

CITY OF TOLLESON, ARIZONA



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF TOLLESON, ARIZONA

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Tolleson's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Tolleson as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012, on our consideration of the City of Tolleson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and public safety retirement system information 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 the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tolleson, Arizona's financial statements as a whole. The combining, individual fund and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and other schedules listed in the table of contents are the responsibility of management and we derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applies in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



HintonBurdick, PLLC
October 15, 2012

**CITY OF TOLLESON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012**

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, 2012. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tolleson, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$88,426,364 (net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,343,285 or 49% of total General Fund expenditures.
- The General Fund revenues (on a budgetary basis) were more than budgeted revenues by \$1,946,263 for the fiscal year ending June 30, 2012.
- General Fund revenues exceeded expenditures by \$2,846,784; a positive variance of \$2,535,597 from the original budget.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$84,465,369 million as of June 30, 2012 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and sanitation operations in an enterprise fund which is shown as Business Activities.

City of Tolleson Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Current and other assets	\$ 24,037,430	\$ 17,540,732	\$ 22,019,050	\$ 16,965,215	\$ 46,056,480	\$ 34,505,947
Capital assets	42,174,883	42,776,917	60,529,054	62,184,649	102,703,937	104,961,566
Total assets	<u>66,212,313</u>	<u>60,317,649</u>	<u>82,548,104</u>	<u>79,149,864</u>	<u>148,760,417</u>	<u>139,467,513</u>
Long-term liabilities outstanding	23,224,006	19,053,329	30,344,177	29,551,301	53,568,183	48,604,630
Other liabilities	4,151,847	4,868,685	2,614,023	1,128,829	6,765,870	5,997,514
Total liabilities	<u>27,375,853</u>	<u>23,922,014</u>	<u>32,958,200</u>	<u>30,680,130</u>	<u>60,334,053</u>	<u>54,602,144</u>
Net position:						
Invested in capital assets, net of related debt	25,900,750	24,742,497	31,376,028	32,661,672	57,276,778	57,404,169
Restricted	2,971,007	4,420,658	492,978	276,569	3,463,985	4,697,227
Unrestricted	9,964,703	7,232,480	17,720,898	15,531,493	27,685,601	22,763,973
Total net position	<u>\$ 38,836,460</u>	<u>\$ 36,395,635</u>	<u>\$ 49,589,904</u>	<u>\$ 48,469,734</u>	<u>\$ 88,426,364</u>	<u>\$ 84,865,369</u>

Governmental Activities

The City has \$88,426,364 in total assets, with \$57,276,778 invested in capital assets, net of related debt. Funds included in the Business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Sanitation. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

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

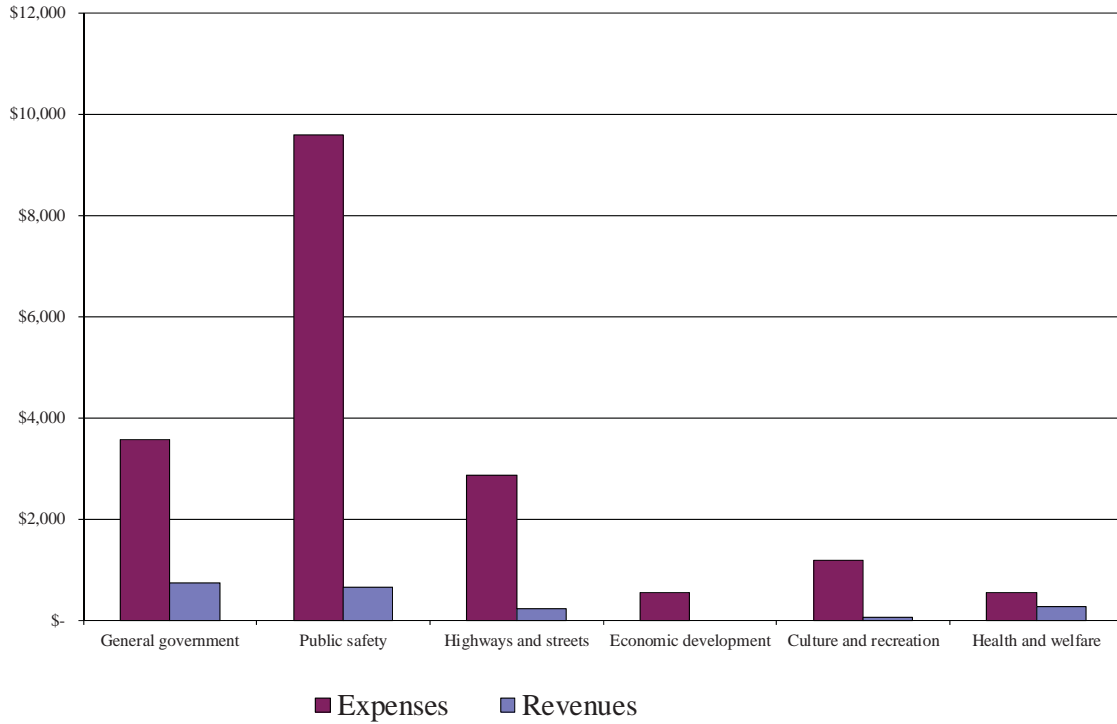
City of Tolleson
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:						
Program revenues:						
Charges for services	\$ 815,407	\$ 704,348	\$ 12,243,015	\$ 10,395,904	\$ 13,058,422	\$ 11,100,252
Operating grants and contributions	878,403	825,410	-	-	878,403	825,410
Capital grants and contributions	235,653	868,296	-	1,901,328	235,653	2,769,624
General revenues:						
Taxes	19,130,041	19,281,318	1,401,895	332,735	20,531,936	19,614,053
State revenue sharing	1,078,620	1,129,891	-	-	1,078,620	1,129,891
Other revenue/(expense)	41,942	25,425	159,629	149,435	201,571	174,860
Total revenues	<u>22,180,066</u>	<u>22,834,688</u>	<u>13,804,539</u>	<u>12,779,402</u>	<u>35,984,605</u>	<u>35,614,090</u>
Expenses:						
General government	3,554,245	3,854,836	-	-	3,554,245	3,854,836
Public safety	9,590,713	9,227,572	-	-	9,590,713	9,227,572
Public works/Streets	2,867,554	3,587,171	-	-	2,867,554	3,587,171
Health and welfare	547,528	868,049	-	-	547,528	868,049
Culture and recreation	545,153	459,727	-	-	545,153	459,727
Economic development	1,171,266	1,040,502	-	-	1,171,266	1,040,502
Redevelopment and housing	-	-	-	-	-	-
Interest on long-term debt	914,964	1,695,159	-	-	914,964	1,695,159
Water	-	-	6,095,971	4,314,393	6,095,971	4,314,393
Wastewater treatment/sewer	-	-	6,644,923	5,424,738	6,644,923	5,424,738
Sanitation and trash	-	-	491,293	642,779	491,293	642,779
Total expenses	<u>19,191,423</u>	<u>20,733,016</u>	<u>13,232,187</u>	<u>10,381,910</u>	<u>32,423,610</u>	<u>31,114,926</u>
Increase (Decrease) in net position before transfers	2,988,643	2,101,672	572,352	2,397,492	3,560,995	4,499,164
Transfers	(152,748)	(235,637)	152,748	235,637	-	-
Increase (Decrease) in net position	2,835,895	1,866,035	725,100	2,633,129	3,560,995	4,499,164
Net position, beginning	36,395,635	14,476,131	48,469,734	65,890,074	84,865,369	80,366,205
Prior period adjustment	(395,070)	20,053,469	395,070	(20,053,469)	-	-
Net position, ending	<u>\$ 38,836,460</u>	<u>\$ 36,395,635</u>	<u>\$ 49,589,904</u>	<u>\$ 48,469,734</u>	<u>\$ 88,426,364</u>	<u>\$ 84,865,369</u>

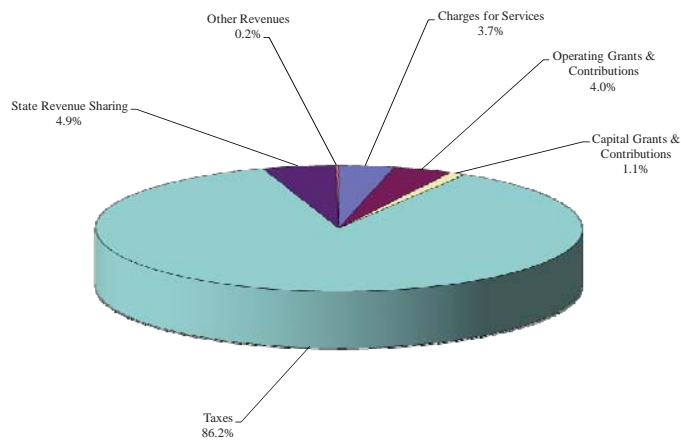
Total resources available during the year to finance governmental operations were \$58.6 million consisting of net position at July 1, 2011 of \$36.4 million, program revenues of \$1.9 million and General Revenues of \$20.3 million. Total Governmental Activities during the year were \$19.2 million, prior period adjustment \$.4 million; thus Governmental Net position was increased by \$2,835,895 to \$39.2 million before the prior period adjustments, see note 11 to the financial statements.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



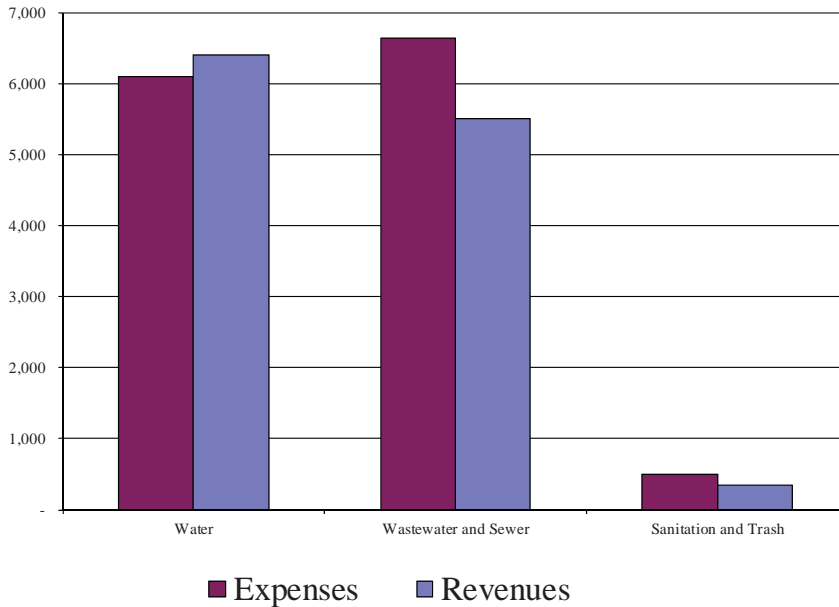
Revenue By Source - Governmental Activities



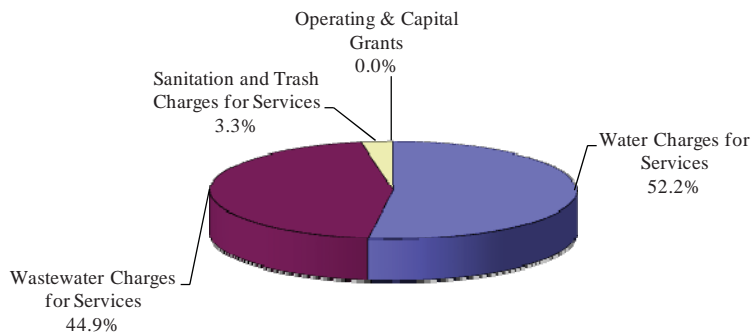
Business Type Activities

Net position of the Business Type activities at June 30, 2012, as reflected in the Statement of Net Position was \$49.6 million. The cost of providing all Proprietary (Business Type) activities this year was \$13.2 million. As shown in the statement of Changes in Net position, the amounts paid by users of the system were \$12.2 million. Property tax revenues were \$1,401,895 and interest earnings and other revenues totaled \$159,626. The net position increased by \$725,100 before prior-period adjustments, see note 11 in the financial statements.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Tolleson's governmental funds reported combined ending fund balances of \$19,327,377 an increase of \$7,219,247 in comparison with the prior year. Approximately, 32% of this total amount, \$6,193,285 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 \$6,343,285, while total fund balance is \$7,743,397. 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 49% of total general fund expenditures, while total fund balance represents 60% of the same amount.

During the year, the City of Tolleson's general fund balance increased by \$2,050,740. The key factor in this increase was sales taxes received in excess of budgeted amounts.

The Debt Service Fund has a total fund balance of \$1,131,283, all of which is restricted for future debt service. The net decrease in the fund balance during the current year was (\$107,987.)

The Capital Projects Fund balance increased by \$4,055,295 during the year. This was due to sale of bonds for future capital outlay.

