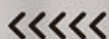




| FY 2023



ANNUAL COMPREHENSIVE FINANCIAL REPORT



Fiscal Year Ended June 30, 2023



tolleson.az.gov



623-936-7111

City of Tolleson, Arizona



Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2023

Prepared by:
City of Tolleson Finance Department
9055 W. Van Buren
Tolleson, Arizona 85353

City of Tolleson, Arizona

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City of Tolleson, Arizona

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Introductory Section



CITY OF TOLLESON

9055 W. Van Buren St. • Tolleson, AZ 85353 • Direct: (623) 936-7111 • Fax: (623) 936-7117 • TTY users, dial 711 for Relay

December 5, 2023

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

State statutes require that cities and towns publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the Annual Comprehensive Finance Report (ACFR) of the City of Tolleson, Arizona for the fiscal year ended June 30, 2023. This report was prepared by the Finance Department.

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

The City's financial statements have been audited by Baker Tilly, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the City

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

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

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

Economic Condition and Outlook

The long-run outlook calls for continued growth. The state of Arizona is forecast to generate job, income, and population gains at a faster pace than the nation. Tolleson historically generates gains in excess of the nation and faster than the state average.

Revenues in the General Fund dropped slightly by 2.7%; however, General Fund revenues exceeded the budget by 16.1%. Expenditures in the General Fund increased by \$4,698,715 which is approximately 15%. The City was able to provide salary increases to employees while maintaining costs in commodities and services in order to stay within budget. The City's budget is structurally balanced with ongoing revenues supporting ongoing expenditures. One-time revenues like contracting transaction privilege taxes and building permits support one-time expenditures. The revenue forecast for fiscal year 2023-2024 anticipates a flat General Fund revenue growth.

Current Condition

The City continues to diversify its tax base, and is in the process of adding several new retail opportunities. Sales tax revenues are the major revenue source, and diversification of the sales tax revenue is a high priority for the city. The financial performance of the City as a whole is reflected in its governmental funds.

As of June 30, 2023, the City's governmental funds reported a combined fund balance of \$87,335,992 of which \$73,313,989 is unassigned and available for spending at the City's discretion.

The City, like most municipalities, is significantly dependent upon sales tax revenues which are subject to economic fluctuations. Sales tax revenues comprised 74% of general fund revenues. Sales taxes and revenues related to the residential and commercial construction industry continued to improve during the fiscal year.

Future Economic Outlook

The economic outlook for fiscal-year 2024 remains stable. Although retail sales tax growth is flat compared to the prior year, because of conservative budgeting, positive budget variances have been maintained. There is still caution associated with inflation, tight labor markets, and supply chain limitations that could impact economic conditions in the future. The long-term outlook for Tolleson continues to be strong with the expectation that Arizona will continue to outpace the nation in growth and income related metrics. The City will continue to facilitate economic growth through capital projects in the coming year, including the construction of a new Aquatics Center.

Accomplishments and Initiatives

During fiscal year 2023, the City had several significant accomplishments and initiatives.

First and foremost, the City completed the construction of a new City Hall, Library and Senior Center at the Tolleson civic center campus. The state of the art 47,000 sq facility was opened in November.

The Finance Department began an ERP implementation for a new financial software system. The City is migrating to Tyler Technologies MUNIS software.

The Human Services Department received a \$1.0M grant for housing rehabilitation. The department serves 630 congregate meals to seniors monthly, 880 home delivered meals monthly and transportation services to 588 seniors on a monthly basis.

The Tolleson micro transit program was initiated utilizing Uber/Lyft to provide transit services in the Tolleson area. The micro transit program replaced a fixed route bus and reduced budgeted costs by \$200,000.

The City received federal appropriations grants to provide two pedestrian bridges to help facilitate safer pedestrian travel. One of the bridges is planned near the high school and will provide safer pedestrian travel and enhance vehicular flow in the area.

The City is in the land acquisition and design phase for a year-round aquatic facility. The facility has an initial budget of \$22M.

Expenditure Limitation

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

On November 3, 2020, the voters of the City approved an alternative expenditure limitation, the effect of which is that the total budgeted expenditures of each yearly budget becomes the expenditure limitation for that year on a total budget basis. This alternative expenditure limitation is effective for four years.

Single Audit

As a recipient of Federal, State and County financial assistance, the City is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. Internal control is subject to periodic evaluation by management.

Single Audits are required from all recipients who expend \$750,000 or more in aggregate federal financial assistance within their fiscal year. For fiscal year 2023, the City did not meet the criteria for being subject to a single audit under the Uniform Guidance.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the seventh year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Respectfully Submitted:



Kevin H. Artz, CPA
Chief Financial Officer



Joseph Wagner-Corona, CPA
Assistant Finance Director



Dora Hu, CPA
Finance Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Tolleson
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

CITY OF TOLLESON, ARIZONA
PRINCIPAL OFFICIALS OF THE CITY
YEAR ENDED JUNE 30, 2023

MAYOR AND COUNCIL

Juan F. Rodriguez, Mayor

Lupe Leyva Bandin, Vice Mayor

Clorinda Erives, Councilmember

Jimmy Davis, Councilmember

Adolfo Gamez, Councilmember

Linda Laborin, Councilmember

Cruzita V. Mendoza, Councilmember



MANAGEMENT STAFF

Reyes Medrano, Jr., City Manager

DEPARTMENT HEADS

John Lamb, Magistrate

Wendy Jackson, Employee Resources Director

Crystal Zamora, City Clerk

Steve Holliday, Chief Technical Officer

Randy Babchuk, Field Operations Director

Rudy Mendoza, Police Chief

Kevin Artz, Chief Financial Officer

Jamie McCracken, Utilities Director

Michael Young, Acting Fire Chief

Jason Earp, Development Services Director

Santiago Cornejo, Human Services Director

Mandy Carrico, Library Director

John Paul Lopez, Parks and Recreation Center Director

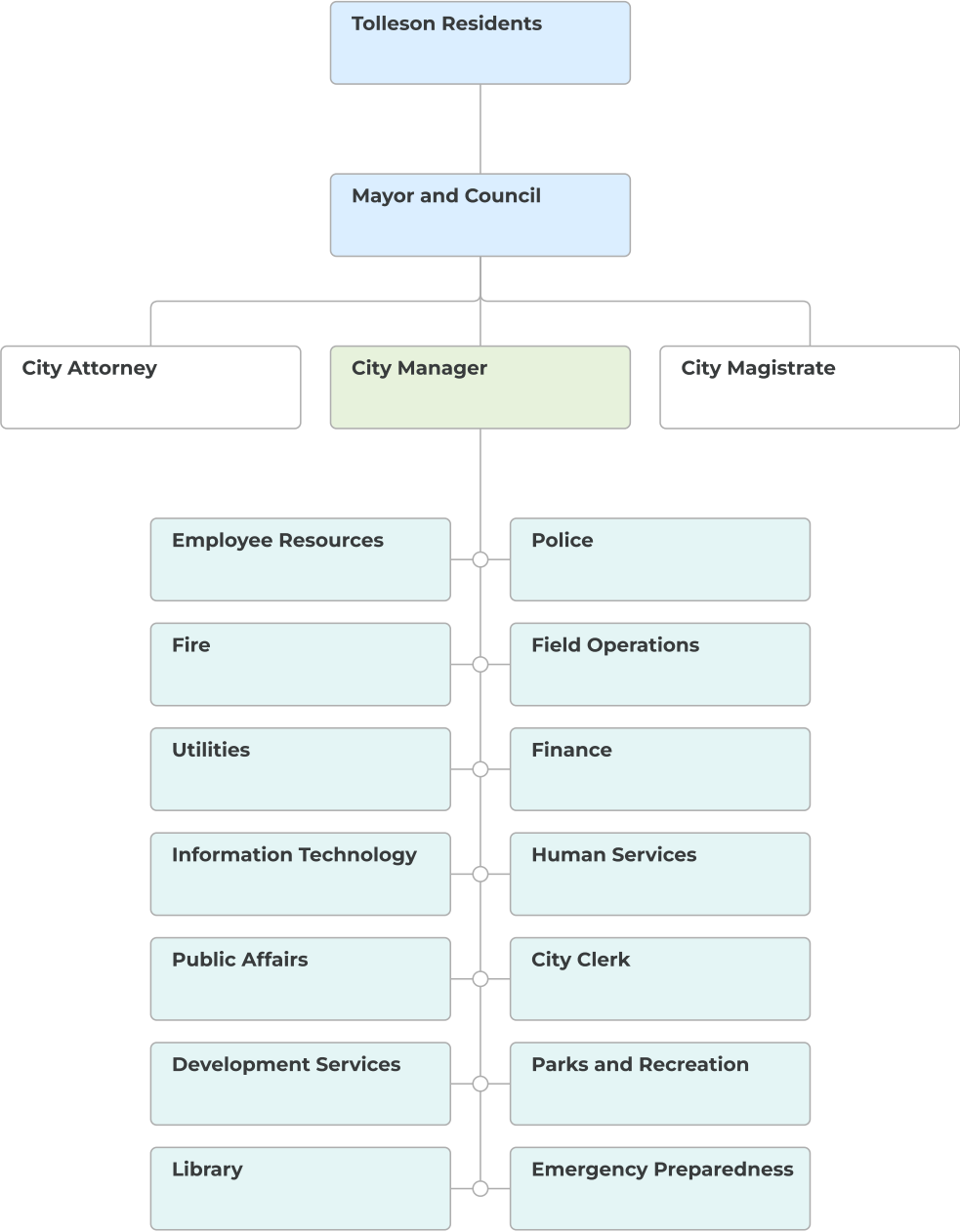
George Good, Emergency Preparedness & Response

Pilar C. Sinawi, Chief Government Affairs Officer

Director

City of Tolleson Organization Chart

Tolleson operates under the Council-Manager form of government. Legislative authority is vested in a seven-member City Council, consisting of a Mayor, Vice-Mayor and five council members, all elected at large for a term of four years. The Mayor and Council appoint the City Attorney, City Magistrate and City Manager. The City Manager is responsible for the oversight and administration of the operations of the City.





