

2014	2015	2016	2017	2018	2019
\$ 1,332,053	\$ 1,486,385	\$ 1,484,711	\$ 1,471,733	\$ 1,429,106	\$ 1,472,126
768,790	1,417,419	907,458	1,337,854	1,553,611	2,534,686
501,565	649,799	769,714	973,913	955,024	998,523
2,281,582	3,261,898	4,387,437	3,980,112	3,487,881	3,774,365
6,375,361	7,073,146	7,723,550	8,545,050	9,362,838	11,481,732
1,525,374	1,851,697	2,150,547	2,085,554	2,454,322	2,528,580
745,858	871,641	1,232,577	1,317,928	1,397,260	1,444,529
829,991	952,436	936,790	1,198,107	794,183	1,214,095
<u>\$ 14,360,574</u>	<u>\$ 17,564,421</u>	<u>\$ 19,592,784</u>	<u>\$ 20,910,251</u>	<u>\$ 21,434,225</u>	<u>\$ 25,448,636</u>
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%





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

Fiscal Year	City Direct Rate	County
2010	2.50%	8.80%
2011	2.50%	8.80%
2012	2.50%	8.80%
2013	2.50%	8.80%
2014	2.50%	8.80%
2015	2.50%	8.80%
2016	2.50%	8.80%
2017	2.50%	8.80%
2018	2.50%	8.80%
2019	2.50%	8.80%

Source: Arizona State Revenue

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

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Water Revenue Bonds
2010	32,155	8,780	-	-	-	-
2011	34,744	8,399	-	-	-	-
2012	13,694	8,120	-	-	20,991	-
2013	12,305	7,780	-	-	19,430	-
2014	11,710	7,430	-	-	16,930	-
2015	11,235	7,070	-	-	14,220	-
2016	10,825	6,929	-	-	11,330	-
2017	9,180	6,305	-	-	9,485	-
2018	8,179	5,900	-	-	6,837	-
2019	18,495	5,475	-	-	3,860	-

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

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

Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
Capital Leases	Waste Water WIFA Loan			
-	6,000	46,935	*	6,862
-	3,856	46,999	*	7,181
-	8,895	51,700	*	7,712
-	8,526	48,041	*	7,166
-	8,144	44,214	*	6,544
-	7,750	40,275	*	5,961
-	7,342	36,426	*	5,257
-	6,921	31,891	*	4,443
-	6,486	27,402	*	3,803
-	6,037	33,867	*	4,640

**CITY OF TOLLESON, ARIZONA**  
**Table 13**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**  
**(Dollars in Thousands, Except Per Capita)**

Fiscal Year	General Obligation Bonds	Net General Obligation Bonded Debt	Taxable Assessed Value of Property	Percentage of Actual Taxable Value of Property	Population	Per Capita
2010	32,155	32,155	264,546	12.15%	6,840	4,701
2011	34,744	34,744	264,545	13.13%	6,545	5,308
2012	34,685	34,685	217,342	15.96%	6,704	5,174
2013	36,708	36,708	180,068	20.39%	6,704	5,476
2014	33,391	33,391	162,254	20.58%	6,756	4,942
2015	29,976	29,976	168,630	17.78%	6,756	4,437
2016	26,438	26,438	199,661	13.24%	6,929	3,816
2017	22,703	22,703	239,606	9.48%	6,929	3,277
2018	18,799	18,799	271,257	6.93%	6,929	2,713
2019	25,877	25,877	295,958	8.74%	7,299	3,545

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

a See schedule 7 for property value data.