General Fund Budgetary Highlights

Actual general fund revenues exceeded budgeted amounts by \$1,946,263 primarily due to sales tax revenues received in excess of projections. The City's total expenditures in the general fund were less than the budgeted amounts by \$589,334.

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 2012, net capital assets of the government activities totaled \$42.2 million and the net capital assets of the business-type activities totaled \$60.5 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the City had \$23.2 million in governmental type debt, and \$30.3 million in business-type debt. During the current fiscal year, the City's total debt increased by \$5.0 million. (See note 6 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Many factors were considered by the City's officials during the process of developing the Fiscal Year 2012-2013 budget. The primary factor was the small growth in the economy, slight increase in sales tax. The other major factor was the needs of the City and its employees.

These indicators were considered when adopting the budget for Fiscal Year 2012-2013. Amounts available for appropriation in the General Fund budget was basically a little change in non-wage operational budget from the prior year and increase in wages and benefits (wages and benefits had been held steady for several previous years). With increase in revenues (for the Fiscal Year 2012-2013) and fund balance, expenditure should equal revenues plus the increase in fund balance from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF TOLLESON, ARIZONA
Statement of Net Position
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 11,540,652	\$ 17,715,620	\$ 29,256,272
Cash with paying agent	2,860,751	1,232,945	4,093,696
Receivables (net of allowance)	1,914,198	2,255,314	4,169,512
Deferred charges	477,019	262,382	739,401
Temporarily restricted assets:			
Cash and cash equivalents	7,244,810	552,789	7,797,599
Capital assets (net of accumulated depreciation):			
Land	1,842,981	2,914,685	4,757,666
Buildings	14,856,548	32,536,891	47,393,439
Improvements	-	11,925,796	11,925,796
System improvements	-	-	-
Machinery and equipment	4,974,573	12,689,955	17,664,528
Vehicles	-	313,402	313,402
Infrastructure/Roads	20,500,781	-	20,500,781
Construction in progress	-	148,325	148,325
Total assets	<u>66,212,313</u>	<u>82,548,104</u>	<u>148,760,417</u>
Liabilities			
Accounts payable and other current liabilities	1,178,020	858,776	2,036,796
Interest payable	540,751	659,914	1,200,665
Unearned revenue	113,076	5,710	118,786
Matured debt principal payable	2,320,000	1,089,623	3,409,623
Noncurrent liabilities:			
Due within one year	1,997,468	2,049,562	4,047,030
Due in more than one year	21,226,538	28,294,615	49,521,153
Total liabilities	<u>27,375,853</u>	<u>32,958,200</u>	<u>60,334,053</u>
Net Position			
Net investment in capital assets	25,900,750	31,376,028	57,276,778
Restricted for:			
General government	239,125	-	239,125
Public safety	34,146	-	34,146
Highways and streets	309,630	-	309,630
Debt service	1,023,296	492,978	1,516,274
Capital projects and other	1,364,810	-	1,364,810
Unrestricted	9,964,703	17,720,898	27,685,601
Total net position	<u>\$ 38,836,460</u>	<u>\$ 49,589,904</u>	<u>\$ 88,426,364</u>

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

CITY OF TOLLESON, ARIZONA
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,554,245	\$ 581,769	\$ 118,570	\$ 28,615	\$ (2,825,291)	\$ -	\$ (2,825,291)
Public safety	9,590,713	207,948	385,616	60,228	(8,936,921)	-	(8,936,921)
Highways and streets	2,867,554	-	80,960	146,810	(2,639,784)	-	(2,639,784)
Economic development	545,153	-	-	-	(545,153)	-	(545,153)
Culture and recreation	1,171,266	25,690	33,366	-	(1,112,210)	-	(1,112,210)
Health and welfare	547,528	-	259,891	-	(287,637)	-	-
Interest on long-term debt	914,964	-	-	-	(914,964)	-	(914,964)
Total governmental activities	19,191,423	815,407	878,403	235,653	(17,261,960)	-	(16,974,323)
Business-type activities:							
Water	6,095,971	6,394,604	-	-	-	298,633	298,633
Wastewater and Sewer	6,644,923	5,500,611	-	-	-	(1,144,312)	(1,144,312)
Sanitation and Trash	491,293	347,800	-	-	-	(143,493)	(143,493)
Total business-type activities	13,232,187	12,243,015	-	-	-	(989,172)	(989,172)
Total primary government	\$ 32,423,610	\$ 13,058,422	\$ 878,403	\$ 235,653			
General Revenues:							
Taxes:							
Sales tax					13,525,808	-	13,525,808
Property tax					5,017,288	1,401,895	6,419,183
Auto lieu tax					220,391	-	220,391
Franchise tax					39,871	-	39,871
Motor vehicle tax					326,683	-	326,683
State revenue sharing					567,191	-	567,191
State income taxes - revenue sharing (unrestricted)					511,429	-	511,429
Other revenues					-	123,917	123,917
Unrestricted investment earnings					36,451	35,712	72,163
Gain (loss) on sale of capital assets					5,491	-	5,491
Transfers					(152,748)	152,748	-
Total general revenues & transfers					20,097,855	1,714,272	21,812,127
Change in net position					2,835,895	725,100	3,560,995
Net position - beginning					36,395,635	48,469,734	84,865,369
Prior period adjustment					(395,070)	395,070	-
Net position - ending					\$ 38,836,460	\$ 49,589,904	\$ 88,426,364

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

CITY OF TOLLESON, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Non-major Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 7,049,034	\$ 930,868	\$ 135,732	\$ 3,425,018	\$ 11,540,652
Cash with paying agent	-	2,860,751	-	-	2,860,751
Receivables:					
Accounts receivable	22,820	-	-	-	22,820
Taxes receivable	58,056	81,911	-	-	139,967
Intergovernmental receivable	1,341,223	60,000	-	350,188	1,751,411
Due from other funds	220,000	-	-	-	220,000
Restricted assets	-	-	7,244,810	-	7,244,810
	<u>\$ 8,691,133</u>	<u>\$ 3,933,530</u>	<u>\$ 7,380,542</u>	<u>\$ 3,775,206</u>	<u>\$ 23,780,411</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 643,674	\$ -	\$ 122,231	\$ 113,183	\$ 879,088
Accrued wages and benefits	271,657	-	-	26,574	298,231
Interest payable	-	540,751	-	-	540,751
Intergovernmental payable	701	-	-	-	701
Due to other funds	-	-	-	220,000	220,000
Deferred revenue	31,704	49,483	-	113,076	194,263
Matured debt principal payable	-	2,320,000	-	-	2,320,000
	<u>947,736</u>	<u>2,910,234</u>	<u>122,231</u>	<u>472,833</u>	<u>4,453,034</u>
Fund balances:					
Restricted					
General government	239,125	-	-	-	239,125
Public safety	34,146	-	-	-	34,146
Highways and streets	-	-	-	309,630	309,630
Debt service	-	1,023,296	-	-	1,023,296
Capital projects	-	-	7,244,810	-	7,244,810
Committed					
Capital projects	-	-	13,501	-	13,501
Assigned					
Public safety	-	-	-	2,901,442	2,901,442
Other purposes	1,126,841	-	-	91,301	1,218,142
Unassigned	6,343,285	-	-	-	6,343,285
	<u>7,743,397</u>	<u>1,023,296</u>	<u>7,258,311</u>	<u>3,302,373</u>	<u>19,327,377</u>
Total liabilities and fund balances	<u>\$ 8,691,133</u>	<u>\$ 3,933,530</u>	<u>\$ 7,380,542</u>	<u>\$ 3,775,206</u>	<u>\$ 23,780,411</u>

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

CITY OF TOLLESON, ARIZONA
Reconciliation of Total Governmental Fund Balance
To Net Position of Governmental Activities
June 30, 2012

Total governmental fund balances	\$	19,327,377
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Property taxes not collected within 60 days subsequent to fiscal year end are deferred in the governmental funds</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p>		
Governmental capital assets	\$	69,578,039
Less accumulated depreciation		<u>(27,403,156)</u>
		42,174,883
<p>Other long term assets are not available to pay for current period expenditures:</p>		
Deferred charges		477,019
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable		(\$22,154,133)
Compensated absences		<u>(1,069,873)</u>
		(23,224,006)
<p>Some revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		<u>81,187</u>
Total net position of governmental activities	\$	<u><u>38,836,460</u></u>

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

CITY OF TOLLESON, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Total Non-major Funds	Total Governmental Funds
Revenues:					
Taxes:					
Sales taxes	\$ 10,990,656	\$ 720,000	\$ -	\$ 1,815,152	\$ 13,525,808
Property taxes	2,628,702	2,423,915	-	-	5,052,617
Franchise taxes	39,871	-	-	-	39,871
Intergovernmental revenue	1,063,832	-	-	1,281,123	2,344,955
Fines and forfeitures	209,436	-	-	-	209,436
Licenses and permits	294,465	-	-	-	294,465
Charges for services	375,380	-	-	-	375,380
Rents and royalties	10,500	-	-	-	10,500
Impact fees	-	-	138,117	-	138,117
Other revenues:					
Contributions and donations	83,707	-	-	-	83,707
Interest	10,799	2,730	18,504	4,418	36,451
Other	83,745	-	14,788	-	98,533
Total revenues	<u>15,791,093</u>	<u>3,146,645</u>	<u>171,409</u>	<u>3,100,693</u>	<u>22,209,840</u>
Expenditures:					
Current:					
General government	3,438,714	2,008	-	-	3,440,722
Public safety	7,270,058	-	-	798,225	8,068,283
Highways and streets	-	-	770,996	803,101	1,574,097
Culture and recreation	1,017,582	-	-	-	1,017,582
Economic development	543,328	-	-	-	543,328
Health and welfare	-	-	-	535,879	535,879
Debt service:					
Principal	-	2,366,550	-	-	2,366,550
Interest and fiscal charges	-	926,071	-	-	926,071
Issuance costs	-	86,642	-	-	86,642
Capital outlay	674,627	-	1,225,118	543,824	2,443,569
Total expenditures	<u>12,944,309</u>	<u>3,381,271</u>	<u>1,996,114</u>	<u>2,681,029</u>	<u>21,002,723</u>
Excess of revenues over (under) expenditures	2,846,784	(234,626)	(1,824,705)	419,664	1,207,117
Other financing sources (uses):					
Transfers out	(801,535)	(152,748)	-	-	(954,283)
Transfers in	-	-	-	801,535	801,535
Debt issued	-	-	5,880,000	-	5,880,000
Premium on debt issued	-	279,387	-	-	279,387
Sale of assets	5,491	-	-	-	5,491
Total other financing sources (uses)	<u>(796,044)</u>	<u>126,639</u>	<u>5,880,000</u>	<u>801,535</u>	<u>6,012,130</u>
Net change in fund balance	2,050,740	(107,987)	4,055,295	1,221,199	7,219,247
Fund balance, beginning of year	<u>5,692,657</u>	<u>1,131,283</u>	<u>3,203,016</u>	<u>2,081,174</u>	<u>12,108,130</u>
Fund balance, end of year	<u><u>\$ 7,743,397</u></u>	<u><u>\$ 1,023,296</u></u>	<u><u>\$ 7,258,311</u></u>	<u><u>\$ 3,302,373</u></u>	<u><u>\$ 19,327,377</u></u>

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

CITY OF TOLLESON, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
To The Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	7,219,247
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay	\$	1,867,077
Depreciation expense		<u>(2,469,111)</u>
		(602,034)
<p>Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.</p>		
		(181,639)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred revenue in the statement of activities.</p>		
		(35,265)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, but does not affect net position.</p>		
		(5,880,000)
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		2,366,550
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(50,964)</u>
Change in net position of governmental activities	\$	<u><u>2,835,895</u></u>

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	Original	Final	Actual	Variance with Final Budget
Revenues:				
Taxes:				
Sales taxes	\$ 9,200,000	\$ 9,200,000	\$ 10,990,656	\$ 1,790,656
Property taxes	2,685,000	2,685,000	2,628,702	(56,298)
Franchise taxes	50,000	50,000	39,871	(10,129)
Intergovernmental revenue	1,047,400	1,047,400	1,063,832	16,432
Fines and forfeitures	244,900	244,900	209,436	(35,464)
Licenses and permits	162,000	162,000	294,465	132,465
Charges for services	280,720	280,720	375,380	94,660
Rents and royalties	10,500	10,500	10,500	-
Other revenues:				-
Contributions and donations	58,150	58,150	83,707	25,557
Interest	5,810	5,810	10,799	4,989
Other	100,350	100,350	83,745	(16,605)
Total revenues	<u>13,844,830</u>	<u>13,844,830</u>	<u>15,791,093</u>	<u>1,946,263</u>
Expenditures:				
Current:				
General government:				
Mayor and council	270,608	270,608	286,864	(16,256)
City management	558,486	558,486	500,726	57,760
City clerk	247,424	247,424	239,151	8,273
Human resources	231,940	231,940	208,023	23,917
City magistrate	414,174	414,174	402,898	11,276
Finance	422,893	422,893	441,281	(18,388)
Fields operations	252,169	252,169	245,281	6,888
Public works - grounds maintenance	369,283	369,283	350,782	18,501
Public works - buildings maintenance	454,742	454,742	355,293	99,449
Information technology	235,326	235,326	232,715	2,611
Non-profit donations	24,300	24,300	24,300	-
TQM steering committee	50,500	50,500	35,077	15,423
Contingency	10,000	10,000	-	10,000
Community service	50,914	50,914	71,297	(20,383)
Judicial collection	115,122	115,122	45,026	70,096
Total general government	<u>3,707,881</u>	<u>3,707,881</u>	<u>3,438,714</u>	<u>269,167</u>
Public safety:				
Police administration	228,776	228,776	270,709	(41,933)
Police dispatching	712,371	712,371	711,854	517
Police investigations	491,960	491,960	457,345	34,615
Police field operations	2,144,699	2,144,699	2,199,236	(54,537)
Fire administration	155,768	155,768	250,207	(94,439)
Fire operations	3,046,510	3,046,510	3,062,510	(16,000)
Public works - building inspection	334,267	334,267	288,221	46,046
Impound	54,000	54,000	29,976	24,024
Total public safety	<u>7,168,351</u>	<u>7,168,351</u>	<u>7,270,058</u>	<u>(101,707)</u>