Financial Section



Independent Auditors' Report

To the Honorable Mayor and City Council of
City of Tolleson

Report on the Audit of the Financial Statements

Opinions

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 (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the City adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, effective July 1, 2022. Our opinion are not modified with respect to this matter.

Other Matters

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Arizona Auditor General,) the City's Council and management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona
December 5, 2023

Financial Section

Management's Discussion and Analysis

Management's Discussion and Analysis

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, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page iii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Tolleson, Arizona exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$231,322,932 (net position). The unrestricted net position, which represents the amounts available to meet the City of Tolleson's ongoing obligations to citizens and creditors was a positive \$99,377,204.
- The City of Tolleson's total net position increased by \$26,097,956 primarily due to an increase in the general revenues received and program revenues related to business-type activities. The largest increases of \$4,670,586 came from wastewater and sewer charges for services and \$3,506,427 came from interest income.
- The governmental activities expenses of \$37,955,786 were higher than the prior year amount of \$30,827,384.
- The City had an unrealized gain on investment of \$7,564 comparing to the prior fiscal year of unrealized loss on investment of \$1,301,260.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$73,313,989 or 206% of total General Fund expenditures and is available for spending at the government's discretion.
- General Fund revenues (on a budgetary basis) were higher than budgeted inflows by \$6,582,888 for the fiscal year ending June 30, 2023. Budgetary basis expenditures of the General fund were 68.8% (\$16,120,673 in savings) of the final budgeted expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Tolleson's finances, in a manner similar to a private-sector business.

Statement of Net Position - presents financial information on all of the City of Tolleson's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Tolleson is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 23-24 of this report.

Fund Financial Statements

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

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

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

The City of Tolleson maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Safety Tax Fund, and Capital Projects Fund, which are considered to be major funds. Data from three additional governmental funds is presented separately. Fund data for the nonmajor governmental fund is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Tolleson adopts an annual appropriated budget. A budgetary comparison schedule has been provided for the General Fund and Public Safety Tax Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 27-30 of this report.

City of Tolleson, Arizona

Management's Discussion and Analysis

June 30, 2023

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, Wastewater and Sewer Fund, and Sanitation and Trash Fund. Water Fund and Wastewater and Sewer Fund are considered to be major funds of the City of Tolleson. However, all three funds are displayed in their own separate column in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 33-35 of this report.

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

Notes to the Financial Statements - The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-74 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City of Tolleson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 78-88.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor governmental fund budgetary comparisons are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 92-97 of this report.

City of Tolleson, Arizona

Management's Discussion and Analysis

June 30, 2023

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 \$231,322,932 as of June 30, 2023 as shown in the following condensed statement of net position. The City has chosen to account for its water, wastewater and sewer, and sanitation operations in an enterprise fund which is shown as Business Activities.

City of Tolleson, Arizona Condensed Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Current and other assets	\$ 90,728,476	\$ 81,460,897	\$ 48,999,449	\$ 46,268,289	\$ 139,727,925	\$ 127,729,186
Capital assets	79,683,691	74,502,046	57,950,266	57,409,436	137,633,957	131,911,482
Total assets	170,412,167	155,962,943	106,949,715	103,677,725	277,361,882	259,640,668
Deferred outflows of resources	8,010,429	6,379,320	719,701	862,789	8,730,130	7,242,109
Long-term liabilities	35,751,255	32,324,912	12,619,556	13,162,213	48,370,811	45,487,125
Other liabilities	2,787,696	6,404,584	1,867,704	1,291,720	4,655,400	7,696,304
Total liabilities	38,538,951	38,729,496	14,487,260	14,453,933	53,026,211	53,183,429
Deferred inflows of resources	1,543,568	7,371,061	199,301	1,103,311	1,742,869	8,474,372
Net position:						
Net investment in capital assets	63,268,921	55,890,355	54,143,716	52,648,010	117,412,637	108,538,365
Restricted	13,983,979	13,016,513	549,112	601,735	14,533,091	13,618,248
Unrestricted	61,087,177	47,334,838	38,290,027	35,733,525	99,377,204	83,068,363
Total net position	\$ 138,340,077	\$ 116,241,706	\$ 92,982,855	\$ 88,983,270	\$ 231,322,932	\$ 205,224,976

Governmental Activities - Current and other assets increased in governmental activities by \$9.3 million. Deferred outflows of resources increased by \$1.6 million and deferred inflows of resources decreased by \$5.8 million, both due to the effects of GASB 68. Other liabilities decreased by \$3.6 million largely due to an decrease in accounts payable.

By far, the largest portion of the City of Tolleson's net position, \$117,412,637, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure, net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets). The City of Tolleson uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City of Tolleson's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Tolleson's net position, \$14,533,091 represents resources that are subject to external restriction on how they may be used. As of the end of the current year, the City of Tolleson's unrestricted net position was a positive balance of \$99,377,204.

The City of Tolleson's overall net position increased by \$26,097,956 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental and business-type activities.

City of Tolleson, Arizona

Management's Discussion and Analysis

June 30, 2023

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

	City of Tolleson, Arizona Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total Government	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:						
Program revenues:						
Charges for service	\$ 3,029,385	\$ 6,093,862	\$ 19,523,504	\$ 14,721,000	\$ 22,552,889	\$ 20,814,862
Operating grants and contributions	1,388,004	1,415,906	-	-	1,388,004	1,415,906
Capital grants and contributions	221,661	391,195	65,187	784,432	286,848	1,175,627
General revenues:						
Taxes	52,143,679	52,904,877	1,073,680	1,212,016	53,217,359	54,116,893
Urban revenue sharing	1,383,873	953,371	-	-	1,383,873	953,371
Other revenue/(expense)	1,887,555	(657,580)	1,159,854	(249,998)	3,047,409	(907,578)
Total revenues	60,054,157	61,101,631	21,822,225	16,467,450	81,876,382	77,569,081
Expenses:						
General government	11,705,795	8,249,937	-	-	11,705,795	8,249,937
Public safety	16,298,825	13,637,171	-	-	16,298,825	13,637,171
Highways and streets	3,122,637	2,379,025	-	-	3,122,637	2,379,025
Culture and recreation	4,740,527	3,783,474	-	-	4,740,527	3,783,474
Economic development	538,311	1,220,010	-	-	538,311	1,220,010
Health and welfare	1,014,599	941,668	-	-	1,014,599	941,668
Interest on long-term debt	535,092	616,099	-	-	535,092	616,099
Water	-	-	6,846,830	5,980,303	6,846,830	5,980,303
Wastewater and sewer	-	-	10,554,083	6,955,939	10,554,083	6,955,939
Sanitation	-	-	421,727	356,675	421,727	356,675
Total expenses	37,955,786	30,827,384	17,822,640	13,292,917	55,778,426	44,120,301
Change in net position	22,098,371	30,274,247	3,999,585	3,174,533	26,097,956	33,448,780
Net position, beginning	116,241,706	85,967,459	88,983,270	85,808,737	205,224,976	171,776,196
Net position, ending	\$ 138,340,077	\$ 116,241,706	\$ 92,982,855	\$ 88,983,270	\$ 231,322,932	\$ 205,224,976

Governmental Activities - During the current fiscal year, net position for governmental activities increased \$22,098,371 from the prior fiscal year for an ending balance of \$138,340,077. The increase in the overall net position of governmental activities is primarily due to an increase in urban revenue sharing and other revenue and a decrease in economic development expenses.