**CITY OF TOLLESON, ARIZONA**  
**Table 14**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2019**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>General Obligation Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt (a)</u>
Debt repaid with property taxes			
Tolleson Elementary School District No. 17	\$ 17,780,000	72.63	\$ 12,913,614
Fowler Elementary School District No. 45	6,315,000	10.15	640,973
Littleton Elementary School District No. 65	23,935,000	17.28	4,135,968
Tolleson Union High School District No. 214	123,460,000	18.26	22,543,796
Maricopa County Community College District	312,450,000	0.51	1,593,495
Maricopa County Special Health Care District	459,125,000	0.51	2,341,538
Western Maricopa Education Center District No. 402	116,510,000	1.40	<u>1,631,140</u>
Subtotal, overlapping debt			\$ 45,800,524
City of Tolleson, Arizona Direct Debt	23,970,400	100.00	<u>\$ 23,970,400</u>
Total direct and overlapping debt			<u><u>\$ 69,770,924</u></u>

(a) Proportion applicable to the City is computed on the ratio of Net Limited Assessed Property Value for 2018/2019  
(b) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and City improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

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



**CITY OF TOLLESON, ARIZONA**  
**Table 15**  
**Calculation of Legal Debt Margin**  
**June 30, 2019**  
**(Unaudited)**

Net Assessed Valuation		<u>\$ 295,958,429</u>
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt Limit - 20% of Secondary Net Assessed Valuation		\$ 59,191,686
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 15,026,823	
Less Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>15,026,823</u>	<u>15,026,823</u>
20% Legal Debt Margin		<u>44,164,863</u>
<u>All Other General Obligation Bonds</u>		
Debt Limit - 6% of Secondary Net Assesd Valuation		17,757,506
Debt Applicable to Limit		
General Obligation Bonds Outstanding	10,850,000	
Less Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit	<u>10,850,000</u>	<u>10,850,000</u>
All Other General Obligation Bonds Debt Margin		<u>6,907,506</u>
Total Legal Debt Margin		<u>\$ 51,072,369</u>

Source: Maricopa County Assessor's Office

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Secondary Assessed Valuation	\$ 264,544,909	\$ 264,544,909	\$ 217,342,534	\$ 180,067,717
Debt Limit	68,781,677	68,781,677	56,509,059	46,817,606
Total net debt applicable to limit	<u>32,155,000</u>	<u>29,555,000</u>	<u>34,685,000</u>	<u>31,735,000</u>
Legal debt margin	<u>\$ 36,626,677</u>	<u>\$ 39,226,677</u>	<u>\$ 21,824,059</u>	<u>\$ 15,082,606</u>
Total net debt applicable to the limit as a percentage of debt limit.	46.75%	42.97%	61.38%	67.78%



2014	2015	2016	2017	2018	2019
\$ 162,254,481	\$ 168,629,759	\$ 199,662,057	\$ 239,605,939	\$ 271,256,677	\$ 295,958,429
42,186,165	43,843,737	51,912,135	62,297,544	70,526,736	76,949,192
33,160,790	29,738,090	26,192,537	22,702,537	18,798,871	25,876,823
<u>\$ 9,025,375</u>	<u>\$ 14,105,647</u>	<u>\$ 25,719,598</u>	<u>\$ 39,595,007</u>	<u>\$ 51,727,865</u>	<u>\$ 51,072,369</u>
78.61%	67.83%	50.46%	36.44%	26.65%	33.63%

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

Fiscal Year	Revenue Bonds*					
	Public Safety Sales Tax	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2010	780	-	780	320	387	1.10
2011	720	-	720	381	325	1.02
2012	720	-	720	335	374	1.02
2013	720	-	720	340	367	1.02
2014	720	-	720	350	358	1.02
2015	720	-	720	360	345	1.02
2016	720	-	720	375	332	1.02
2017	720	-	720	390	317	1.02
2018	720	-	720	405	301	1.02
2019	720	-	720	425	284	1.02

\*Revenue Bonds: Public Safety Sale Tax Bonds

Special Assessment Bonds			
Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

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

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2010	6,840	N/A	N/A	N/A	N/A	N/A	9.80%
2011	6,545	N/A	N/A	N/A	N/A	N/A	8.40%
2012	6,704	37,972	12,285	N/A	N/A	N/A	8.25%
2013	6,704	37,972	12,285	N/A	N/A	N/A	6.70%
2014	6,756	37,972	12,285	N/A	N/A	N/A	6.40%
2015	6,756	32,196	12,934	N/A	N/A	N/A	4.80%
2016	6,929	34,485	13,391	N/A	N/A	N/A	4.50%
2017	7,178	31,388	13,588	N/A	N/A	N/A	4.50%
2018	7,205	39,714	16,267	N/A	N/A	N/A	4.50%
2019	7,299	39,714	16,267	N/A	N/A	N/A	4.50%