(continued)

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

CITY OF TOLLESON, ARIZONA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012 (Continued)

Culture and recreation:				
Library	316,733	316,733	327,905	(11,172)
Parks and recreation	280,885	280,885	260,828	20,057
Boys and girls club	130,000	130,000	147,663	(17,663)
Teen council	145,241	145,241	117,940	27,301
City promotion	160,901	160,901	163,246	(2,345)
Total culture and recreation	<u>1,033,760</u>	<u>1,033,760</u>	<u>1,017,582</u>	<u>16,178</u>
Economic development:				
Community revitalization	297,185	297,185	284,451	12,734
Planning and engineering	242,586	242,586	258,877	(16,291)
Total economic development	<u>539,771</u>	<u>539,771</u>	<u>543,328</u>	<u>(3,557)</u>
Capital outlay				
Total expenditures	<u>1,083,880</u>	<u>1,083,880</u>	<u>674,627</u>	<u>409,253</u>
	<u>13,533,643</u>	<u>13,533,643</u>	<u>12,944,309</u>	<u>589,334</u>
Excess of revenues over (under) expenditures	311,187	311,187	2,846,784	2,535,597
Other financing sources (uses):				
Transfers out	(1,277,513)	(1,277,513)	(801,535)	475,978
Transfers in	350,000	350,000	-	(350,000)
Sale of assets	115,000	115,000	5,491	(109,509)
Total other financing sources (uses)	<u>(812,513)</u>	<u>(812,513)</u>	<u>(796,044)</u>	<u>16,469</u>
Net change in fund balance	(501,326)	(501,326)	2,050,740	2,552,066
Fund balance, beginning of year	<u>5,692,657</u>	<u>5,692,657</u>	<u>5,692,657</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,191,331</u></u>	<u><u>\$ 5,191,331</u></u>	<u><u>\$ 7,743,397</u></u>	<u><u>\$ 2,552,066</u></u>

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

CITY OF TOLLESON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2012

ASSETS	Water	Sanitation and Trash	Wastewater and Sewer	Totals
Current assets:				
Cash and cash equivalents	\$ 4,437,158	\$ 82,965	\$ 13,195,497	\$ 17,715,620
Cash with paying agent	879,732	-	353,213	1,232,945
Receivables:				
Accounts receivable	1,032,139	48,941	1,086,986	2,168,066
Taxes receivable	80,622	-	6,626	87,248
Restricted assets	59,811	-	492,978	552,789
Total current assets	<u>6,489,462</u>	<u>131,906</u>	<u>15,135,300</u>	<u>21,756,668</u>
Noncurrent assets:				
Deferred charges	82,575	-	179,807	262,382
Capital assets:				
Non-depreciable	256,606	-	2,806,404	3,063,010
Depreciable, net	8,478,495	135,782	48,851,767	57,466,044
Total noncurrent assets	<u>8,817,676</u>	<u>135,782</u>	<u>51,837,978</u>	<u>60,791,436</u>
Total assets	<u>15,307,138</u>	<u>267,688</u>	<u>66,973,278</u>	<u>82,548,104</u>
LIABILITIES				
Current liabilities:				
Accounts payable	446,685	11,567	213,264	671,516
Accrued wages and benefits	23,804	10,610	52,326	86,740
Interest payable	159,732	-	500,182	659,914
Intergovernmental payable	40,564	-	145	40,709
Customer deposits payable	59,811	-	-	59,811
Deferred revenue	-	-	5,710	5,710
Matured loans payable	720,000	-	369,623	1,089,623
Compensated absences - current portion	32,166	4,750	70,359	107,275
Total current liabilities	<u>1,482,762</u>	<u>26,927</u>	<u>1,211,609</u>	<u>2,721,298</u>
Noncurrent liabilities:				
Compensated absences, net of current portion	96,497	14,250	211,077	321,824
Bonds payable, net of deferred amounts	5,633,285	-	15,755,578	21,388,863
Loans payable	-	-	8,526,215	8,526,215
Total noncurrent liabilities	<u>5,729,782</u>	<u>14,250</u>	<u>24,492,870</u>	<u>30,236,902</u>
Total liabilities	<u>7,212,544</u>	<u>41,177</u>	<u>25,704,479</u>	<u>32,958,200</u>
Net Position				
Net investment in capital assets	4,233,491	135,782	27,006,755	31,376,028
Restricted for WIFA loan	-	-	492,978	492,978
Unrestricted	3,861,103	90,729	13,769,066	17,720,898
Total net position	<u>\$ 8,094,594</u>	<u>\$ 226,511</u>	<u>\$ 41,268,799</u>	<u>\$ 49,589,904</u>

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

CITY OF TOLLESON, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2012

	Water	Sanitation and Trash	Wastewater and Sewer	Totals
Operating revenues:				
Charges for services	\$ 6,394,604	\$ 347,800	\$ 5,500,611	\$ 12,243,015
Total operating revenues	<u>6,394,604</u>	<u>347,800</u>	<u>5,500,611</u>	<u>12,243,015</u>
Operating expenses:				
Cost of sales and service	5,503,389	468,715	3,919,155	9,891,259
Depreciation	376,757	22,578	1,606,393	2,005,728
Total operating expenses	<u>5,880,146</u>	<u>491,293</u>	<u>5,525,548</u>	<u>11,896,987</u>
Operating income (loss)	<u>514,458</u>	<u>(143,493)</u>	<u>(24,937)</u>	<u>346,028</u>
Non-operating revenues (expenses):				
Property taxes	839,570	-	562,325	1,401,895
Investment earnings	8,203	51	27,458	35,712
Interest expense	(215,825)	-	(883,738)	(1,099,563)
Settlement expense	-	-	(235,637)	(235,637)
Miscellaneous revenues	368	858	122,691	123,917
Total non-operating revenues (expenses)	<u>632,316</u>	<u>909</u>	<u>(406,901)</u>	<u>226,324</u>
Income (loss) before contributions and transfers	1,146,774	(142,584)	(431,838)	572,352
Capital contributions	-	-	-	-
Transfers out	-	-	(100,000)	(100,000)
Transfers in	5,261	100,000	147,487	252,748
Change in net position	1,152,035	(42,584)	(384,351)	725,100
Total net position, beginning of year	6,983,808	269,095	41,216,831	48,469,734
Prior period adjustments	(41,249)	-	436,319	395,070
Total net position, end of year	<u>\$ 8,094,594</u>	<u>\$ 226,511</u>	<u>\$ 41,268,799</u>	<u>\$ 49,589,904</u>

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

CITY OF TOLLESON, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			
	Water	Sanitation and Trash	Wastewater and Sewer	Totals
Cash Flows From Operating Activities:				
Cash received from customers, service fees	\$ 6,120,361	\$ 338,607	\$ 5,219,004	\$ 11,677,972
Cash paid to employees	(925,242)	(296,521)	(1,908,607)	(3,130,370)
Cash paid to suppliers	(4,367,545)	(164,558)	(1,937,721)	(6,469,824)
Cash received from miscellaneous sources	368	858	122,691	123,917
Net cash flows from operating activities	<u>827,942</u>	<u>(121,614)</u>	<u>1,495,367</u>	<u>2,201,695</u>
Cash Flows From Noncapital and Related Financing Activities:				
Cash received from property taxes	839,570	-	562,325	1,401,895
Cash received from other funds	5,261	100,000	147,487	252,748
Cash transferred to other funds	-	-	(100,000)	(100,000)
Net cash flows from noncapital and related financing activities	<u>844,831</u>	<u>100,000</u>	<u>609,812</u>	<u>1,554,643</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from the issuance of long term debt	2,000,000	-	-	2,000,000
Principal paid on long term debt	(723,225)	-	(353,028)	(1,076,253)
Receipt of final WIFA loan proceeds	-	-	1,011,811	1,011,811
Interest paid on long term debt	(120,907)	-	(781,310)	(902,217)
Purchases of capital assets	(180,336)	-	(169,797)	(350,133)
Net cash flows from capital and related financing activities	<u>975,532</u>	<u>-</u>	<u>(292,324)</u>	<u>683,208</u>
Cash Flows From Investing Activities:				
Investment earnings	8,203	51	27,458	35,712
Net change in cash and cash equivalents	2,656,508	(21,563)	1,840,313	4,475,258
Cash and cash equivalents, including restricted cash, beginning of year	1,840,461	104,528	11,848,162	13,793,151
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 4,496,969</u>	<u>\$ 82,965</u>	<u>\$ 13,688,475</u>	<u>\$ 18,268,409</u>
Reconciliation of operating income to net cash flows from operating activities:				
Operating income (loss)	\$ 514,458	\$ (143,493)	\$ (24,937)	\$ 346,028
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation/amortization	376,757	22,578	1,606,393	2,005,728
Cash received from miscellaneous sources	368	858	122,691	123,917
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	(291,762)	(9,193)	(280,618)	(581,573)
(Increase) decrease in prepaid expenses	11,065	2,884	21,059	35,008
Increase (decrease) in accounts payable	158,069	(2,767)	(1,513)	153,789
Increase (decrease) in accrued wages and benefits	12,178	7,114	28,354	47,646
Increase (decrease) in deferred revenue	-	-	(989)	(989)
Increase (decrease) in intergovernmental payable	11,871	-	(222)	11,649
Increase (decrease) in compensated absences payable	17,419	405	25,149	42,973
Increase (decrease) in customer deposits payable	17,519	-	-	17,519
Net cash flows from operating activities	<u>\$ 827,942</u>	<u>\$ (121,614)</u>	<u>\$ 1,495,367</u>	<u>\$ 2,201,695</u>
Supplemental Schedule of Non-cash Financing and Investing Activities				
Net change in deferred charges	\$ 40,770	\$ -	\$ (8,305)	\$ 32,465
Net change in bond premiums and deferred amounts on refunding	\$ (135,688)	\$ -	\$ (83,309)	\$ (218,997)

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies

General

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

Reporting Entity

The city is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of the other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in, substance, part of the City's operations.

Included within the reporting entity:

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

Government-Wide and Fund Financial Statements

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

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the debt service fund.

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

Deposits and Investments

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

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

Receivables

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

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

Short-Term Interfund Receivables/Payables

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

Taxes

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

Inventories and Prepaid Items

Inventories are recorded as expenditures at the time of purchase, and because the amounts on hand at June 30, 2012 were immaterial, they are not included in the government-wide and fund financial statements.

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

Restricted Assets

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

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

Capital Assets

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

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

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

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

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

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

Long-term Obligations

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

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

Net Position and Fund Equity

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

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

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

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

Unrestricted net position is all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

Estimates

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 2. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
5. Formal budgetary integration is employed as a management control device during the year for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No Supplementary budgetary appropriations were necessary during the year.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 2. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2012, if any.