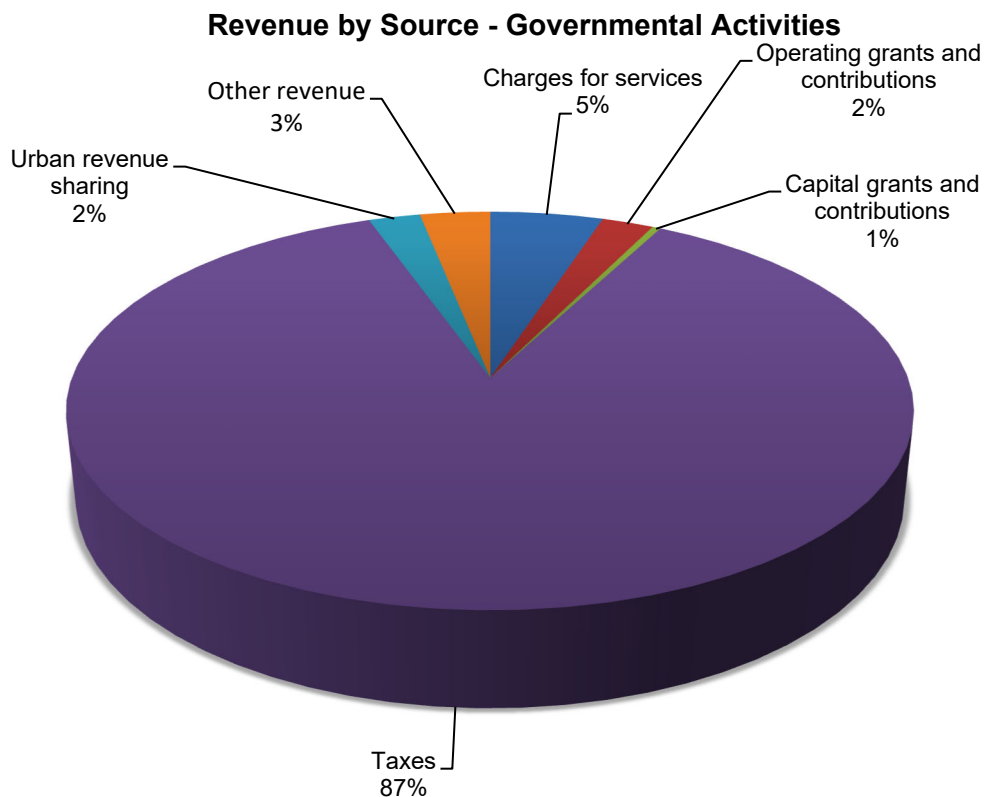
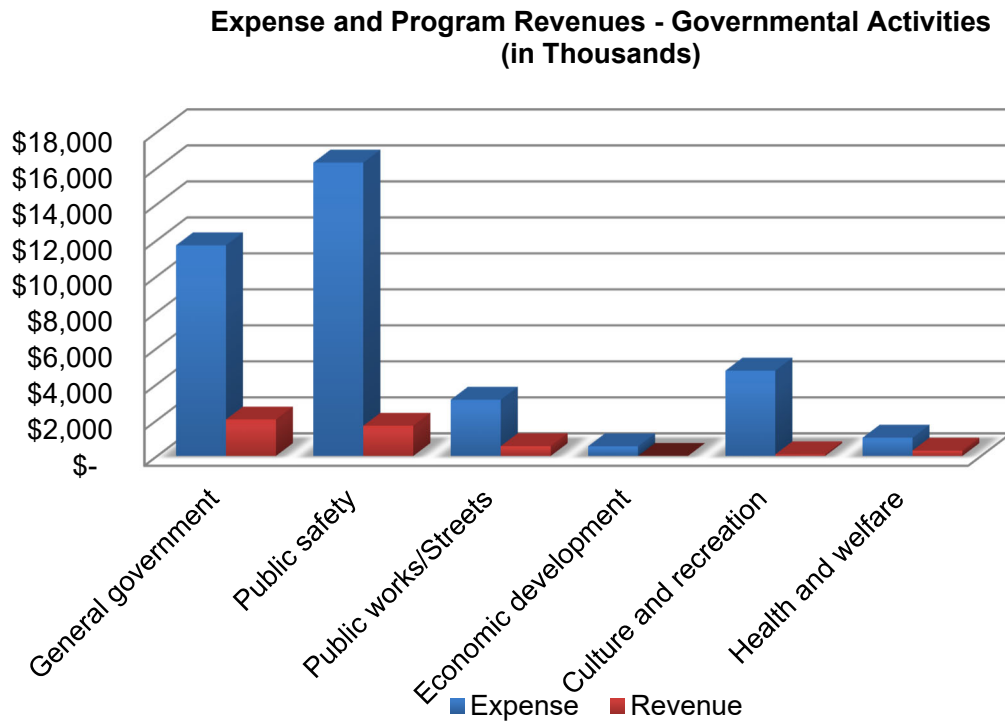
Revenues decreased \$1.0 million from the prior year mainly due to a decrease in charges for services, which was partially offset by an increase in urban revenue sharing. Charges for services decreased due to the City not receiving a large sum of ARPA funds in FY 2023 as it did in FY 2022. Additionally, the City collected less zoning, building permit and building plans review fees comparing to the prior year.

Expenses increased from \$30.8 million in the prior year to \$38.0 million in the current year. Most of the City's programs expenses, such as General Government, Public Safety, Highways and Streets, Culture and Recreation, and Health and Welfare all increased in FY 2023.

City of Tolleson, Arizona

Management's Discussion and Analysis
June 30, 2023

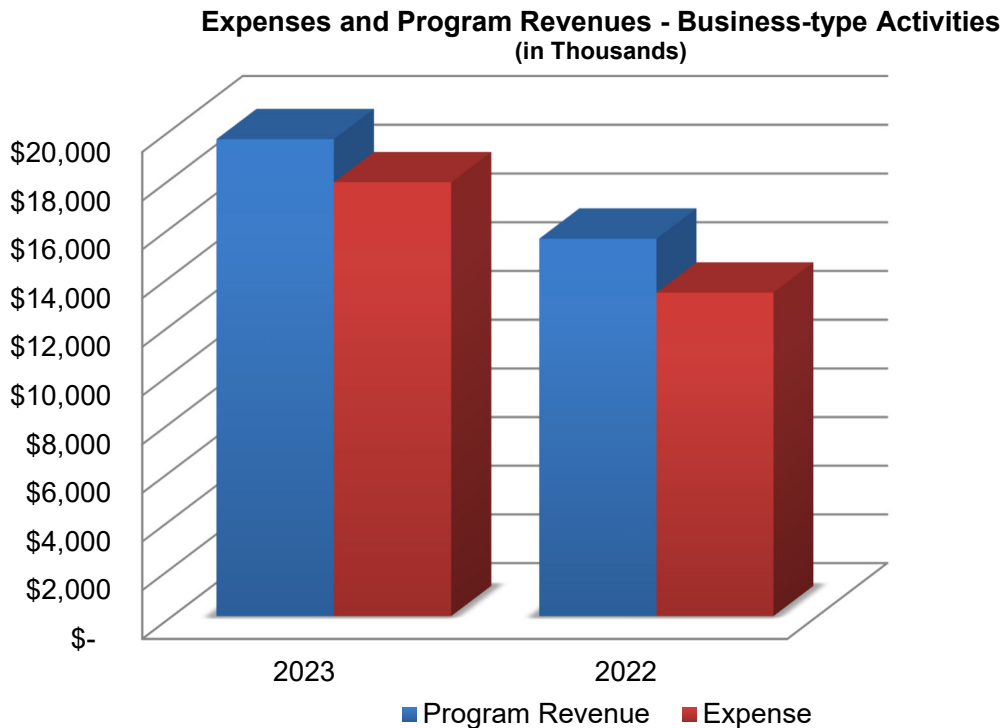
As shown in the chart below, revenues generated by the City of Tolleson programs are not sufficient to cover the costs. The City of Tolleson relies on sales taxes, property taxes, and other general revenues to cover the costs associated with the various programs.



City of Tolleson, Arizona

Management's Discussion and Analysis
June 30, 2023

Business-Type Activities - For the City of Tolleson's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$92,982,855. The change in net position for business-type activities (water, sewer and wastewater, sanitation and trash) increased by \$825,052 from the prior fiscal year. This was due to an increase in charges for services and other revenue.



Financial Analysis of the Governmental Funds

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

Governmental Funds

The focus of the City of Tolleson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Tolleson's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Tolleson itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Tolleson's Council.

As of June 30, 2023, the City of Tolleson's governmental funds reported combined fund balances of \$87,335,992, an increase of \$12,773,920 in comparison with the prior year. Of this amount, \$73,313,989 or 83.9% constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is non-spendable, or restricted, to indicate it is (1) not in spendable form, \$38,024; or (2) restricted for particular purposes, \$13,983,979.