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

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

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

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

Taxpayer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
J.B. Packerland	1,150	1	8.09%	1,325	1	27.08%
Papa Johns Salads Produce	960	2	6.76%	-	-	-
Albertson's, Inc.	720	3	5.07%	400	7	8.17%
Atlas Retail Services	670	4	4.71%	-	-	-
Pepsico	480	5	3.38%	400	5	8.17%
Rousseau Farming Co	400	6	2.81%	390	6	7.97%
Autozone Ince	380	7	2.67%	290	9	5.93%
Tolleson Union High School Dist 214	370	8	2.60%	-	-	-
SRP	370	9	2.60%	363	8	7.42%
Sysco Food Services	370	10	2.60%	525	2	10.73%
Fry's Distribution	-	-	-	450	4	9.20%
Greater Auto Auction	-	-	-	500	3	10.22%
Landis Plastics	-	-	-	250	10	5.11%
Total	<u>5,870</u>		<u>41.29%</u>	<u>4,893</u>		<u>100.00%</u>

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



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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General government	35	35	39	34	45	46.5	41	47	48	60
Police	43	45	45	43	42	42	48	49	49	49
Fire	31	31	31	31	31	33	33	32	32	33
Public Works	14	14	17	20	18.5	18	19	19	21	22
Community Services	12	12	6	8	8	8	8.5	8	9	10.5
Water	8	8	8	8	8	8	10.5	12	12.6	14
Sanitation	3	2	2	2	1.5	1.5	2.5	2	-	-
Wastewater/Sewer	23	21	20	20	21	24	28	28.5	27.4	28.5
Total	<u>169</u>	<u>168</u>	<u>168</u>	<u>166</u>	<u>175</u>	<u>181</u>	<u>190.5</u>	<u>197.5</u>	<u>199</u>	<u>217</u>

Source: City Records

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

Function/Program	2010	2011	2012	2013
Police				
Physical arrests	398	453	235	293
Call for services	10,137	8,443	11,287	14,511
Traffic violations	4,507	6,302	4,180	1,944
Fire				
Emergency responses	1,789	1,929	1,943	2,122
Fires extinguished	172	157	156	138
Inspections	269	268	321	271
Planning and Building Safety				
Building permits issued	467	374	332	344
Building inspections conducted	1,900	1,792	1,525	912
Transit				
Total route miles	6	6	6	6
Sanitation				
Refuse collected ( <i>tons/day</i> )	42.5	43.0	43.3	15.0
Library				
Volumes in collection	22,356	23,628	23,980	27,240
Total volumes borrowed	24,708	25,101	25,225	37,690
Water				
New connections	33	48	43	257
Water main breaks				
Average daily consumption ( <i>thousands of gallons</i> )	3,316.0	3,596.0	3,281.0	3,876
Peak daily consumption ( <i>thousands of gallons</i> )	5,800.0	5,570.0	4,962.0	5,174
Wastewater				
Average daily sewage treatment ( <i>thousands of gallons</i> )	5,348.0	5,438.0	5,193.0	5,180

\* Represents 8 months

\*\* Represents 2 months

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

Source: City Records



2014	2015	2016	2017	2018	2019
257	248	293	352	330	404
12,484	11,712	14,650	15,428	15,942	16,560
3,582	2,758	3,599	3,433	2,456	1,825
2,212	2,322	2,636	2,915	3,688	3,701
134	135	120	116	1,088	1,099
43	116	633	52**	1	24
386	327	336	383	429	488
1425	1460	694*	860*	1286	1,565
6	6	6	6	6	6
8.45	8.87	8.46	0.42***	0.54	0.76
26,983	23,172	22,894	24,337	23,809	25,210
36,480	33,183	29,166	34,419	31,110	39,211
44	35	19	26	8	59 5
3,877	3,000	3,823	3,082	3,940	3,774
5,384	6,000	7,100	6,480	5,602	5,721
5,274	8,230	5,347	5,353	5,359	5,490