Highway User Revenue Funds

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

Note 3. Deposits and Investments

Deposits and investments of the City at June 30, 2012 consist of the following:

Deposits:	
Cash on Hand	\$ 1,450
Cash in Bank	(46,931)
Cash on Deposit with Paying Agent	4,093,696
Investments	
Investment Sweep Account	9,084,101
Local Government Investment Pool	28,015,251
	<u>\$ 41,147,567</u>

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

Cash and cash equivalents	\$ 29,256,272
Restricted cash and cash equivalents	7,797,599
Cash on Deposit with Paying Agent	4,093,696
	<u>\$ 41,147,567</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 3. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2012, none of the City's bank balance of \$474,051 was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Investments

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

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

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

As of June 30, 2012 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Sweep Account (US Gov Securities)	\$ 9,084,101	\$ 9,084,101	\$ -	\$ -	\$ -
Government Investment Pool	28,015,251	28,015,251	-	-	-
Total Fair Value	\$37,099,352	\$37,099,352	\$ -	\$ -	\$ -

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 3. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

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

At June 30, 2012 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Sweep Account (US Gov Securities)	\$ 9,084,101	\$ 9,084,101	\$ -	\$ -	\$ -
Government Investment Pool	28,015,251	-	-	-	28,015,251
Total Fair Value	\$37,099,352	\$ 9,084,101	\$ -	\$ -	\$ 28,015,251

Note 4. Restricted Assets

Restricted assets consisted of the following at June 30, 2012:

Governmental Activities:

Capital Project Funds:

Reserved for capital outlay	7,244,810
Total Governmental Activities	<u>\$ 7,244,810</u>

Business-Type Activities:

Water Fund:

Customer deposits	\$ 59,811
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Wastewater and Sewer Fund:

WIFA Loan Reserve	492,978
Total Business-Type Activities	<u>\$ 552,789</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 5. Capital Assets

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

Governmental Activities:	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets, not being depreciated:				
Land	\$ 1,842,981	\$ -	\$ -	\$ 1,842,981
Construction in progress	101,586	149,862	(251,448)	-
Total capital assets, not being depreciated	<u>1,944,567</u>	<u>149,862</u>	<u>(251,448)</u>	<u>1,842,981</u>
Capital assets, being depreciated:				
Buildings	17,202,355	-	-	17,202,355
Furniture, Equipment, and Vehicles	7,262,403	1,968,663	(5,326)	9,225,740
Infrastructure	41,306,963	-	-	41,306,963
Total capital assets, being depreciated	<u>65,771,721</u>	<u>1,968,663</u>	<u>(5,326)</u>	<u>67,735,058</u>
Less accumulated depreciation for:				
Buildings	(1,923,137)	(422,670)	-	(2,345,807)
Furniture, Equipment, and Vehicles	(3,573,177)	(683,316)	5,326	(4,251,167)
Infrastructure	(19,443,057)	(1,363,125)	-	(20,806,182)
Total accumulated depreciation	<u>(24,939,371)</u>	<u>(2,469,111)</u>	<u>5,326</u>	<u>(27,403,156)</u>
Total capital assets, being depreciated, net	<u>40,832,350</u>	<u>(500,448)</u>	<u>-</u>	<u>40,331,902</u>
Governmental activities capital assets, net	<u>\$ 42,776,917</u>	<u>\$ (350,586)</u>	<u>\$ (251,448)</u>	<u>\$ 42,174,883</u>

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

Governmental Activities:	
General government	\$ 101,968
Public safety	918,852
Highways and Streets	1,288,172
Culture & recreation	150,269
Health and Welfare	9,850
Total depreciation expense - governmental activities	<u>\$ 2,469,111</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 5. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Capital assets not being depreciated:				
Land	\$ 2,914,685	\$ -	\$ -	\$ 2,914,685
Construction in progress	12,789	155,767	(20,231)	148,325
Total capital assets, not being depreciated	<u>2,927,474</u>	<u>155,767</u>	<u>(20,231)</u>	<u>3,063,010</u>
Capital assets being depreciated:				
Buildings	42,157,701	-	-	42,157,701
Improvements other than buildings	17,044,617	100,916	-	17,145,533
Machinery and equipment	29,675,591	114,844	(11,669)	29,778,766
Vehicles	1,428,281	-	-	1,428,281
Total capital assets, being depreciated	<u>90,306,190</u>	<u>215,760</u>	<u>(11,669)</u>	<u>90,510,281</u>
Less accumulated depreciation for:				
Buildings	(8,772,970)	(847,840)	-	(9,620,810)
Improvements other than buildings	(4,875,193)	(344,544)	-	(5,219,737)
Machinery and equipment	(16,344,876)	(754,441)	10,506	(17,088,811)
Vehicles	(1,055,976)	(58,903)	-	(1,114,879)
Total accumulated depreciation	<u>(31,049,015)</u>	<u>(2,005,728)</u>	<u>10,506</u>	<u>(33,044,237)</u>
Total capital assets, being depreciated, net	<u>59,257,175</u>	<u>(1,789,968)</u>	<u>(1,163)</u>	<u>57,466,044</u>
Business-type activities capital assets, net	<u>\$ 62,184,649</u>	<u>\$ (1,634,201)</u>	<u>\$ (21,394)</u>	<u>\$ 60,529,054</u>

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

Business-Type Activities:	
Wastewater & Sewer	1,604,491
Water	378,659
Sanitation & Trash	22,578
Total depreciation expense - business-type activities	<u>\$ 2,005,728</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 6. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	Balance 6/30/2011	Reclassification *	Additions	Retirements	Balance 6/30/2012	Due Within One Year
Governmental Activities:						
Bonds payable	\$ 17,863,800	\$ 437,750	\$ 5,880,000	\$ (2,366,550)	\$ 21,815,000	\$ 1,730,000
Plus (Less) deferred amounts:						
Bond premiums	170,620	(56,730)	255,737	(30,494)	339,133	-
Total bonds payable	<u>18,034,420</u>	<u>381,020</u>	<u>6,135,737</u>	<u>(2,397,044)</u>	<u>22,154,133</u>	<u>1,730,000</u>
Accrued compensated absences	<u>1,018,909</u>	<u>-</u>	<u>478,557</u>	<u>(427,593)</u>	<u>1,069,873</u>	<u>267,468</u>
Total Governmental Activities	<u>\$ 19,053,329</u>	<u>\$ 381,020</u>	<u>\$ 6,614,294</u>	<u>\$ (2,824,637)</u>	<u>\$ 23,224,006</u>	<u>\$ 1,997,468</u>
Business-Type Activities:						
Bonds payable	\$ 20,146,200	\$ (437,750)	\$ 12,690,000	\$ (11,408,450)	\$ 20,990,000	\$ 1,560,000
Plus(Less) deferred amounts:						
Bond premiums	169,908	56,730	1,010,649	(250,143)	987,144	-
Deferred amount on refunding	(46,772)	-	(640,217)	98,708	(588,281)	-
Total bonds payable	<u>20,269,336</u>	<u>(381,020)</u>	<u>13,060,432</u>	<u>(11,559,885)</u>	<u>21,388,863</u>	<u>1,560,000</u>
Loans payable	<u>8,895,839</u>	<u>-</u>	<u>-</u>	<u>(369,624)</u>	<u>8,526,215</u>	<u>381,837</u>
Accrued compensated absences	<u>386,126</u>	<u>-</u>	<u>136,583</u>	<u>(93,610)</u>	<u>429,099</u>	<u>107,725</u>
Total Business-Type Activities	<u>\$ 29,551,301</u>	<u>\$ (381,020)</u>	<u>\$ 13,197,015</u>	<u>\$ (12,023,119)</u>	<u>\$ 30,344,177</u>	<u>\$ 2,049,562</u>
Total Long-Term Liabilities	<u>\$ 48,604,630</u>	<u>\$ -</u>	<u>\$ 19,811,309</u>	<u>\$ (14,847,756)</u>	<u>\$ 53,568,183</u>	<u>\$ 4,047,030</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 6. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2012:

	<u>Business Type</u>	<u>Governmental</u>	<u>Total</u>
Loans Payable			
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029.	\$ 4,973,626	\$ -	\$ 4,973,626
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029.	3,552,589	-	3,552,589
Total Loans Payable	<u>8,526,215</u>	<u>-</u>	<u>8,526,215</u>
Bonds Payable:			
General Obligation Bonds, Series 2003, due in annual principal and semi-annual interest installments ranging from \$35,844 to \$332,831, bearing interest at 2.5% to 4.0%, maturing on July 1, 2017.	\$ 745,000	\$ 780,000	\$ 1,525,000
General Obligation Refunding Bonds, Series 2004, due in annual principal installments from FY06 to FY10 and a final installment in FY14 and semi-annual interest installments ranging from \$17,775 to \$76,963, bearing interest at 3.5% to 5.0%, maturing on July 1, 2013.	790,000	-	790,000
General Obligation Bonds, Series 2006, due in annual principal and semi-annual interest installments ranging from \$11,000 to \$290,200, bearing interest at 4.0%, maturing on July 1, 2021.	7,485,000	3,765,000	11,250,000
Public Safety and Excise Tax Revenue Bonds, Series 2009, due in annual principal and semi-annual interest installments ranging from \$16,875 to \$193,505, bearing interest at 2.0% to 5.0%, maturing on July 1, 2029.	-	8,120,000	8,120,000
General Obligation Bonds, Series 2009A, due in annual principal and semi-annual interest installments ranging from \$7,053 to \$72,591, bearing interest at 3.0% to 5.0%, maturing on July 1, 2029.	-	3,270,000	3,270,000 continued

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 6. Long-Term Debt, Continued

	<u>Business Type</u>	<u>Governmental</u>	<u>Total</u>
General Obligation Refunding Bonds, Series 2011, due in annual principal and semi-annual interest installments ranging from \$36,900 to \$277,852, bearing interest at 2.0% to 4.0%, maturing on July, 1 2017.	9,970,000	-	9,970,000
General Obligation Bonds, Series 2011, due in annual principal payments beginning 7/1/2018 and semi-annual interest installments beginning 7/1/2012 ranging from \$30,800 to \$211,023, bearing interest at 3.0% to 4.0%, maturing on July 1, 2024.	2,000,000	5,880,000	7,880,000
Total Bonds Payable	20,990,000	21,815,000	42,805,000
Accrued compensated absences	429,099	1,069,873	1,498,972
Bond Premiums	987,144	339,133	1,326,277
Deferred Charges	(588,281)	-	(588,281)
Total Long-Term Debt	30,344,177	23,224,006	53,568,183
Less Current Portion:	(1,941,837)	\$ (1,730,000)	(3,671,837)
Net Long-Term Debt	<u>\$ 28,402,340</u>	<u>21,494,006</u>	<u>49,896,346</u>

Debt service requirements on long-term debt at June 30, 2012 are as follows:

Fiscal Year Ended June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,730,000	\$ 931,640	\$ 1,941,837	\$ 1,065,996
2014	945,000	866,239	2,894,452	988,870
2015	835,000	842,816	3,117,485	888,811
2016	785,000	819,803	3,310,948	758,085
2017	2,035,000	796,041	2,279,856	621,614
2018-2022	7,360,560	3,000,871	11,118,971	1,635,279
2023-2027	6,219,440	1,190,489	3,588,567	- 541,034
2028-2032	1,905,000	140,537	1,264,099	- 62,987
Totals	<u>\$ 21,815,000</u>	<u>\$ 8,588,436</u>	<u>\$ 29,516,215</u>	<u>\$ 6,562,676</u>

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 220,000	\$ -
Nonmajor funds:		
Grants fund	-	220,000
Total	\$ 220,000	\$ 220,000

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

Interfund transfers for the fiscal year ended June 30, 2012 are as follows:

Transfers Out:	Transfers In					Total
	Highway User Revenue Fund	Nonmajor	Water Fund	Wastewater Fund	Sanitation Fund	
General Fund	\$ 454,000	\$ 347,535	\$ -	\$ -	\$ -	\$ 801,535
Debt Service	-	-	5,261	147,487	-	152,748
Wastewater Fund	-	-	-	-	100,000	100,000
Total transfers out	\$ 454,000	\$ 347,535	\$ 5,261	\$ 147,487	\$ 100,000	\$ 1,054,283

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 8. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

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

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

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2010	\$ 505,407	\$ 39,996	\$ 24,240
2011	488,431	31,984	13,552
2012	545,756	34,835	13,271

Public Safety Personnel Retirement System (PSPRS)

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 8. Retirement and Pension Plans, Continued

Funding Policy - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 17.42 percent for police and 12.93 percent for fire of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.07 percent for police and .82 percent for fire.

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

The PSPRS contribution requirements for the year ended June 30, 2012 were established by the June 30, 2010 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 to 8.50 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 24 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information on page 46 provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension/OPEB Cost - During the year ended June 30, 2012 the City's annual pension cost of \$324,593 (estimated) for police and \$282,679 (estimated) for fire and the annual OPEB cost of \$21,242 (estimated) for police and \$19,141 (estimated) for fire was equal to the City's required and actual contributions. These costs were estimated in the fiscal year 2011 report by the actuary.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 8. Retirement and Pension Plans, Continued

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

Police				
<u>Plan</u>	<u>Year Ended June 30,</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
Pension	2010	\$ 256,196	100%	\$ -
	2011	317,272 *	100%	-
	2012	324,593 *	100%	-
Health Insurance	2010	\$ 14,001	100%	\$ -
	2011	20,789 *	100%	-
	2012	21,242 *	100%	-

Fire				
<u>Plan</u>	<u>Year Ended June 30,</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
Pension	2010	\$ 298,054	100%	\$ -
	2011	304,177 *	100%	-
	2012	282,679 *	100%	-
Health Insurance	2010	\$ 15,189	100%	\$ -
	2011	17,535 *	100%	-
	2012	19,141 *	100%	-

* These costs were estimated in the fiscal year 2011 report by the actuary.