City of Tolleson, Arizona

Management's Discussion and Analysis

June 30, 2023

Analysis of Individual Funds

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 \$73,313,989, while total fund balance was \$73,740,919. 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 206% of total general fund expenditures, while total fund balance represents 207% of that same amount.

The fund balance of the City of Tolleson's general fund increased by \$11,704,562 during the current fiscal year, with the increase primarily due to an increase in intergovernmental revenues and interest income.

The Public Safety Tax Fund had a \$1,302,829 increase in fund balance during the current fiscal year. The key factor to the increase was an increase in interest income.

The Capital Projects Fund had no change in fund balance as it did not have any activities in the current fiscal year.

Proprietary Funds

The City of Tolleson's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position of the Water Fund at the end of the year was \$16,832,824, the Wastewater and Sewer Fund was \$21,011,958, and the Sanitation and Trash Fund was \$445,245. The total growth in net position for each of the funds was \$1,673,651, \$2,285,929 and \$40,005, respectively. The charges for services decreased in the Sanitation and Trash Fund, but increased in the Water and Wastewater and Sewer Funds. Additionally, property taxes decreased in both the Water Fund and the Wastewater and Sewer Fund. However, interest income increased in Water, Wastewater and Sewer, and Sanitation and Trash Funds.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there were no budget amendments to the adopted budget.

Final budget compared to actual results. The most significant difference between estimated revenues and actual revenues were as follows:

Revenue Source	Estimated Revenues	Actual Revenues	Difference
Sales taxes	\$ 30,000,000	\$ 35,328,866	\$ 5,328,866
Interest income	112,200	1,498,851	1,386,651

General Fund expenditures were less than budgeted appropriations by \$16,120,673. The five budget organizations with the largest variances include Finance at \$3,320,136, Planning and Engineering at \$3,272,052, Field Operations Building at \$2,998,205, Police Field Operations at \$1,494,791, and Fire Operations at \$624,915. All expenditure variances were below the related appropriations.

City of Tolleson, Arizona

Management's Discussion and Analysis

June 30, 2023

Capital Asset and Debt Administration

Capital Assets

The City of Tolleson's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$137,633,957 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, furniture, machinery, equipment, vehicles, improvements and the wastewater treatment plant. The total increase in capital assets for the current fiscal year was 4.3%.

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 7,608,899	\$ 6,989,310	\$ 4,034,932	\$ 3,933,202	\$ 11,643,831	\$ 10,922,512
Construction in progress	364,166	18,414,140	594,719	125,243	958,885	18,539,383
Buildings	38,653,202	16,206,425	23,772,932	24,603,286	62,426,134	40,809,711
Furniture, equipment and vehicles	3,530,137	2,589,433	19,934,289	19,332,417	23,464,426	21,921,850
Improvements	29,329,492	30,302,741	9,613,394	9,415,288	38,942,886	39,718,029
Intangible Right-to-use Subscription Assets	197,795	-	-	-	197,795	-
Total	<u>\$ 79,683,691</u>	<u>\$ 74,502,049</u>	<u>\$ 57,950,266</u>	<u>\$ 57,409,436</u>	<u>\$ 137,633,957</u>	<u>\$ 131,911,485</u>

Major capital assets acquisitions during the current fiscal year included the following:

- Construction completion of the City's new Civic Center building totaling \$23,082,869
- Purchase a land totaling \$619,589
- Rehabilitation of Primary Clarifier #2 at the wastewater treatment plant totaling \$646,173

Additional information on the City of Tolleson's capital assets can be found in Note 4 of this report.

Debt Administration

At the end of the current fiscal year, the City of Tolleson had total bonded debt outstanding of \$18,130,000. Of this amount, \$14,875,000 is debt backed by the full faith and credit of the government. The remainder of the City of Tolleson's long-term obligations is comprised of compensated absences, a developer agreement payable, loans payable and the City's pension liability.

	Governmental Activities		Business-Type Activities		Total Government	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 10,474,142	\$ 12,028,518	\$ 2,880,858	\$ 3,576,482	\$ 13,355,000	\$ 15,605,000
General obligation bonds, refunding	1,216,000	1,388,000	304,000	347,000	1,520,000	1,735,000
Revenue bonds, refunding	3,255,000	3,730,000	-	-	3,255,000	3,730,000
Bond premiums	1,269,203	1,415,140	216,822	254,336	1,486,025	1,669,476
Loans payable	-	-	4,087,105	4,598,706	4,087,105	4,598,706
Total	<u>\$ 16,214,345</u>	<u>\$ 18,561,658</u>	<u>\$ 7,488,785</u>	<u>\$ 8,776,524</u>	<u>\$ 23,703,130</u>	<u>\$ 27,338,182</u>

City of Tolleson, Arizona

Management's Discussion and Analysis
June 30, 2023

The City of Tolleson's total debt decreased by \$3,635,052 (13.3%) during the current fiscal year. This was due to the retirement of debt resulting from regularly scheduled debt payments.

The City of Tolleson maintained AA ratings from Standard & Poor's for general obligation debt.

The State constitution imposes certain debt limitations on the City of Tolleson of six percent (6%) and twenty percent (20%) of the assessed valuation of the City. Additional information on the debt limitations and capacities may be found in Table 15 in the statistical section of this report.

Next Year's Budget and Economic Factors

The following economic factors currently affect the City of Tolleson and were considered in developing the 2023-2024 fiscal year budget.

The unemployment rate for the city of Tolleson is currently 3.4%, which is a slight increase from a rate of 2.9% a year ago. Labor shortages continue to be an issue in all sectors of employment.

The City anticipates that interest rates will start to trend downward in the next year, while inflation will slightly decrease from the current level of approximately 3.2%.

Increases are expected in wages, health insurance costs, pension costs, and other employee benefit costs.

The City of Tolleson continues to be a member of Southwest Risk Services, a member owned risk sharing pool for property, liability, and workers compensation insurance administrative services in Arizona.

The City of Tolleson's daytime population exceeds 25,000 persons a day requiring 24-hour services for residents and non-residents alike.

Overall, the financial condition of the City has improved during FY 2023 and the actions of the City Council will help to ensure this continues.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Chief Financial Officer at:

City of Tolleson
9055 West Van Buren Street
Tolleson, Arizona, 85353

Or visit our website at: <https://www.tolleson.az.gov>.



Financial Section

Basic Financial Statements

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

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

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

Notes to the Financial Statements



Financial Section

Government-Wide Financial Statements



City of Tolleson, Arizona

Statement of Net Position

June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 59,763,212	\$ 29,289,745	\$ 89,052,957
Investments	24,934,483	9,828,471	34,762,954
Receivables (net of allowances)	5,658,479	5,649,887	11,308,366
Leases receivable	333,003	-	333,003
Restricted assets	-	4,231,346	4,231,346
Prepaid items	39,299	-	39,299
Capital assets:			
Not being depreciated/amortized	7,973,065	4,629,651	12,602,716
Being depreciated/amortized (net)	71,710,626	53,320,615	125,031,241
Total assets	170,412,167	106,949,715	277,361,882
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	8,010,429	719,701	8,730,130
Liabilities			
Accounts payable and other current liabilities	2,221,775	1,469,450	3,691,225
Accrued wages and benefits	562,583	122,403	684,986
Deposits payable	3,338	203,618	206,956
Interest payable	-	67,519	67,519
Unearned revenue	-	4,714	4,714
Noncurrent liabilities:			
Due within one year:			
Compensated absences	623,829	223,963	847,792
Subscriptions liability	136,934	-	136,934
Loans payable	-	528,505	528,505
Bonds payable	2,245,142	759,858	3,005,000
Due in more than one year:			
Compensated absences	2,211,759	273,731	2,485,490
Subscriptions liability	63,491	-	63,491
Loans payable	-	3,558,599	3,558,599
Bonds payable	13,969,203	2,641,822	16,611,025
Net pension liability	16,500,897	4,633,078	21,133,975
Total liabilities	38,538,951	14,487,260	53,026,211
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	1,227,251	199,301	1,426,552
Deferred inflows of resources related to leases	316,317	-	316,317
Total deferred inflows of resources	1,543,568	199,301	1,742,869
Net Position			
Net investment in capital assets	63,268,921	54,143,716	117,412,637
Restricted for:			
General government	308,608	-	308,608
Public safety	11,891,204	-	11,891,204
Highways and streets	1,241,680	-	1,241,680
Debt service	265,351	549,112	814,463
Grants	275,861	-	275,861
Unrestricted	61,088,452	38,290,027	99,378,479
Total net position	\$ 138,340,077	\$ 92,982,855	\$ 231,322,932