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police				
Stations	1	1	1	1
Patrol Units	22	22	22	23
Fire Stations	1	1	1	1
Refuse collection				
Collection trucks	2	2	2	2
Other public works				
Streets ( <i>miles</i> )	33	33	34	34
Streetlights	770	770	778	778
Traffic signals				
Parks and recreation				
Acreage	20	20	20	20
Playgrounds	4	4	3	3
Baseball/softball diamonds				
Soccer/football fields				
Community/Youth Centers	2	2	2	2
Water				
Water mains ( <i>miles</i> )	48	48	48	50
Fire hydrants	450	450	451	475
Storage capacity ( <i>thousands of gallons</i> )				
Wastewater				
Sanitary sewers ( <i>miles</i> )	46	46	46	37.07
Storm sewers ( <i>miles</i> )				
Treatment capacity ( <i>thousands of gallons</i> )	17,500	17,500	17,500	17,500

Source:City Records

2014	2015	2016	2018	2019
1	1	1	1	1
24	24	24	24	22
1	1	1	1	1
6	6	6	2	2
34	34	34	34	34
778	778	778	778	944
12	12	12	13	14
20	20	20	20	24
3	3	4	4	4
1	3	3	3	3
1	2	2	2	2
2	2	3	3	3
56	60	60	57.75	60
420	700	700	737	748
		5,250	5,250	5,250
34.63	35.03	38.12	38.62	39.46
2	2	2	2	2
17,500	17,500	17,500	17,500	17,500

**CITY OF TOLLESON, ARIZONA**  
**Table 23**  
**Property Valuations**  
**For the Fiscal Year Ended June 30, 2019**  
**(Unaudited)**

	2018-2019 Fiscal Year
Estimated actual valuation	\$ 1,933,298,374
Net primary assessed valuation	207,248,691

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

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

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation	Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation
2018-19	\$ 295,958,429	\$ 1,933,298,374	15.31%
2017-18	\$ 271,256,677	\$ 1,786,258,167	15.19%
2016-17	\$ 239,605,939	\$ 1,593,519,300	15.04%
2015-16	\$ 199,662,057	\$ 1,326,288,910	15.05%
2014-15	\$ 168,629,759	\$ 1,111,077,328	15.18%
2013-14	\$ 162,254,481	\$ 1,048,898,288	15.47%
2012-13	\$ 180,067,717	\$ 1,126,277,682	15.99%
2011-12	\$ 217,342,534	\$ 1,344,185,974	16.17%
2010-11	\$ 264,544,909	\$ 1,403,066,293	18.85%
2009-10	\$ 269,602,469	\$ 1,410,933,224	19.11%

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

**CITY OF TOLLESON, ARIZONA**  
**Table 25**  
**Secondary Valuations By Legal Class**  
**As of June 30, 2018**  
**(Unaudited)**

Legal Class	Description	2017-2018 Secondary Assessed Valuation	2018 Percent of Total	2018-2019 Secondary Assessed Valuation	2019 Percent of Total
1	Utilities Telecommunication and Commercial and Industrial	\$ 239,360,887	88.23%	\$ 264,311,726	89.31%
2	Agricultural and Vacant	13,796,779	5.09%	9,810,497	3.31%
3	Residential (Owner occupied)	9,218,283	3.40%	11,867,388	4.01%
4	Residential (Rental)	6,615,915	2.44%	8,174,588	2.76%
5	Railroad	695,383	0.26%	672,930	0.23%
6	Non-commercials	1,569,430	0.58%	1,121,300	0.38%
Total		<u>\$ 271,256,677</u>	<u>100.00%</u>	<u>\$ 295,958,429</u>	<u>100.00%</u>

Source: Maricopa County Assessor's Office

**CITY OF TOLLESON, ARIZONA**  
**Table 26**  
**Secondary Valuations By Major Taxpayer**  
**As of June 30, 2019**  
**(Unaudited)**