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 9. Risk Management

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

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

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

Note 10. Contingent Liabilities and Commitments

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

CITY OF TOLLESON, ARIZONA
Notes to the Financial Statements
June 30, 2012

Note 11. Advanced refunding – Debt Defeasance

On October 13, 2011, the City issued \$10,690,000 of Series 2011 General Obligation Refunding Bonds. The proceeds were placed in an irrevocable trust for the purpose of generating resources for the future debt service payments on \$1,590,000 of Series 1998 General Obligation Bonds and \$9,100,000 of Series 2003 General Obligation Bonds. As a result, the fully refunded bonds and partially refunded bonds are considered to be defeased and the liabilities on these bonds have been removed from the business-type activities column of the statement of net position. This advanced refunding resulted in a decrease of debt payments over the next 6 years of \$201,318 and an economic gain of \$200,922.

Note 12. Prior Period Adjustment – Reclassification of General Obligation Bond Balances

In fiscal year 2011, the City reclassified a portion of its general obligation bond balances from the governmental statement of net position to the business-type statement of net position. During fiscal year 2012, management discovered that a portion of the prior year allocations were incorrect and that management had over allocated the bond balances between the governmental statement of net position and the business-type statement of net position. Therefore, a prior period adjustment was posted in the current period to reclassify a portion of the general obligation bond debt back to the governmental statement of net position. The affect of this adjustment is to increase net position in the business-type statement of activities and decrease the governmental statement of activities. The change is simply a reclassification between activities and did not change the overall net position of the City. The effects of this adjustment are also presented in the water and wastewater proprietary fund statements of changes in net position.

Note 13. Subsequent Event / Settlement Expense

Subsequent to year end, the City was notified that a legal matter pertaining to a water receivable due from American Water Company had been settled. As part of the settlement, the City disposed of the receivable by recording a settlement expense in the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position for \$235,637.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOLLESON, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
PSPRS

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2007 through June 30, 2012, based on actuarial valuations follows:

POLICE						
Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2007	3,071,938	5,062,016	1,990,078	60.7%	1,552,405	128.2%
2008	3,472,838	5,277,694	1,804,856	65.8%	1,707,450	105.7%
2009	3,776,676	5,884,143	2,107,467	64.2%	1,745,584	120.7%
2010	3,909,688	6,092,226	2,182,538	64.2%	1,783,677	122.4%
2011	4,345,575	6,863,105	2,517,530	63.3%	1,748,104	144.0%
2012	**	**	**	**	**	**

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

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2007	\$ -	\$ 82,728	82,728	0.0%	\$ 1,552,405	5.33%
2008	-	118,598	118,598	0.0%	1,707,450	6.95%
2009	-	155,154	155,154	0.0%	1,745,584	8.89%
2010	-	159,929	159,929	0.0%	1,783,677	8.97%
2011	-	207,200	207,200	0.0%	1,748,104	11.85%
2012	**	**	**	**	**	**

** Information for fiscal year 2012 is not yet available.

CITY OF TOLLESON, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
PSPRS, Continued

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2007 through June 30, 2012, based on actuarial valuations follows:

FIRE						
Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2007	2,800,169	3,714,707	914,538	75.4%	1,856,146	49.3%
2008	3,268,016	4,136,348	868,332	79.0%	2,052,603	42.3%
2009	3,904,301	4,755,181	850,880	82.1%	2,100,605	40.5%
2010	4,749,199	5,220,882	471,683	91.0%	2,097,226	22.5%
2011	5,845,969	6,791,286	945,317	86.1%	1,959,261	48.2%
2012	**	**	**	**	**	**

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

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2007	\$ -	\$ 92,995	92,995	0.0%	\$ 1,856,146	5.01%
2008	-	107,595	107,595	0.0%	2,052,603	5.24%
2009	-	111,312	111,312	0.0%	2,100,605	5.30%
2010	-	129,744	129,744	0.0%	2,097,226	6.19%
2011	-	192,404	192,404	0.0%	1,959,261	9.82%
2012	**	**	**	**	**	**

** Information for fiscal year 2012 is not yet available

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SUPPLEMENTARY INFORMATION

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

Debt Service Funds

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

Capital Project Funds

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

CITY OF TOLLESON, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Sales taxes	\$ 720,000	\$ 720,000	\$ 720,000	\$ -
Property taxes	3,630,000	3,630,000	2,423,915	(1,206,085)
Other revenues:				
Interest	5,110	5,110	2,730	(2,380)
Total revenues	<u>4,355,110</u>	<u>4,355,110</u>	<u>3,146,645</u>	<u>(1,208,465)</u>
Expenditures:				
Current:				
General government	5,450	5,450	2,008	3,442
Debt service:				
Principal	3,120,000	3,120,000	2,366,550	753,450
Interest and fiscal charges	1,562,124	1,562,124	926,071	636,053
Issuance costs	-	-	86,642	(86,642)
Total expenditures	<u>4,687,574</u>	<u>4,687,574</u>	<u>3,381,271</u>	<u>1,306,303</u>
Excess of revenues over (under) expenditures	(332,464)	(332,464)	(234,626)	97,838
Other financing sources (uses):				
Premium on bonds issued	-	-	279,387	279,387
Transfers out	-	-	(152,748)	(152,748)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>126,639</u>	<u>126,639</u>
Net change in fund balance	(332,464)	(332,464)	(107,987)	224,477
Fund balance, beginning of year	<u>1,131,283</u>	<u>1,131,283</u>	<u>1,131,283</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 798,819</u></u>	<u><u>\$ 798,819</u></u>	<u><u>\$ 1,023,296</u></u>	<u><u>\$ 224,477</u></u>

CITY OF TOLLESON, ARIZONA
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Impact fees	\$ 353,000	\$ 353,000	\$ 138,117	\$ (214,883)
Other revenues:				
Interest	3,800	3,800	18,504	14,704
Other	-	-	14,788	14,788
Total revenues	<u>356,800</u>	<u>356,800</u>	<u>171,409</u>	<u>(185,391)</u>
Expenditures:				
Current:				
General government	20,000	20,000	-	20,000
Public safety	20,000	20,000	-	20,000
Highways and streets	550,000	550,000	770,996	(220,996)
Capital outlay	<u>2,277,000</u>	<u>2,277,000</u>	<u>1,225,118</u>	<u>1,051,882</u>
Total expenditures	<u>2,867,000</u>	<u>2,867,000</u>	<u>1,996,114</u>	<u>870,886</u>
Excess of revenues over (under) expenditures	(2,510,200)	(2,510,200)	(1,824,705)	685,495
Other financing sources (uses):				
Bonds issued	-	-	5,880,000	5,880,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,880,000</u>	<u>5,880,000</u>
Net change in fund balance	(2,510,200)	(2,510,200)	4,055,295	6,565,495
Fund balance, beginning of year	<u>3,203,016</u>	<u>3,203,016</u>	<u>3,203,016</u>	<u>-</u>
Fund balance, end of year	<u>\$ 692,816</u>	<u>\$ 692,816</u>	<u>\$ 7,258,311</u>	<u>\$ 6,565,495</u>

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SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

CITY OF TOLLESON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

ASSETS	Special Revenue			Total Non-major Funds
	Highway User Revenue	Grants	Public Safety Tax	
Cash and investments	\$ 334,287	\$ 300,923	\$ 2,789,808	\$ 3,425,018
Receivables:				
Intergovernmental receivable	49,580	144,442	156,166	350,188
Total assets	<u>\$ 383,867</u>	<u>\$ 445,365</u>	<u>\$ 2,945,974</u>	<u>\$ 3,775,206</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 61,746	\$ 8,853	\$ 42,584	\$ 113,183
Accrued wages and benefits	12,491	12,135	1,948	26,574
Intergovernmental payable	-	-	-	-
Due to other funds	-	220,000	-	220,000
Deferred revenues	-	113,076	-	113,076
Total liabilities	74,237	354,064	44,532	472,833
Fund balance:				
Restricted				
Highways and streets	309,630	-	-	309,630
Assigned				
Public safety	-	-	2,901,442	2,901,442
Other purposes	-	91,301	-	91,301
Total fund balance	309,630	91,301	2,901,442	3,302,373
Total liabilities and fund balance	<u>\$ 383,867</u>	<u>\$ 445,365</u>	<u>\$ 2,945,974</u>	<u>\$ 3,775,206</u>

CITY OF TOLLESON, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue			Total Non-major Funds
	Highway User Revenue	Grants	Public Safety Tax	
Revenues:				
Taxes:				
Sales taxes	\$ -	\$ -	\$ 1,815,152	\$ 1,815,152
Intergovernmental revenue	627,119	654,004	-	1,281,123
Other revenues:				
Interest	74	-	4,344	4,418
Total revenues	<u>627,193</u>	<u>654,004</u>	<u>1,819,496</u>	<u>3,100,693</u>
Expenditures:				
Current:				
Public safety	-	225,469	572,756	798,225
Highways and streets	803,101	-	-	803,101
Culture and recreation	-	-	-	-
Health and welfare	-	535,879	-	535,879
Capital outlay	-	241,532	302,292	543,824
Total expenditures	<u>803,101</u>	<u>1,002,880</u>	<u>875,048</u>	<u>2,681,029</u>
Excess of revenues over (under) expenditures	(175,908)	(348,876)	944,448	419,664
Other financing sources (uses):				
Transfers in	454,000	347,535	-	801,535
Total other financing sources (uses)	<u>454,000</u>	<u>347,535</u>	<u>-</u>	<u>801,535</u>
Net change in fund balance	278,092	(1,341)	944,448	1,221,199
Fund balance, beginning of year	<u>31,538</u>	<u>92,642</u>	<u>1,956,994</u>	<u>2,081,174</u>
Fund balance, end of year	<u>\$ 309,630</u>	<u>\$ 91,301</u>	<u>\$ 2,901,442</u>	<u>\$ 3,302,373</u>

CITY OF TOLLESON, ARIZONA
HIGHWAY USER
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 550,245	\$ 550,245	\$ 627,119	\$ 76,874
Other revenues:				
Interest	800	800	74	(726)
Other	100	100	-	(100)
Total revenues	<u>551,145</u>	<u>551,145</u>	<u>627,193</u>	<u>76,048</u>
Expenditures:				
Current:				
Highways and streets	1,067,807	1,067,807	803,101	264,706
Total expenditures	<u>1,067,807</u>	<u>1,067,807</u>	<u>803,101</u>	<u>264,706</u>
Excess of revenues over (under) expenditures	(516,662)	(516,662)	(175,908)	340,754
Other financing sources (uses):				
Transfers in	534,000	534,000	454,000	(80,000)
Total other financing sources (uses)	<u>534,000</u>	<u>534,000</u>	<u>454,000</u>	<u>(80,000)</u>
Net change in fund balance	17,338	17,338	278,092	260,754
Fund balance, beginning of year	<u>31,538</u>	<u>31,538</u>	<u>31,538</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 48,876</u></u>	<u><u>\$ 48,876</u></u>	<u><u>\$ 309,630</u></u>	<u><u>\$ 260,754</u></u>

CITY OF TOLLESON, ARIZONA
GRANTS FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 625,996	\$ 625,996	\$ 654,004	\$ 28,008
Total revenues	<u>625,996</u>	<u>625,996</u>	<u>654,004</u>	<u>28,008</u>
Expenditures:				
Current:				
Public safety	297,640	297,640	225,469	72,171
Redevelopment and housing	-	-	-	-
Health and welfare	585,455	585,455	535,879	49,576
Capital outlay	130,500	130,500	241,532	(111,032)
Total expenditures	<u>1,013,595</u>	<u>1,013,595</u>	<u>1,002,880</u>	<u>10,715</u>
Excess of revenues over (under) expenditures	(387,599)	(387,599)	(348,876)	38,723
Other financing sources (uses):				
Transfers in	361,778	361,778	347,535	(14,243)
Total other financing sources (uses)	<u>361,778</u>	<u>361,778</u>	<u>347,535</u>	<u>(14,243)</u>
Net change in fund balance	(25,821)	(25,821)	(1,341)	24,480
Fund balance, beginning of year	<u>92,642</u>	<u>92,642</u>	<u>92,642</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 66,821</u></u>	<u><u>\$ 66,821</u></u>	<u><u>\$ 91,301</u></u>	<u><u>\$ 24,480</u></u>

CITY OF TOLLESON, ARIZONA
PUBLIC SAFETY TAX FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Sales taxes	\$ 1,250,000	\$ 1,250,000	\$ 1,815,152	\$ 565,152
Other revenues:				
Interest	2,300	2,300	4,344	(2,044)
Total revenues	<u>1,252,300</u>	<u>1,252,300</u>	<u>1,819,496</u>	<u>563,108</u>
Expenditures:				
Current:				
Public safety	827,753	827,753	572,756	254,997
Capital outlay	275,000	275,000	302,292	(27,292)
Total expenditures	<u>1,102,753</u>	<u>1,102,753</u>	<u>875,048</u>	<u>227,705</u>
Net change in fund balance	149,547	149,547	944,448	794,901
Fund balance, beginning of year	<u>1,956,994</u>	<u>1,956,994</u>	<u>1,956,994</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,106,541</u></u>	<u><u>\$ 2,106,541</u></u>	<u><u>\$ 2,901,442</u></u>	<u><u>\$ 794,901</u></u>