See notes to financial statements

City of Tolleson, Arizona

Statement of Activities

Year Ended June 30, 2023

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 11,705,795	\$ 1,478,162	\$ 340,499	\$ 207,059	\$ (9,680,075)	\$ -	\$ (9,680,075)
Public safety	16,298,825	1,486,168	177,908	14,602	(14,620,147)	-	(14,620,147)
Highways and streets	3,122,637	-	543,947	-	(2,578,690)	-	(2,578,690)
Culture and recreation	4,740,527	65,055	25,279	-	(4,650,193)	-	(4,650,193)
Economic development	538,311	-	-	-	(538,311)	-	(538,311)
Health and welfare	1,014,599	-	300,371	-	(714,228)	-	(714,228)
Interest on long-term debt	535,092	-	-	-	(535,092)	-	(535,092)
Total governmental activities	37,955,786	3,029,385	1,388,004	221,661	(33,316,736)	-	(33,316,736)
Business-type activities:							
Water	6,846,830	7,232,297	-	-	-	385,467	385,467
Wastewater and sewer	10,554,083	11,841,623	-	65,187	-	1,352,727	1,352,727
Sanitation and trash	421,727	449,584	-	-	-	27,857	27,857
Total business-type activities	17,822,640	19,523,504	-	65,187	-	1,766,051	1,766,051
Total primary government	\$ 55,778,426	\$ 22,552,889	\$ 1,388,004	\$ 286,848	(33,316,736)	1,766,051	(31,550,685)
General Revenues							
Taxes:							
Sales tax					43,597,936	-	43,597,936
Property tax					6,850,497	1,073,680	7,924,177
Auto lieu tax					562,331	-	562,331
Franchise tax					54,561	-	54,561
State revenue sharing					1,078,354	-	1,078,354
Urban revenue sharing (unrestricted)					1,383,873	-	1,383,873
Unrestricted investment earnings:							
Interest income					1,841,682	1,157,720	2,999,402
Change in the fair value of investments					5,430	2,134	7,564
Gain on sale of capital assets					16,370	-	16,370
Miscellaneous					24,073	-	24,073
Total general revenues					55,415,107	2,233,534	57,648,641
Change in net position					22,098,371	3,999,585	26,097,956
Net Position, Beginning					116,241,706	88,983,270	205,224,976
Net Position, Ending					\$ 138,340,077	\$ 92,982,855	\$ 231,322,932

See notes to financial statements

Financial Section

Governmental Fund Financial Statements

Major Funds

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

Public Safety Tax Fund - This fund accounts for the ½ cent sales tax collected to provide for police and fire services.

Nonmajor Funds

Other governmental funds are the nonmajor funds and are special revenue funds and debt service funds.



City of Tolleson, Arizona

Balance Sheet
Governmental Funds
June 30, 2023

	General	Public Safety Tax	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 46,846,541	\$ 11,272,222	\$ 1,644,449	\$ 59,763,212
Investments	24,934,483	-	-	24,934,483
Receivables, net:				
Accounts receivable	481,005	5,455	-	486,460
Interest receivable	112,099	-	-	112,099
Taxes receivable	82,918	-	46,254	129,172
Intergovernmental receivable	3,965,859	681,290	283,599	4,930,748
Leases receivable	333,003	-	-	333,003
Due from other funds	110,559	-	-	110,559
Prepays	38,024	-	1,275	39,299
Total assets	76,904,491	11,958,967	1,975,577	90,839,035
Liabilities				
Accounts payable	2,049,576	148,061	24,138	2,221,775
Accrued wages and benefits	557,967	-	4,616	562,583
Due to other funds	-	-	110,559	110,559
Deposit payable	3,338	-	-	3,338
Total liabilities	2,610,881	148,061	139,313	2,898,255
Deferred Inflows of Resources				
Unavailable revenue	236,374	-	52,097	288,471
Deferred inflows of resources related to leases	316,317	-	-	316,317
Total deferred inflow of resources	552,691	-	52,097	604,788
Fund Balances				
Nonspendable:				
Prepaid items	38,024	-	1,275	39,299
Restricted:				
General government	308,608	-	-	308,608
Public safety	80,298	11,810,906	-	11,891,204
Highways and streets	-	-	1,241,680	1,241,680
Debt service	-	-	265,351	265,351
Grants	-	-	275,861	275,861
Unassigned	73,313,989	-	-	73,313,989
Total fund balances	73,740,919	11,810,906	1,784,167	87,335,992
Total liabilities, deferred inflow of resources and fund balances	\$ 76,904,491	\$ 11,958,967	\$ 1,975,577	\$ 90,839,035

See notes to financial statements

City of Tolleson, Arizona

Reconciliation of the Balance Sheet to the Statement of Net Position

Governmental Funds

June 30, 2023

Total Governmental Funds Balances \$ 87,335,992

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets

135,402,603

Accumulated depreciation

(55,718,912)

79,683,691

Some revenues are unavailable in the governmental fund financial statements but recognized when earned in the statement of activities

288,471

Some liabilities, including net pension liabilities, capital leases, developer agreement payable, loans payable and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability

(16,500,897)

Subscription-based information technology arrangements liability

(200,425)

Bonds payable

(14,945,142)

Bond premiums

(1,269,203)

Compensated absences

(2,835,588)

(35,751,255)

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions

8,010,429

Deferred inflows of resources related to pensions

(1,227,251)

6,783,178

Total Net Position of Governmental Activities

\$ 138,340,077

City of Tolleson, Arizona**Statement of Revenues, Expenditures and Changes in Fund Balances**

Governmental Funds

Year Ended June 30, 2023

	General	Public Safety Tax	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Sales taxes	\$ 35,328,866	\$ 7,664,426	\$ 604,644	\$ 43,597,936
Property taxes	4,998,023	-	2,030,095	7,028,118
Franchise taxes	54,561	-	-	54,561
Intergovernmental revenues	2,497,322	-	1,784,997	4,282,319
Fines and forfeitures	175,831	-	-	175,831
Licenses and permits	598,581	-	-	598,581
Charges for services	2,101,693	19,223	-	2,120,916
Rents and royalties	36,339	-	-	36,339
Contributions and donations	73,179	-	-	73,179
Investment earnings:				
Interest income	1,498,851	308,866	33,965	1,841,682
Change in the fair value of investments	5,430	-	-	5,430
Other revenues	17,766	-	-	17,766
Total revenues	47,386,442	7,992,515	4,453,701	59,832,658
Expenditures				
Current:				
General government	9,477,326	-	-	9,477,326
Public safety	11,362,639	5,681,547	177,540	17,221,726
Highways and streets	1,484,161	-	984,304	2,468,465
Culture and recreation	4,513,554	-	-	4,513,554
Economic development	1,087,317	-	-	1,087,317
Health and welfare	-	-	937,160	937,160
Capital outlay	7,535,780	1,008,139	143,662	8,687,581
Debt service:				
Principal retirement	129,903	-	2,201,376	2,331,279
Interest	2,877	-	678,151	681,028
Total expenditures	35,593,557	6,689,686	5,122,193	47,405,436
Excess (deficiency) of revenues over (under) expenditures	11,792,885	1,302,829	(668,492)	12,427,222
Other Financing Sources (Uses)				
Subscription-based information technology arrangements	330,328	-	-	330,328
Sale of capital assets	16,370	-	-	16,370
Transfers in	-	-	435,021	435,021
Transfers out	(435,021)	-	-	(435,021)
Total other financing sources and (uses)	(88,323)	-	435,021	346,698
Net change in fund balances	11,704,562	1,302,829	(233,471)	12,773,920
Fund Balances, Beginning	62,036,357	10,508,077	2,017,638	74,562,072
Fund Balances, Ending	\$ 73,740,919	\$ 11,810,906	\$ 1,784,167	\$ 87,335,992

See notes to financial statements

City of Tolleson, Arizona

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances - Total Governmental Funds **\$ 12,773,920**

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

Capital outlay	8,399,178	
Depreciation/amortization expense	<u>(3,217,533)</u>	5,181,645

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

Amortization of bond premiums and discounts, net		145,936
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City pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension contributions	4,547,185	
City proportionate share of State's appropriation to EORP	24,073	
Pension expense	<u>(2,537,010)</u>	2,034,248

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

Subscription-based information technology arrangements incurred		(330,328)
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Repayment of long-term debt (e.g., bonds, leases, accounts payable) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repaid - bonds	2,201,376	
Principal repaid - subscription-based information technology arrangements	129,903	
Developer agreement principal repaid	<u>50,034</u>	2,381,313

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

	184,869
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	<u>(273,232)</u>
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Change in Net Position of Governmental Activities **\$ 22,098,371**

Financial Section

Proprietary Fund Financial Statements

Enterprise Fund

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

Wastewater and Sewer Fund - This fund is used to account for the activities of the City's sewer utility operations.

Sanitation and Trash Fund - This fund is used to account for the activities of the City's sanitation and trash utility operations.