Taxpayers	Business	Estimated Secondary 2018-19 Assessed Valuation	Estimated as a Percent of the City's 2018-19 Net Secondary Assessed Valuation
ABS SW Investor Loc (Albertson)	Grocery Retailer	\$ 9,855,118	4.76%
Smiths Food & Drugs	Grocery Retailer	9,481,137	4.57%
FR CAL 3 Tolleson Buckey LLC	Industrial Property	9,289,004	4.48%
BPP Pacific Industrial AZ Reit Owner LLC	Industrial Property	7,155,222	3.45%
SVC Manufacturing INC	Food Manufacture	6,922,559	3.34%
CAM Investment 338 LLC	Industrial Property	5,045,579	2.43%
Greater Arizona Auto Auctions Inc.	Auto auctions	4,705,700	2.27%
AZEJM Land Holdings/Oxnard Commerceplex	Commercial Property	3,969,968	1.92%
Liberty Property LP	Real Estate	3,902,105	1.88%
First Industrial LP	Real Estate	3,214,890	1.55%
Total		<u>\$ 63,541,282</u>	<u>30.66%</u>

Source: Maricopa County Assessor's Office





# Compliance Section

---





INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council  
City of Tolleson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Tolleson, Arizona's basic financial statements, and have issued our report thereon dated October 23, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a material weakness.

**Compliance and Other Matters**

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

### **City of Tolleson, Arizona's Response to Finding**

City of Tolleson, Arizona's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. City of Tolleson, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Henry + Horne, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona  
October 23, 2019

CITY OF TOLLESON  
SCHEDULE OF FINDINGS  
June 30, 2019

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

FINDING: 2019-001: Financial Impact of a Developer Agreement

CRITERIA

Management is responsible for establishing and maintaining internal controls and designating individuals who possess suitable skill, knowledge, and experience to execute these controls and carry out their duties to ensure that all developer agreements are recorded and reported in accordance with generally accepted accounting principles (GAAP).

CONDITION/CONTEXT

Management reviews and evaluates agreements and contracts to determine the proper accounting treatment. However, the review and evaluation for a material developer agreement was not properly completed resulting in a material adjustment necessary to properly reflect the financial statements.

EFFECT

A prior period adjustment was required to properly report the beginning balances for capital assets, long-term liabilities, and net position for the Governmental Activities on the Government-Wide Statements.

CAUSE

The City did not have an effective process in place to capture the financial effects of developer agreements.

RECOMMENDATION

It is recommended that all assets being provided and sold to the City through developer agreements are formally accepted by City Council. We also recommend developer agreements exceeding a predetermined threshold are reviewed and signed as approved by the Chief Financial Officer of the City.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The City concurs with the finding. See Corrective Action Plan.





# CITY OF TOLLESON

9555 W. Van Buren St • Tolleson, AZ 85353 • Direct: 623.936.7111 • Fax: 623.907.2629 • TTY users, dial 711 for Relay

October 23, 2019

## CORRECTIVE ACTION PLAN

The City of Tolleson respectfully submits the following corrective action plan for the year ended June 30, 2019.

Henry & Horne LLP  
2055 E. Warner Rd., Suite 101  
Tempe, Arizona 85284  
Audit period: June 30, 2019

The findings from the June 30, 2019 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

## FINDINGS-FINANCIAL STATEMENT AUDIT MATERIAL WEAKNESS

2019-001: Financial Impact of a Developer  
Agreement

Condition: Management reviews and evaluates agreements and contracts to determine the proper accounting treatment. However, the review and evaluation for a material developer agreement was not properly completed resulting in a material adjustment necessary to properly reflect the financial statements.

Corrective Action  
Plan: We concur with the recommendation. As part of our corrective plan the City Engineer will verify the actual costs of construction of the infrastructure and all reimbursable costs of the City and the City Council will approve acceptance of the infrastructure. In addition to all current approval signatures, the Chief Financial Officer will sign off on any developer agreement over \$100,000.



If there are questions regarding this plan, please call Victoria Juvet, Chief Financial Officer at 623-936-2778.

*Victoria L. Juvet*

Victoria Juvet, Chief Financial Officer  
City of Tolleson