STATISTICAL SECTION

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

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

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

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

Continued

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental Activities					
Net investment in capital assets	\$ 5,310,577	\$ 8,169,456	\$ 2,984,211	\$ 24,742,497	\$ 25,900,750
Restricted	2,460,840	2,800,689	3,474,282	4,420,658	2,971,007
Unrestricted	12,297,505	8,389,538	8,017,638	7,232,480	9,964,703
Total Governmental Activities Net Position	<u>\$ 20,068,922</u>	<u>\$ 19,359,683</u>	<u>\$ 14,476,131</u>	<u>\$ 36,395,635</u>	<u>\$ 38,836,460</u>
Business-Type Activities					
Net investment in capital assets	\$ 39,948,944	\$ 40,255,237	\$ 49,164,298	\$ 32,661,672	\$ 31,376,028
Restricted	-	-	55,295	276,569	492,978
Unrestricted	2,981,113	10,841,755	16,670,481	15,531,493	17,720,898
Total Business-Type Activities Net Position	<u>\$ 42,930,057</u>	<u>\$ 51,096,992</u>	<u>\$ 65,890,074</u>	<u>\$ 48,469,734</u>	<u>\$ 49,589,904</u>
Primary Government					
Net investment in capital assets	\$ 45,259,521	\$ 48,424,693	\$ 52,148,509	\$ 57,404,169	\$ 57,276,778
Restricted	2,460,840	2,800,689	3,529,577	4,697,227	3,463,985
Unrestricted	15,278,618	19,231,293	24,688,119	22,763,973	27,685,601
Total Primary Government Net Position	<u>\$ 62,998,979</u>	<u>\$ 70,456,675</u>	<u>\$ 80,366,205</u>	<u>\$ 84,865,369</u>	<u>\$ 88,426,364</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General Government	\$ 2,431,591	\$ 2,464,743	\$ 3,004,134	\$ 2,872,180	\$ 3,550,585	\$ 3,822,213	\$ 3,650,530	\$ 3,931,291	\$ 3,854,836	\$ 3,554,245
Public Safety	4,558,745	4,941,569	5,096,894	5,889,231	6,626,522	7,703,746	8,104,259	8,145,407	9,227,572	9,590,713
Highways and Streets	559,155	461,355	945,312	1,637,889	1,938,450	2,381,538	2,368,382	3,008,843	3,587,171	2,867,554
Culture and Recreation	399,991	451,018	516,835	574,885	673,985	832,630	937,312	1,006,074	1,040,502	1,171,266
Redevelopment and Housing	540,621	79,718	323,500	939,826	303,415	133,088	84,312	45,851	-	-
Economic Development	372,672	209,859	234,162	204,727	453,934	996,855	1,158,833	473,105	459,727	545,153
Health and Welfare	291,249	306,424	405,961	345,586	417,437	424,425	463,758	516,178	868,049	547,528
Interest on Long-Term Debt	403,707	940,647	941,461	900,986	1,281,503	1,346,285	1,643,613	1,480,666	1,695,159	914,964
Total Governmental Activities	<u>9,557,731</u>	<u>9,855,333</u>	<u>11,468,259</u>	<u>13,365,310</u>	<u>15,245,831</u>	<u>17,640,780</u>	<u>18,410,999</u>	<u>18,607,415</u>	<u>20,733,016</u>	<u>19,191,423</u>
Business-Type Activities										
Water	3,171,338	3,580,845	3,784,431	4,323,817	4,599,323	5,380,335	4,598,229	4,357,407	4,314,393	6,095,971
Sanitation	608,308	657,766	683,147	641,379	777,284	856,835	871,399	705,856	642,779	491,293
Wastewater and Sewer	4,422,689	4,711,857	5,453,702	5,083,277	5,836,115	14,119,679	6,634,221	4,829,946	5,424,738	6,644,923
Total Business-Type Activities	<u>8,202,335</u>	<u>8,950,468</u>	<u>9,921,280</u>	<u>10,048,473</u>	<u>11,212,722</u>	<u>20,356,849</u>	<u>12,103,849</u>	<u>9,893,209</u>	<u>10,381,910</u>	<u>13,232,187</u>
Total Primary Government Expenses	<u>\$ 17,760,066</u>	<u>\$ 18,805,801</u>	<u>\$ 21,389,539</u>	<u>\$ 23,413,783</u>	<u>\$ 26,458,553</u>	<u>\$ 37,997,629</u>	<u>\$ 30,514,848</u>	<u>\$ 28,500,624</u>	<u>\$ 31,114,926</u>	<u>\$ 32,423,610</u>
Program Revenues										
Governmental Activities:										
Fines, Fees and Charges for Services:										
General Government	\$ 802,765	\$ 1,096,312	\$ 904,960	\$ 1,402,472	\$ 1,852,530	\$ 1,665,484	\$ 823,834	\$ 897,801	\$ 430,661	\$ 581,769
Public Safety	20,549	24,829	45,466	58,736	66,854	96,266	160,912	163,335	262,145	207,948
Highways and Streets	-	-	-	-	126,896	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	583	10,401	11,284	11,542	25,690
Redevelopment and Housing	-	-	-	5,000	23,673	1,115	-	-	-	-
Other	14,359	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	1,251,772	1,196,584	1,507,052	1,462,303	1,909,919	1,133,422	1,217,159	1,235,150	825,410	878,403
Capital Grants and Contributions	575,889	767,341	389,218	1,294,420	1,440,787	863,849	1,413,167	1,059,482	868,296	235,653
Total Governmental Activities Program Revenues	<u>2,665,334</u>	<u>3,085,066</u>	<u>2,846,696</u>	<u>4,222,931</u>	<u>5,420,659</u>	<u>3,760,719</u>	<u>3,625,473</u>	<u>3,367,052</u>	<u>2,398,054</u>	<u>1,929,463</u>
(Concluded)										
Business-Type Activities										
Charges for Services:										
Water	\$ 2,997,494	\$ 3,323,723	\$ 3,645,595	\$ 3,836,178	\$ 4,019,325	\$ 4,121,579	\$ 4,644,492	\$ 4,639,765	\$ 4,994,285	\$ 6,394,604
Sanitation	381,440	376,513	384,781	361,689	407,257	388,789	401,076	409,697	401,366	347,800
Wastewater and Sewer	4,501,198	4,883,216	5,721,059	5,343,513	6,354,925	7,212,855	5,405,133	4,881,137	5,000,253	5,500,611
Capital Grants and Contributions	155,655	251,998	1,289,993	1,468,629	-	-	-	7,966,449	1,901,328	-
Total Business-Type Activities Program Revenues	<u>8,035,787</u>	<u>8,835,450</u>	<u>11,041,428</u>	<u>11,010,009</u>	<u>10,781,507</u>	<u>11,723,223</u>	<u>10,450,701</u>	<u>17,897,048</u>	<u>12,297,232</u>	<u>12,243,015</u>
Total Primary Government Revenues	<u>\$ 10,701,121</u>	<u>\$ 11,920,516</u>	<u>\$ 13,888,124</u>	<u>\$ 15,232,940</u>	<u>\$ 16,202,166</u>	<u>\$ 15,483,942</u>	<u>\$ 14,076,174</u>	<u>\$ 21,264,100</u>	<u>\$ 14,695,286</u>	<u>\$ 14,172,478</u>

Continued Continued

General Revenues and Other Changes in Net Assets

Governmental Activities:

Taxes:											
Sales Taxes	\$ 3,145,738	\$ 3,822,712	\$ 4,599,155	\$ 5,689,397	\$ 6,951,574	\$ 8,040,066	\$ 8,339,786	\$ 8,390,330	\$ 12,209,049	\$ 13,525,808	
Property Taxes	2,101,918	3,407,213	3,400,276	3,774,315	5,306,125	5,296,591	5,354,004	6,421,551	6,812,691	5,343,971	
Franchise Taxes	52,127	36,561	39,101	42,919	47,600	48,846	48,936	49,523	47,098	39,871	
State Revenue Sharing	531,634	448,502	457,248	520,775	737,755	914,464	970,001	838,960	632,468	567,191	
State Income Tax Revenue Sharing	386,748	420,951	460,793	537,425	617,617	597,135	516,997	476,855	497,423	511,429	
Auto Lieu Tax Revenue Sharing	196,181	204,963	213,302	242,315	269,862	273,035	222,573	218,427	212,480	220,391	
Grants and Contributions Not Restricted	-	-	-	-	-	600,000	-	-	-	-	
Interest	(50,265)	272,423	399,696	619,370	1,337,479	1,243,415	287,709	69,793	25,425	36,451	
Other	575,000	16,444	62,720	48,686	141,473	134,737	116,862	115,386	-	5,491	
Transfers	-	600,000	(4,173,581)	(3,728,572)	116,692	(2,355,755)	(1,780,581)	(6,224,014)	(235,637)	(152,748)	
Total Governmental Activities:	6,939,081	9,229,769	5,458,710	7,746,630	15,526,177	14,792,534	14,076,287	10,356,811	20,200,997	20,097,855	

Business-type Activities:

Property Taxes	-	-	-	-	-	-	-	518,221	332,735	1,401,895
Impact Fees	-	-	129,066	342,738	365,151	-	-	-	-	-
Interest	(19,738)	26,894	82,549	159,308	228,419	110,199	22,143	23,957	20,363	35,712
Litigation Settlement	-	-	-	-	-	-	8,000,000	-	-	-
Other	-	-	-	-	-	-	17,359	23,051	129,072	123,917
Transfers	(575,000)	(600,000)	4,173,581	3,728,572	(116,692)	2,355,755	1,780,581	6,224,014	235,637	152,748
Total Business-Type Activities	(594,738)	(573,106)	4,385,196	4,230,618	476,878	2,465,954	9,820,083	6,789,243	717,807	1,714,272
Total Primary Government	\$ 6,344,343	\$ 8,656,663	\$ 9,843,906	\$ 11,977,248	\$ 16,003,055	\$ 17,258,488	\$ 23,896,370	\$ 17,146,054	\$ 20,918,804	\$ 21,812,127

Change in Net Assets

Governmental Activities	\$ 46,684	\$ 2,459,502	\$ (3,162,853)	\$ (1,395,749)	\$ 5,701,005	\$ 912,473	\$ (709,239)	\$ (4,883,552)	\$ 1,866,035	\$ 2,835,895
Business-Type Activities	(761,286)	(688,124)	5,505,344	5,192,154	45,663	(6,167,672)	8,166,935	14,793,082	2,633,129	725,100
Total Primary Government	\$ (714,602)	\$ 1,771,378	\$ 2,342,491	\$ 3,796,405	\$ 5,746,668	\$ (5,255,199)	\$ 7,457,696	\$ 9,909,530	\$ 4,499,164	\$ 3,560,995