City of Tolleson, Arizona

Statement of Net Position

Proprietary Funds

June 30, 2023

	Business-Type Activities-Enterprise Funds			
	Water	Wastewater and Sewer	Nonmajor Sanitation and Trash	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 12,808,278	\$ 15,768,502	\$ 712,965	\$ 29,289,745
Investments	4,775,127	5,053,344	-	9,828,471
Receivables (net of allowance):				
Accounts receivable	1,135,548	4,316,718	66,970	5,519,236
Interest receivable	25,603	20,896	-	46,499
Taxes receivable	77,774	6,378	-	84,152
Restricted assets	3,682,234	549,112	-	4,231,346
Total current assets	22,504,564	25,714,950	779,935	48,999,449
Noncurrent Assets				
Capital assets:				
Not being depreciated/amortized	1,228,528	3,401,123	-	4,629,651
Being depreciated/amortized, net	7,822,589	45,498,026	-	53,320,615
Total noncurrent assets	9,051,117	48,899,149	-	57,950,266
Total assets	31,555,681	74,614,099	779,935	106,949,715
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	207,301	467,178	45,222	719,701
Liabilities				
Current liabilities:				
Accounts payable	382,188	1,027,238	92	1,409,518
Accrued wages and benefits	39,053	82,267	1,083	122,403
Interest payable	-	67,519	-	67,519
Intergovernmental payable	59,932	-	-	59,932
Customer deposits payable	203,618	-	-	203,618
Unearned revenue	2,462	2,252	-	4,714
Compensated absences	63,131	160,832	-	223,963
Loans payable, current portion	-	528,505	-	528,505
Bonds payable, current portion	715,858	44,000	-	759,858
Total current liabilities	1,466,242	1,912,613	1,175	3,380,030
Noncurrent liabilities:				
Compensated absences, net of current portion	77,159	196,572	-	273,731
Loans payable, net of current portion	-	3,558,599	-	3,558,599
Bonds payable, net of current portion	2,355,028	286,794	-	2,641,822
Net pension liability	1,298,979	2,989,048	345,051	4,633,078
Total noncurrent liabilities	3,731,166	7,031,013	345,051	11,107,230
Total liabilities	5,197,408	8,943,626	346,226	14,487,260
Deferred Inflows of Resources				
Deferred inflows of resources related to pensions	70,285	95,330	33,686	199,301
Net Position				
Net investment in capital assets	9,662,465	44,481,251	-	54,143,716
Restricted for debt service	-	549,112	-	549,112
Unrestricted	16,832,824	21,011,958	445,245	38,290,027
Total net position	\$ 26,495,289	\$ 66,042,321	\$ 445,245	\$ 92,982,855

See notes to financial statements

City of Tolleson, Arizona

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater and Sewer	Non-Major Sanitation and Trash	Total
Operating Revenues				
Charges for services	\$ 7,232,297	\$ 11,841,623	\$ 449,584	\$ 19,523,504
Operating Expenses				
Salaries, wages and benefits	1,617,986	3,362,318	54,504	5,034,808
Contractual services, materials and supplies	4,641,514	5,071,517	367,223	10,080,254
Depreciation	513,595	1,980,500	-	2,494,095
Total operating expenses	6,773,095	10,414,335	421,727	17,609,157
Operating income (loss)	459,202	1,427,288	27,857	1,914,347
Non-operating Revenues (Expenses)				
Property taxes	688,843	384,837	-	1,073,680
Interest income	598,305	547,267	12,148	1,157,720
Change in the fair value of investments	1,036	1,098	-	2,134
Interest expense	(73,735)	(139,748)	-	(213,483)
Total nonoperating revenue (expense)	1,214,449	793,454	12,148	2,020,051
Income (loss) before capital contributions	1,673,651	2,220,742	40,005	3,934,398
Capital Contributions	-	65,187	-	65,187
Change in net position	1,673,651	2,285,929	40,005	3,999,585
Net Position, Beginning	24,821,638	63,756,392	405,240	88,983,270
Total Net Position, Ending	\$ 26,495,289	\$ 66,042,321	\$ 445,245	\$ 92,982,855

See notes to financial statements

City of Tolleson, Arizona

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater and Sewer	Non-Major Sanitation and Trash	Total
Cash Flows From Operating Activities				
Cash received from customers, service fees	\$ 7,230,651	\$ 9,734,868	\$ 441,217	\$ 17,406,736
Payments for employee wages and benefits	(1,602,336)	(3,404,754)	(54,466)	(5,061,556)
Payments to suppliers	(4,635,918)	(4,508,974)	(369,419)	(9,514,311)
Net cash provided by (used for) operating activities	992,397	1,821,140	17,332	2,830,869
Cash Flows From Noncapital Financing Activities				
Cash received from property taxes	682,417	383,793	-	1,066,210
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(543,468)	(2,491,457)	-	(3,034,925)
Capital contributions	-	65,187	-	65,187
Principal paid on long term debt	(695,624)	(554,602)	-	(1,250,226)
Interest paid on long-term debt	(106,784)	(152,664)	-	(259,448)
Net cash provided by (used for) capital and related financing activities	(1,345,876)	(3,133,536)	-	(4,479,412)
Cash Flows From Investing Activities				
Interest received on investments	583,108	531,184	12,148	1,126,440
Proceeds from sale and maturities of investments	17,722	20,407	-	38,129
Net cash provided by (used for) investing activities	600,830	551,591	12,148	1,164,569
Net Change in cash and cash Equivalents	929,768	(377,012)	29,480	582,236
Cash and cash equivalents, beginning	15,560,744	16,694,626	683,485	32,938,855
Cash and cash equivalents, ending	<u>\$ 16,490,512</u>	<u>\$ 16,317,614</u>	<u>\$ 712,965</u>	<u>\$ 33,521,091</u>

See notes to financial statements

City of Tolleson, Arizona

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater and Sewer	Non-Major Sanitation and Trash	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Net operating income (loss)	\$ 459,202	\$ 1,427,288	\$ 27,857	\$ 1,914,347
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	513,595	1,980,500	-	2,494,095
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase)/decrease in:				
Accounts receivable	(32,176)	(2,105,626)	(8,367)	(2,146,169)
Deferred outflows of resources related to pensions	52,510	88,789	1,789	143,088
Increase/(decrease) in:				
Accounts payable	4,991	562,543	(2,196)	565,338
Accrued wages and benefits	(2,860)	(7,847)	(202)	(10,909)
Accrued liabilities	605	-	-	605
Customer deposits	31,868	-	-	31,868
Unearned revenue	(1,338)	(1,129)	-	(2,467)
Compensated absences	10,846	(34,942)	-	(24,096)
Net pension liability	255,841	504,504	8,834	769,179
Deferred inflows of resources related to pensions	(300,687)	(592,940)	(10,383)	(904,010)
Net cash provided by (used for) operating activities	<u>\$ 992,397</u>	<u>\$ 1,821,140</u>	<u>\$ 17,332</u>	<u>\$ 2,830,869</u>
Noncash Investing, Capital and Financing Activities				
Change in the fair value of investments	\$ 1,036	\$ 1,098	\$ -	\$ 2,134
Amortization of bond premium	33,049	4,465	-	37,514
Reconciliation of Cash, Cash Equivalents and Investments to the Statement of Net Position				
Cash and cash equivalents	\$ 12,808,278	\$ 15,768,502	\$ 712,965	\$ 29,289,745
Restricted assets	3,682,234	549,112	-	4,231,346
Total cash, cash equivalents and investments	<u>\$ 16,490,512</u>	<u>\$ 16,317,614</u>	<u>\$ 712,965</u>	<u>\$ 33,521,091</u>

See notes to financial statements

Financial Section

Notes to Financial Statements



1. Summary of Significant Accounting Policies

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

Reporting Entity

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

There are no discretely presented component units and no blended component units.

Basis of Presentation - Government-Wide Financial Statements

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

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

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

Basis of Presentation - Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

Inventories and Prepaid Items

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made; and because the amounts on hand at June 30, 2023, were immaterial, they are not included in the balance sheet.

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

Restricted Assets

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

Capital Assets

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

	<u>Years</u>
Building and improvements	40
Water plant	50
Sewer plant	50
Furniture, equipment, and vehicles	5 - 20
Infrastructure	50

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City is reasonably certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying information-technology assets.

Deferred Outflows/Inflows of Resources

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

Postemployment Benefits

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

ASRS, EORP and PSPRS net OPEB assets/liabilities have not been recorded, or further disclosed, at June 30, 2023 in accordance with GASB Statement 75, due to the relative insignificance to the City's financial statements.

Leases and Subscription-Based Information Technology Arrangements

Leases

Lessee - As lessee, the City recognizes lease liabilities with an initial, individual value of \$50,000 or more. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is based on the average interest rate of other financing instruments with similar terms and risks as those currently entered into by the City.

Lessor - As lessor, the City recognizes lease receivables with an initial, individual value of \$50,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The City's estimated incremental borrowing rate is calculated as described above.

At the commencement of the lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value of \$25,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

Program Revenues

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

Property Taxes

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

Compensated Absences

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

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

Expenditures Over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the required supplementary information and the other supplementary information present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2023, if any.

Change in Accounting Principle

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard.

2. Cash and Investments

The following table summarizes the City's cash and investments at June 30, 2023:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 59,763,212	\$ 29,289,745	\$ 89,052,957
Investments	24,934,483	9,828,471	34,762,954
Restricted assets	-	4,231,346	4,231,346
Total	\$ 84,697,695	\$ 43,349,562	\$ 128,047,257

Deposits

Cash in bank - At June 30, 2023, the City had \$5,000 of cash on hand. The carrying amount of the City's cash in bank totaled \$17,512,853 and the bank balance was \$18,918,754. Of the bank balance, \$250,000 was covered by Federal Depository Insurance and \$18,668,754 was covered by collateral held in the pledging bank's trust department not in the City's name.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Investments

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

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2023, the City's funds invested with the State Treasurer totaled \$75,569,131.

Restricted Assets

At June 30, 2023, the City had restricted cash and cash equivalents of \$4,231,346 which was restricted for debt payments and capital projects.

Interest Rate Risk

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury Notes	\$ 28,627,684	\$ 2,219,949	\$ 16,054,934	\$ 10,352,801	\$ -
Inter-American Development Bank Note	343,978	-	343,978	-	-
Asian Development Bank Note	1,144,255	538,531	298,167	307,557	-
Arizona State Highway Revenue Refunding Bond	225,000	225,000	-	-	-
Scottsdale, AZ Taxable GO Bonds	250,000	250,000	-	-	-
Federal Agency Collateralized Mortgage Obligations	3,044,802	246,404	1,259,408	1,538,990	-
Federal Home Loan Bank Notes	1,127,233	-	1,127,233	-	-
PFM Government Money Market Fund	197,321	197,321	-	-	-
State Investment Pool (LGIP)	75,569,131	75,569,131	-	-	-
Total	<u>\$ 110,529,404</u>	<u>\$ 79,246,336</u>	<u>\$ 19,083,720</u>	<u>\$ 12,199,348</u>	<u>\$ -</u>

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Credit Risk

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

Investment Type	Amount	Rating Agency	Rating
U.S. Treasury Notes	\$ 28,627,684	Moody's	Aaa
Inter-American Development Bank Note	343,978	Moody's	Aaa
Asian Development Bank Note	1,144,255	Moody's	Aaa
Arizona State Highway Revenue Refunding Bond	225,000	Moody's	Aa1
Scottsdale, AZ Taxable GO Bonds	250,000	Moody's	Aaa
Federal Agency Collateralized Mortgage Obligations	3,044,802	Moody's	Aaa
Federal Home Loan Bank Notes	1,127,233	Moody's	Aaa
PFM Government Money Market Fund	197,321		Unrated
State Investment Pool (LGIP)	75,569,131	Standard and Poors	AAAf/S1+
Total	<u>\$ 110,529,404</u>		

Concentration of Credit Risk

At June 30, 2023, the City's investments are included as follows:

Issuer	Reported Amount	Concentration
U.S. Treasury Notes	\$ 28,627,684	25.9 %
Inter-American Development Bank Note	343,978	0.3
Asian Development Bank Note	1,144,255	1.0
Arizona State Highway Revenue Refunding Bond	225,000	0.2
Scottsdale, AZ Taxable GO Bonds	250,000	0.2
Federal Agency Collateralized Mortgage Obligations	3,044,802	2.8
Federal Home Loan Bank Notes	1,127,233	1.0
PFM Government Money Market Fund	197,321	0.2
State Investment Pool (LGIP)	75,569,131	68.4
Total	<u>\$ 110,529,404</u>	

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Fair Value Measurement

Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2023:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 28,627,684	\$ -	\$ 28,627,684	\$ -
Inter-American Development Bank Note	343,978	-	343,978	-
Asian Development Bank Note	1,144,255	-	1,144,255	-
Arizona State Highway Revenue Refunding Bond	225,000	-	225,000	-
Scottsdale, AZ Taxable GO Bonds	250,000	-	250,000	-
Federal Agency Collateralized Mortgage Obligations	3,044,802	-	3,044,802	-
Federal Home Loan Bank Notes	1,127,233	-	1,127,233	-
Total investments by fair value	<u>\$ 34,762,952</u>	<u>\$ -</u>	<u>\$ 34,762,952</u>	<u>\$ -</u>
External Investment Pool Measured at Fair Value				
State Investment Pool (LGIP)	<u>\$ 75,569,131</u>			
Total measured at fair value	<u>\$ 75,569,131</u>			
Investments Measured at Amortized Costs				
PFM Government Money Market Fund	<u>\$ 197,321</u>			
Total investments	<u>\$ 197,321</u>			

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

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

3. Receivables

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

Receivables, net of no allowances for uncollectible as of year-end for the City's individual major governmental funds and nonmajor governmental funds in the aggregate are as follows:

	General	Public Safety Tax	Nonmajor Government Funds	Total Government Funds
Receivables:				
Accounts receivable	\$ 481,005	\$ 5,455	\$ -	\$ 486,460
Interest receivable	112,099	-	-	112,099
Taxes receivable	82,918	-	46,254	129,172
Intergovernmental receivable	3,965,859	681,290	283,599	4,930,748
Leases receivable	333,003	-	-	333,003
Total	\$ 4,974,884	\$ 686,745	\$ 329,853	\$ 5,991,482

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

	Water Fund	Wastewater and Sewer Fund	Sanitation and Trash Fund	Total Enterprise
Receivables:				
Accounts receivable	\$ 1,210,228	\$ 4,332,389	\$ 73,852	\$ 5,616,469
Interest receivable	25,603	20,896	-	46,499
Taxes receivable	77,774	6,378	-	84,152
Total receivable	1,313,605	4,359,663	73,852	5,747,120
Less allowance for doubtful accounts	(74,680)	(15,671)	(6,882)	(97,233)
Total	\$ 1,238,925	\$ 4,343,992	\$ 66,970	\$ 5,649,887

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 6,989,310	\$ 619,589	\$ -	\$ 7,608,899
Construction in progress	18,414,139	349,735	(18,399,708)	364,166
Total capital assets not being depreciated/amortized	25,403,449	969,324	(18,399,708)	7,973,065
Capital assets, being depreciated/amortized:				
Buildings	23,719,849	23,082,869	-	46,802,718
Furniture, equipment and vehicles	16,064,283	2,180,640	(43,076)	18,201,847
Improvements	61,858,920	233,725	-	62,092,645
Intangibles:				
Right-to-use subscription assets	-	332,328	-	332,328
Total capital assets being depreciated/amortized	101,643,052	25,829,562	(43,076)	127,429,538
Less accumulated depreciation/amortization for:				
Buildings	(7,513,426)	(636,090)	-	(8,149,516)
Furniture, equipment and vehicles	(13,474,850)	(1,239,936)	43,076	(14,671,710)
Improvements	(31,556,179)	(1,206,974)	-	(32,763,153)
Intangibles:				
Right-to-use subscription assets	-	(134,533)	-	(134,533)
Total accumulated depreciation/ amortization	(52,544,455)	(3,217,533)	43,076	(55,718,912)
Total capital assets, being depreciated/ amortized, net	49,098,597	22,612,029	-	71,710,626
Governmental activities capital assets, net	\$ 74,502,046	\$ 23,581,353	\$ (18,399,708)	\$ 79,683,691

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

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

Governmental activities:	
General government	\$ 549,124
Public safety	1,049,696
Highways and streets	994,574
Culture and recreation	385,221
Economic development	150,050
Health and welfare	88,868
Total depreciation/amortization expense	<u>\$ 3,217,533</u>

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 3,933,202	\$ 101,730	\$ -	\$ 4,034,932
Construction in progress	125,243	594,719	(125,243)	594,719
Total capital assets not being depreciated/ amortized	<u>4,058,445</u>	<u>696,449</u>	<u>(125,243)</u>	<u>4,629,651</u>
Capital assets, being depreciated/amortized:				
Buildings	42,622,575	-	-	42,622,575
Improvements other than buildings	18,156,142	576,601	-	18,732,743
Machinery and equipment	45,327,401	1,657,575	-	46,984,976
Vehicles	1,852,636	229,543	(92,034)	1,990,145
Total capital assets being depreciated/ amortized	<u>107,958,754</u>	<u>2,463,719</u>	<u>(92,034)</u>	<u>110,330,439</u>
Less accumulated depreciation/amortization for:				
Buildings	(18,019,289)	(830,354)	-	(18,849,643)
Improvements other than buildings	(8,740,855)	(378,494)	-	(9,119,349)
Machinery and equipment	(26,413,098)	(1,272,512)	92,034	(27,593,576)
Vehicles	(1,434,521)	(12,735)	-	(1,447,256)
Total accumulated depreciation/ amortization	<u>(54,607,763)</u>	<u>(2,494,095)</u>	<u>92,034</u>	<u>(57,009,824)</u>
Total capital assets, being depreciated/ amortized, net	<u>53,350,991</u>	<u>(30,376)</u>	<u>-</u>	<u>53,320,615</u>
Business-type activities capital assets, net	<u>\$ 57,409,436</u>	<u>\$ 666,073</u>	<u>\$ (125,243)</u>	<u>\$ 57,950,266</u>