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

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

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

Continued

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

Fiscal Year

2008	2009	2010	2011	2012
\$ 81,028	\$ 86,390	\$ 95,161	\$ 232,134	\$ 273,271
-	-	-	-	-
-	-	-	270,698	-
-	-	-	126,368	1,126,841
4,831,002	3,191,659	2,898,744	5,063,457	6,343,285
<u>\$ 4,912,030</u>	<u>\$ 3,278,049</u>	<u>\$ 2,993,905</u>	<u>\$ 5,692,657</u>	<u>\$ 7,743,397</u>
\$ -	\$ -	\$ -	\$ 24,349	\$ 309,630
1,159,549	1,097,006	1,237,552	1,131,283	1,023,296
11,717	11,362	12,794	3,032,892	7,244,810
-	-	-	16,590	-
17,680,295	21,282,772	12,748,910	170,124	13,501
1,289,574	5,047,024	4,740,852	1,956,348	2,901,442
-	-	-	83,887	91,301
<u>\$ 20,141,135</u>	<u>\$ 27,438,164</u>	<u>\$ 18,740,108</u>	<u>\$ 6,415,473</u>	<u>\$ 11,583,980</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 5,299,783	\$ 7,266,486	\$ 8,038,532	\$ 9,506,631	\$ 12,305,299
Intergovernmental	2,338,770	2,233,511	2,581,940	2,716,956	3,471,197
Fines and Penalties	169,011	176,271	196,407	280,702	288,234
Licenses and Permits	768,487	1,090,528	244,827	435,731	667,321
Charges for Services	444,247	620,683	497,692	738,273	1,102,896
Rents and Royalties	-	-	11,500	11,502	11,502
Contributions and Donations	-	-	56,455	45,862	63,956
Impact fees	-	-	389,218	1,294,420	1,440,787
Special assessment:	66,210	66,679	-	-	-
Interest	(50,265)	272,423	399,696	619,370	1,337,479
Other	45,023	54,933	62,720	48,686	141,473
Total revenues	9,081,266	11,781,514	12,478,987	15,698,133	20,830,144
Expenditures					
General government	2,067,919	2,235,792	2,818,419	2,910,221	3,154,669
Public Safety	4,532,192	4,845,274	5,207,800	5,822,932	6,409,618
Highways and Streets	529,680	429,007	951,724	770,726	942,851
Culture and Recreation	372,072	443,583	528,536	566,595	905,282
Redevelopment and Housing	540,621	79,718	323,500	939,826	303,415
Economic Development	382,811	220,748	234,162	204,727	453,934
Health and Welfare	279,851	295,540	395,443	335,736	407,587
Capital Outlay	464,799	893,288	8,532,714	1,780,050	4,093,797
Debt Service					
Principal Retirement	661,654	964,410	1,072,918	1,226,311	1,955,000
Interest on Long-Term Deb	403,707	1,181,772	969,205	928,730	1,316,908
Issuance Costs	-	462,794	-	-	205,595
Total Expenditures	10,235,306	12,051,926	21,034,421	15,485,854	20,148,656
Excess of Revenue:					
Over (Under) Expenditure:	(1,154,040)	(270,412)	(8,555,434)	212,279	681,488
Other Financing Sources (Uses)					
Transfers In	661,321	835,581	876,124	1,245,746	1,155,201
Transfers Out	(86,321)	(235,581)	(976,621)	(645,746)	(466,746)
Proceeds of Refunding Debt Issuance	-	3,809,484	-	-	-
Proceeds of Long-Term Debt Issuance	-	18,597,882	-	-	14,658,105
Payment to Refunded Debt Escrow Agent	-	(3,745,227)	-	-	-
Proceeds from Capital Leases	204,739	-	-	-	-
Proceeds from Sale of Capital Asset	-	-	-	-	-
Total other Financing Sources (Uses)	779,739	19,262,139	(100,497)	600,000	15,346,560
Net Change in Fund Balance	\$ (374,301)	\$ 18,991,727	\$ (8,655,931)	\$ 812,279	\$ 16,028,048
Debt Service as a Percentage of Noncapital Expenditures	10.9%	23.4%	16.3%	15.7%	21.7%

		Fiscal Year							
		2008	2009	2010	2011	2012			
\$	13,321,689	\$	13,716,741	\$	14,865,486	\$	18,664,286	\$	18,618,296
	3,461,353		3,294,551		3,584,672		2,765,087		2,344,955
	315,097		304,939		292,923		260,534		209,436
	417,515		300,274		343,496		200,816		294,465
	1,019,346		378,435		425,500		333,963		375,380
	11,500		11,500		10,500		10,500		10,500
	56,703		48,020		71,441		61,478		83,707
	863,849		997,327		172,761		337,312		138,117
	-		-		-		-		-
	1,243,415		287,709		69,793		25,425		36,451
	134,737		112,098		114,501		144,552		98,533
	<u>20,845,204</u>		<u>19,451,594</u>		<u>19,951,073</u>		<u>22,803,953</u>		<u>22,209,840</u>
	3,470,208		3,382,113		3,759,888		3,561,710		3,440,722
	7,473,144		8,158,326		7,776,447		8,349,354		8,068,283
	1,102,384		1,093,369		1,731,442		2,254,695		1,574,097
	814,152		827,972		841,414		891,109		1,017,582
	133,088		84,312		45,851		-		-
	996,855		1,158,833		470,138		461,333		543,328
	414,575		453,908		500,477		861,195		535,879
	9,710,643		3,910,866		12,843,567		11,321,309		2,443,569
	1,975,000		2,150,000		2,765,000		2,925,000		2,366,550
	1,384,243		1,384,535		1,750,350		1,667,519		926,071
	-		297,103		100,768		-		86,642
	<u>27,474,292</u>		<u>22,901,337</u>		<u>32,585,342</u>		<u>32,293,224</u>		<u>21,002,723</u>
	(6,629,088)		(3,449,743)		(12,634,269)		(9,489,271)		1,207,117
	558,005		777,072		2,092,220		511,785		801,535
	(558,005)		(777,072)		(2,092,220)		(747,422)		(954,283)
	-		-		-		-		-
	-		9,108,027		3,642,923		-		6,159,387
	-		-		-		-		-
	-		-		-		-		-
	-		4,764		9,146		99,025		5,491
	<u>-</u>		<u>9,112,791</u>		<u>3,652,069</u>		<u>(136,612)</u>		<u>6,012,130</u>
\$	<u>(6,629,088)</u>	\$	<u>5,663,048</u>	\$	<u>(8,982,200)</u>	\$	<u>(9,625,883)</u>	\$	<u>7,219,247</u>
	18.9%		18.7%		14.2%		14.2%		16.1%

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

Fiscal Year	Property	Sales & Use	Franchise	Total
2003	2,101,918	3,145,738	52,127	5,299,783
2004	3,407,213	3,822,712	36,561	7,266,486
2005	3,400,276	4,599,155	39,101	8,038,532
2006	3,774,315	5,689,397	42,919	9,506,631
2007	5,306,125	6,951,574	47,600	12,305,299
2008	5,232,777	8,040,066	48,846	13,321,689
2009	5,328,019	8,339,786	48,936	13,716,741
2010	6,425,633	8,390,330	49,523	14,865,486
2011	6,408,139	12,209,049	47,098	18,664,286
2012	6,419,183	13,525,808	39,871	19,984,862
Change 2003 - 2012	205.4%	330.0%	-23.5%	277.1%

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

<u>Fiscal Year</u>	<u>Industrial & Commercial Property</u>	<u>Agricultural and Vaccant</u>	<u>Residential Property</u>	<u>Others</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate/Thousand</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
2003	88,598	4,887	7,079	1,326	101,890	1.9944	101,890	100.000%
2004	101,260	5,049	8,490	2,084	116,883	2.6733	116,883	100.000%
2005	111,066	7,518	9,561	2,301	130,446	2.4061	130,446	100.000%
2006	118,966	8,248	12,230	1,150	140,594	2.4275	140,594	100.000%
2007	138,161	9,746	12,324	916	161,147	2.9666	161,146	100.001%
2008	151,547	10,141	18,017	2,940	182,645	2.6736	182,645	100.000%
2009	189,008	13,446	17,373	28,192	248,019	2.2993	248,019	100.000%
2010	231,012	15,949	17,373	3,170	264,546	2.5074	264,546	100.000%
2011	231,573	15,934	14,458	2,580	264,545	2.4390	264,545	100.000%
2012	192,440	11,383	11,455	2,064	217,342	2.9084	217,342	100.000%

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

Fiscal Year	Direct Rates			Overlapping Rates				Rate Total
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	Flood Control and Water Conservation District	County		
2003	1.0393	0.9550	1.9943	18.9472	1.1127	2.1713	24.2255	
2004	1.0200	1.6533	2.6733	21.5682	1.4695	1.7525	27.4635	
2005	1.0185	1.3876	2.4061	18.9920	1.4281	1.6668	24.4930	
2006	1.0168	1.4204	2.4372	16.8140	1.8952	1.7940	22.9404	
2007	0.9658	2.0008	2.9666	16.7640	1.5145	1.2301	22.4752	
2008	0.9369	1.7367	2.6736	N/A	N/A	N/A	2.6736	
2009	0.9502	1.3491	2.2993	N/A	N/A	N/A	2.2993	
2010	0.9822	1.5901	2.5723	N/A	N/A	N/A	2.5723	
2011	0.9742	1.4648	2.4390	16.5884	1.5730	1.6660	22.2664	
2012	1.1232	1.7852	2.9084	N/A	N/A	N/A	2.9084	

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

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

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SVC Manufacturing	\$ 23,449,546	1	8.86%	\$ 90,963,501	1	10.77%
Smiths Food & Drugs	16,870,166	2	6.38%	7,466,736	2	8.84%
LBA Realty Fund	8,540,001	3	3.23%			
ABS SW Investor LLC	7,029,582	4	2.66%			
Cole HD Ttolleson AZ LLC	6,089,049	5	2.30%			
Greater Arizona Auto Auction	5,408,977	6	2.04%			
Continental Pet Technologies	5,311,228	7	2.01%			
AZEJM Land Holdings	3,782,763	8	1.43%			
The Price Compnay	3,670,568	9	1.39%			
91ST Ave. Investment Company	3,397,240	10	1.28%			
Albertson's Inc.				4,357,276	3	5.16%
Rickett and Coleman Inc.				2,143,353	4	2.54%
Phoenix Investors LLC				2,137,571	5	2.53%
Auto Zone				1,835,879	6	2.17%
Freightliner				1,797,430	7	2.13%
Sysco Continental Food				1,728,455	8	2.05%
Cabot Industrial Properties				1,646,549	9	1.95%
Oire Arizona LLC				1,536,108	10	1.82%
Total	<u>\$ 83,549,120</u>		31.58%	<u>\$ 115,612,858</u>		39.96%

Source: Maricopa County Finance Department and Arizona Department of Revenue

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		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		
2003	2,057,877	2,016,545	97.99%	27,614	2,044,159	99.33%	13,718	0.67%
2004	3,269,241	3,201,164	97.92%	57,022	3,258,186	99.66%	11,055	0.34%
2005	3,211,569	3,166,023	98.58%	21,103	3,187,126	99.24%	24,443	0.76%
2006	3,458,342	3,404,020	98.43%	54,322	3,458,342	100.00%	-	
2007	4,832,448	4,762,611	98.55%	69,837	4,832,448	100.00%	-	
2008	4,820,835	4,751,204	98.56%	14,933	4,796,137	99.49%	24,698	0.51%
2009	5,047,936	4,944,634	97.95%	102,364	5,046,998	99.98%	938	0.02%
2010	6,408,160	6,307,767	98.43%	-	6,307,767	98.43%		
2011	6,213,365	6,062,224	97.57%	-	6,062,224	97.57%		
2012	6,260,000	6,060,900	96.82%	-	6,060,900	96.82%		

Source: Maricopa County Finance Department

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

Sales Category	Calendar Year			
	2003	2004	2005	2006
Commercial & Utilities	\$ 516,783	\$ 663,060	\$ 728,211	\$ 861,639
Construction	693,189	660,922	991,926	861,048
Manufacturing	3,552	27,404	95,760	204,578
Wholesale	42,896	39,084	324,661	453,111
Retail	1,214,444	1,349,780	1,645,538	1,940,859
Real estate	227,044	333,385	467,451	761,679
Services	177,162	161,321	70,674	80,083
All other outlets	183,245	532,503	203,289	381,063
Total	\$ 3,058,315	\$ 3,767,459	\$ 4,527,510	\$ 5,544,060
City Sales Tax Rate	2.00%	2.00%	2.00%	2.00%

Continued

Source: Arizona State Revenue

Calendar Year

2007	2008	2009	2010	2011	2012
\$ 912,479	\$ 978,793	\$ 1,150,144	\$ 1,165,867	\$ 1,248,634	\$ 1,305,659
1,665,023	1,283,547	1,004,232	946,494	1,012,531	870,319
243,652	224,719	300,971	205,326	210,445	244,306
510,924	712,445	1,058,059	1,250,650	1,546,804	1,717,069
2,082,489	2,414,728	2,560,041	2,549,657	5,400,145	6,594,272
845,664	1,121,113	1,546,407	1,319,640	1,487,355	1,776,811
100,357	131,097	214,422	169,887	219,932	154,590
590,986	1,173,623	564,692	566,379	1,083,202	784,198
\$ 6,951,574	\$ 8,040,065	\$ 8,398,968	\$ 8,173,900	\$ 12,209,048	\$ 13,447,224
2.00%	2.00%	2.00%	2.50%	2.50%	2.50%

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>County</u>
2003		8.30%
2004		8.30%
2005		8.30%
2006		8.30%
2007		8.30%
2008		8.30%
2009		8.80%
2010	2.50%	8.80%
2011	2.50%	8.80%
2012	2.50%	8.80%

Source: Arizona State Revenue

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Special Assessment Bonds	Capital Leases	General Obligation Bonds	Water Revenue Bonds	Capital Leases	Waste Water Revenue Loan			
2003	\$ 7,450	\$ -	\$ 85				\$ 65		\$ 7,600	*	1,404
2004	24,820	-		59					24,879	*	4,557
2005	23,780	-		26					23,806	*	3,664
2006	22,580	-							22,580	*	3,475
2007	35,135	-							35,135	*	5,407
2008	33,160	-							33,160	*	4,848
2009	31,010	9,100							40,110	*	5,864
2010	32,155	8,780						6,000	46,935	*	6,862
2011	34,744	8,399						3,856	46,999	*	7,181
2012	13,694	8,120			20,991			8,895	51,700	*	7,893

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

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

Fiscal Year	General Obligation Bonds	Net General Obligation Bonded Debt	Taxable Assessed Value of Property	Percentage of Actual Taxable Value of Property	Population	Per Capita
2003	7,450	7,450	101,890	7.31%	5,415	1,376
2004	24,820	24,820	116,883	21.23%	5,460	4,546
2005	23,780	23,780	130,446	18.23%	6,498	3,660
2006	22,580	22,580	140,594	16.06%	6,498	3,475
2007	35,135	35,135	161,147	21.80%	6,498	5,407
2008	33,160	33,160	182,645	18.16%	6,840	4,848
2009	31,010	31,010	248,019	12.50%	6,840	4,534
2010	32,155	32,155	264,546	12.15%	6,840	4,701
2011	34,744	34,744	264,545	13.13%	6,545	5,308
2012	34,685	34,685	217,342	15.96%	6,550	5,295

CITY OF TOLLESON, ARIZONA
Direct and Overlapping Governmental Activities Debt
June 30, 2012
(Unaudited)
(Dollars in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Tolleson Elementary School	\$ 12,240	66.900%	\$ 8,189
Fowler Elementary School	16,735	6.910%	1,156
Littleton Elementary School	17,050	26.460%	4,511
Tolleson Union High School	76,375	19.840%	15,153
Maricopa County Community College	671,250	0.560%	<u>3,759</u>
Subtotal, overlapping debt			\$ 32,768
City of Tolleson, Arizona Direct Debt			34,685
Total direct and overlapping debt			<u><u>\$ 67,453</u></u>

Source: Maricopa County

CITY OF TOLLESON, ARIZONA
Calculation of Legal Debt Margin
June 30, 2012
(Unaudited)

Net Secondary Assessed Valuation		\$ 217,342,534
<hr/>		
Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds		
Debt Limite - 20% of Secondary Net Assessed Valuation		43,468,507
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ 34,685,000	
Less Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit		34,685,000
20% Legal Debt Margin		8,783,507
<hr/>		
All Other General Obligation Bonds		
Debt Limit - 6% of Secondary Net Assesd Valuation		13,040,552
Debt Applicable to Limit		
General Obligation Bonds Outstanding	\$ -	
Less Amount Set Aside for Repayment of Debt	-	
Net Debt Applicable to Limit		-
All Other General Obligation Bonds Debt Margin		13,040,552
Total Legal Debt Margin		\$ 21,824,059

Source: Maricopa County Assessor's Office

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

	Fiscal Year			
	2003	2004	2005	2006
Net Secondary Assessed Valuation	\$ 84,429,720	\$ 101,889,901	\$ 116,882,783	\$ 138,841,887
Debt Limit	21,951,727	26,491,374	30,389,524	36,098,891
Total net debt applicable to limit	8,025,000	7,450,000	24,820,000	23,780,000
Legal debt margin	\$ 13,926,727	\$ 19,041,374	\$ 5,569,524	\$ 12,318,891
	Continued			
Total net debt applicable to the limit as a percentage of debt limit.	36.56%	28.12%	81.67%	65.87%

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 161,146,390	\$ 228,820,924	\$ 269,602,466	\$ 264,544,909	\$ 264,544,909	\$ 217,342,534
41,898,061	59,493,440	70,096,641	68,781,677	68,781,677	56,509,059
35,135,000	33,160,000	31,010,000	32,155,000	29,555,000	34,685,000
\$ 6,763,061	\$ 26,333,440	\$ 39,086,641	\$ 36,626,677	\$ 39,226,677	\$ 21,824,059
83.86%	55.74%	44.24%	46.75%	42.97%	61.38%

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

Fiscal Year	Revenue Bonds*						Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2003	-	-	-	-	-	-	66	80	7	0.76
2004	-	-	-	-	-	-	67	85	3	0.76
2005	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-
2010	780	-	780	320	387	1.10	-	-	-	-
2011	720	-	720	381	325	1.02	-	-	-	-
2012	709	-	709	335	374	1.00	-	-	-	-

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

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

Calendar Year	Population	Personal Income (<i>thousands of dollars</i>)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2003	5,415	N/A	N/A	N/A	N/A	N/A	5.10%
2004	5,460	N/A	N/A	N/A	N/A	N/A	4.30%
2005	6,498	N/A	N/A	N/A	N/A	N/A	4.00%
2006	6,498	N/A	N/A	N/A	N/A	N/A	3.70%
2007	6,498	N/A	N/A	N/A	N/A	N/A	3.70%
2008	6,840	N/A	N/A	N/A	N/A	N/A	4.60%
2009	6,840	N/A	N/A	N/A	N/A	N/A	9.80%
2010	6,840	N/A	N/A	N/A	N/A	N/A	9.80%
2011	6,545	N/A	N/A	N/A	N/A	N/A	8.40%
2012	6,550	N/A	N/A	N/A	N/A	N/A	8.25%

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

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

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

Taxpayer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
J.B. Packerland	1,325	1	8.83%	1,000	1	10.00%
Fry's Distribution	725	2	4.83%	400	5	4.00%
Sysco Food Services	525	3	3.50%			
Greater Auto Auction	400	4	2.67%	700	2	7.00%
Alberson's Distribution	400	5	2.67%	425	4	4.25%
Pepsico	400	6	2.67%			
Home Depot	300	7	2.00%			
Salt River Project	400	8	2.67%	435	3	4.35%
Auto Zone	290	9	1.93%			
Berry Plastics, Inc.	200	10	1.33%			
Borden Creamette				270	6	2.70%
EverKrisp				250	7	2.50%
WinCup				200	8	2.00%
K-mart				120	9	1.20%
Total	4,965		33.10%	3,800		38.00%

Source: Arizona Industrial Directory and Arizona Service Director

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

<u>Function/Program</u>	Full-time-Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	25	25	26	28	31	37	36	35	35	39
Police	34	34	34	34	37	42	42	43	45	45
Fire	23	25	27	28	31	31	31	31	31	31
Public Works	15	15	14	16	15	16	16	14	14	17
Community Services	10	10	10	11	12	12	12	12	12	6
Water	7	8	8	8	8	8	8	8	8	8
Sanitation	5	5	5	3	4	4	4	3	2	2
Wastewater/Sewer	35	33	34	34	33	35	22	23	21	20
Total	154	155	158	162	171	185	171	169	168	168

Source: City Records

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

Function/Program	Fiscal Years									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	433	411	435	255*	488	408	370	398	453	235
Call for services	7,296	8,023	9,203	6313*	10,055	11,202	11,265	10,137	8,443	11,287
Traffic violations	5,134	5,945	7,100	3633*	6,588	5,150	4,716	4,507	6,302	4,180
Fire										
Emergency responses	2,069	2,436	2,754	2,243	2,047	2,457	2,310	1,789	1,929	1,943
Fires extinguished					296	477	180	172	157	156
Inspections	188	91	150	200	200	263	250	269	268	321
Planning and Building Safety										
Building permits issued	283	382	424	364	502	506	564	467	374	332
Building inspections conducted	1,001	1,455	1,330	1,307	3,213	2,567	2,363	1,900	1,792	1,525
Transit										
Total route miles	6	6	6	6	6	6	6	6	6	6
Sanitation										
Refuse collected (<i>tons/day</i>)	39.0	39.0	40.0	40.0	41.0	41.5	42.0	42.5	43.0	43.3
Library										
Volumes in collection	22,425	22,679	16,697	22,000	22,582	22,851	22,582	22,356	23,628	23,980
Total volumes borrowed	29,378	39,219	32,290	28,200	32,556	37,657	37,750	24,708	25,101	25,225
Water										
New connections	15	30	18	41	104	60	41	33	48	43
Water main breaks										
Average daily consumption (<i>thousands of gallons</i>)	3,185.0	3,988.0	3,623.0	4,090.0	4,100.0	3,914.0	3,386.2	3,316.0	3,596.0	3,281.0
Peak daily consumption (<i>thousands of gallons</i>)	4,952.0	5,285.0	6,568.0	6,125.0	6,110.0	6,115.0	6,100.0	5,800.0	5,570.0	4,962.0
Wastewater										
Average daily sewage treatment (<i>thousands of gallons</i>)	12,898.4	12,055.4	13,934.6	12,940.0	13,934.6	12,664.3	5,558.6	5,348.0	5,438.0	5,193.0

* Represents 6 months

Source: City Records

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

<u>Function/Program</u>	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	17	18	19	20	21	22	22	22	22	22
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse collection										
Collection trucks	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (<i>miles</i>)	31	32	32	33	33	33	33	33	33	34
Streetlights	586	586	596	662	744	750	770	770	770	778
Traffic signals										
Parks and recreation										
Acreage	20	20	20	20	20	20	20	20	20	20
Playgrounds	3	3	3	3	3	4	4	4	4	3
Baseball/softball diamonds										
Soccer/football fields										
Community/Youth Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (<i>miles</i>)	46	47	47	48	48	48	48	48	48	48
Fire hydrants	421	430	430	430	430	430	450	450	450	451
Storage capacity (<i>thousands of gallons</i>)										
Wastewater										
Sanitary sewers (<i>miles</i>)	44	45	45	46	46	46	46	46	46	46
Storm sewers (<i>miles</i>)										
Treatment capacity (<i>thousands of gallons</i>)	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500

Source: City Records

CITY OF TOLLESON, ARIZONA
Property Valuations
For the Fiscal Year Ended June 30, 2012
(Unaudited)

	<u>2011-2012 Fiscal Year</u>	
Estimated actual valuation *	\$	1,344,185,974
Net secondary assessed valuation		217,342,534
Net primary assessed valuation		211,889,094

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

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

<u>Fiscal Year</u>	<u>Net Secondary Assessed Valuation</u>	<u>Estimated Actual Valuation</u>	<u>Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation</u>
2011-12	\$ 217,342,534	\$ 1,344,185,974	16.17%
2010-11	\$ 264,544,909	\$ 1,403,066,293	18.85%
2009-10	\$ 269,602,469	\$ 1,410,933,224	19.11%
2008-09	\$ 228,820,924	\$ 1,197,074,943	19.12%
2007-08	\$ 182,645,598	\$ 931,382,193	19.61%
2006-07	\$ 161,146,393	\$ 901,564,190	17.87%
2005-06	\$ 140,593,938	\$ 714,964,836	19.66%
2004-05	\$ 130,445,954	\$ 661,762,845	19.71%
2003-04	\$ 116,882,783	\$ 549,792,911	21.26%
2002-03	\$ 101,889,901	\$ 481,680,135	21.15%

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

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Legal Class
As of June 30, 2012
(Unaudited)

Legal Class	Description	2010-2011 Secondary Assessed Valuation	2010 Percent of Total	2011-2012 Secondary Assessed Valuation	2012 Percent of Total
1	Utilities Telecommunication and Commercial and Industrial	\$ 231,573,000	87.54%	\$ 192,440,181	88.54%
2	Agricultural and Vacant	15,934,000	6.02%	11,382,938	5.24%
3	Residential (Owner occupied)	10,282,000	3.89%	8,091,445	3.72%
4	Residential (Rental)	4,176,000	1.58%	3,363,899	1.55%
5	Railroad	402,000	0.15%	243,799	0.11%
6	Non-commercials	2,178,000	0.82%	1,820,272	0.84%
Total		<u>\$ 264,545,000</u>	<u>100.00%</u>	<u>\$ 217,342,534</u>	<u>100.00%</u>

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

CITY OF TOLLESON, ARIZONA
Secondary Valuations By Major Taxpayer
As of June 30, 2012
(Unaudited)

Taxpayers	Business	Estimated Secondary 2011-12 Assessed Valuation	Estimated as a Percent of the City's 2011-12 Net Secondary Assessed Valuation
SVC Manufacturing	Food Manufacture	\$ 23,449,546	8.86%
Smiths Food & Drugs	Grocery Retailer	16,870,166	6.38%
LBA Realty Fund III Company IX LLC	Commercial Property	8,540,001	3.23%
ABS SW Investor Loc (Albertson)	Grocery Retailer	7,029,582	2.66%
Cole HD Tolleson AZ LLC	Commercial Property	6,089,049	2.30%
Greater Arizona Auto Auctions Inc.	Auto auctions	5,408,977	2.04%
Continental Pet Technologies Inc.	Manufacturing	5,311,228	2.01%
AZEJM Land Holdings/Oxnard Commerceplex	Commercial Property	3,782,763	1.43%
The Price company	Wholesale	3,670,568	1.39%
91st Avenue Investment LLC	Commercial Property	3,397,240	1.28%
Total		<u>\$ 83,549,120</u>	<u>22.72%</u>

Source: Maricopa County Treasurer's Office

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FEDERAL AND STATE REPORTS

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

The Honorable Mayor and
City Council
Tolleson, Arizona

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

HintonBurdick, PLLC
October 15, 2012



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

The Honorable Mayor and
City Council
Tolleson, Arizona

We have audited the basic financial statements of the City of Tolleson, Arizona for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. Our audit also included test work on the City of Tolleson's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The City of Tolleson complied, in all material respects, with the requirements identified above for the year ended June 30, 2012.

HintonBurdick, PLLC

HintonBurdick, PLLC
October 15, 2012

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