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

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

Business-type activities:	
Wastewater and sewer	\$ 1,980,500
Water	513,595
Sanitation and trash	-
Total depreciation/amortization expense	<u>\$ 2,494,095</u>

5. Leases

As of June 30, 2023, the City is reporting Leases Receivable of \$333,003 and Deferred Inflows Related to Leases of \$316,317. For the fiscal year 2023, the City reported lease revenue of \$74,322 and interest revenue of \$12,949, related to lease payments received. From time to time the City's lease contracts include variable lease payments, including residual value guarantees, that are not included in the lease receivable because they are not fixed in substance. The City recognized an insignificant amount of revenue related to these variable lease payments and they have not been further disclosed or included in the measurement of the City's lease receivables. The City's leases are summarized as follows:

	Lease Receivable	Deferred Inflows Related to Leases	Lease Revenue	Lease Interest Revenue
Maskadores Building Lease	\$ 19,636	\$ 18,382	\$ 31,513	\$ 1,311
Verizon	289,067	275,851	16,395	10,299
American Tower	24,300	22,084	26,414	1,339
Total	<u>\$ 333,003</u>	<u>\$ 316,317</u>	<u>\$ 74,322</u>	<u>\$ 12,949</u>

The City's incremental borrowing rate used for lease measurements is 3.5% as of June 30, 2023. Below is the details of each lease.

Maskadores Building Lease

On February 1, 2019, the City entered into a five year lease as Lessor for the use of a building. The lessee has one extension option for an additional five years and the City is reasonably certain that the lessee will renew the lease. The lessee is required to make monthly fixed payments of \$2,838. The lease has an interest rate of 3.5%. Based on this agreement, the City is receiving payments through 2024.

Verizon Lease

On April 28, 2015, the City entered into a five year lease as Lessor for the use of land for a wireless tower. The lessee has three extension options, each for five years and the City is reasonably certain that the lessee will renew the lease for each additional term. The lessee is required to make monthly fixed payments of \$1,650. The lease has an interest rate of 3.5%. Based on this agreement, the City is receiving payments through 2040.

American Tower Lease

In December 1980, the City entered into a five year lease as Lessor for the use of land for a wireless tower. The lessee has eight extension options, each for five years and the City is reasonably certain that the lessee will renew the lease for each additional term. The lessee is required to make monthly fixed payments of \$2,248. The lease has an interest rate of 3.5%. Based on this agreement, the City is receiving payments through 2024.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Future payments due to the City are as follows for the years ending June 30:

	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
Fiscal year ending June 30:			
2024	\$ 53,776	\$ 10,618	\$ 64,394
2025	10,189	9,611	19,800
2026	10,552	9,248	19,800
2027	12,939	8,841	21,780
2028	13,399	8,381	21,780
2029 - 2033	78,999	34,257	113,256
2034 - 2038	106,418	18,164	124,582
2039 - 2042	46,731	1,583	48,314
Total	<u>\$ 333,003</u>	<u>\$ 100,703</u>	<u>\$ 433,706</u>

6. Unavailable Revenue and Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable Revenue
General Fund:	
Taxes	\$ 26,806
Grants	209,568
Nonmajor Funds:	
Taxes	16,330
Grants	35,767
Total	<u>\$ 288,471</u>

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Bonds payable:					
Public, general obligation bonds	\$ 12,028,518	\$ -	\$ (1,554,376)	\$ 10,474,142	\$ 1,574,142
Public, general obligation bonds, refunding	1,388,000	-	(172,000)	1,216,000	176,000
Public, revenue bonds, refunding	3,730,000	-	(475,000)	3,255,000	495,000
Bond premiums	1,415,141	-	(145,938)	1,269,203	-
Total bonds payable	18,561,659	-	(2,347,314)	16,214,345	2,245,142
Compensated absences	2,562,356	1,562,515	(1,289,284)	2,835,587	623,829
Subscription liabilities	-	330,328	(129,903)	200,425	136,934
Developer agreement payable	50,034	-	(50,034)	-	-
Net pension liability	11,150,865	5,350,032	-	16,500,897	-
Total other long-term debt	13,763,255	7,242,875	(1,469,221)	19,536,909	760,763
Total governmental activities	<u>\$ 32,324,914</u>	<u>\$ 7,242,875</u>	<u>\$ (3,816,535)</u>	<u>\$ 35,751,254</u>	<u>\$ 3,005,905</u>
Business-type activities:					
Bonds payable:					
Public, general obligation bonds	\$ 3,576,482	\$ -	\$ (695,624)	\$ 2,880,858	\$ 715,858
Public, general obligation bonds, refunding	347,000	-	(43,000)	304,000	44,000
Bond premiums	254,338	-	(37,516)	216,822	-
Total bonds payable	4,177,820	-	(776,140)	3,401,680	759,858
Loans payable	4,598,706	-	(511,601)	4,087,105	528,505
Compensated absences	521,790	179,687	(203,783)	497,694	223,962
Net pension liability	3,863,899	769,179	-	4,633,078	-
Total other long-term debt	8,984,395	948,866	(715,384)	9,217,877	752,467
Total business-type activities	<u>\$ 13,162,215</u>	<u>\$ 948,866</u>	<u>\$ (1,491,524)</u>	<u>\$ 12,619,557</u>	<u>\$ 1,512,325</u>
Total long-term liabilities	<u>\$ 45,487,129</u>	<u>\$ 8,191,741</u>	<u>\$ (5,308,059)</u>	<u>\$ 48,370,811</u>	<u>\$ 4,518,230</u>

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

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

The Governmental Activities debt service requirements for the City's bonds payable are as follows:

	General Obligation Bonds		General Obligation Bonds - Refunding	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2024	\$ 1,574,142	\$ 436,716	\$ 176,000	\$ 33,270
2025	475,000	382,250	188,000	26,230
2026	500,000	358,500	196,000	22,470
2027	525,000	333,500	208,000	14,630
2028	550,000	307,250	220,000	8,390
2029 - 2033	3,100,000	1,144,500	228,000	3,990
2034 - 2038	3,750,000	460,000	-	-
Total	\$ 10,474,142	\$ 3,422,716	\$ 1,216,000	\$ 108,980
	Revenue Bonds - Refunding		Total Governmental Activities	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2024	\$ 495,000	\$ 130,200	\$ 2,245,142	\$ 600,186
2025	510,000	110,400	1,173,000	518,880
2026	530,000	90,000	1,226,000	470,970
2027	550,000	68,800	1,283,000	416,930
2028	570,000	46,800	1,340,000	362,440
2029 - 2033	600,000	24,000	3,928,000	1,172,490
2034 - 2038	-	-	3,750,000	460,000
Total	\$ 3,255,000	\$ 470,200	\$ 14,945,142	\$ 4,001,896

The Business-type Activities debt service requirements for the City's bonds and loans payable are as follows:

	General Obligation Bonds		General Obligation Bonds - Refunding	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2024	\$ 715,858	\$ 85,359	\$ 44,000	\$ 8,318
2025	335,000	56,725	47,000	6,558
2026	345,000	50,025	49,000	5,618
2027	360,000	36,225	52,000	3,658
2028	370,000	25,425	55,000	2,098
2029 - 2033	755,000	29,575	57,000	995
Total	\$ 2,880,858	\$ 283,334	\$ 304,000	\$ 27,245

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

	Loans Payable		Total Business-Type Activities	
	Principal	Interest	Principal	Interest
Fiscal year ending June 30:				
2024	\$ 528,504	\$ 117,576	\$ 1,288,362	\$ 211,253
2025	545,967	99,543	927,967	162,826
2026	564,005	80,902	958,005	136,545
2027	582,640	61,652	994,640	101,535
2028	601,891	41,765	1,026,891	69,288
2029 - 2033	1,264,098	21,219	2,076,098	51,789
Total	<u>\$ 4,087,105</u>	<u>\$ 422,657</u>	<u>\$ 7,271,963</u>	<u>\$ 733,236</u>

The following is a listing of loans and bonds payable outstanding as of June 30, 2023:

	Balance June 30, 2023	Due Within One Year
Loans payable:		
Water Infrastructure Finance Authority of Arizona (WIFA) General Obligation Loan, issued \$5,600,000, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. Payable with revenues from levied ad valorem taxes.	\$ 2,384,144	\$ 308,295
Water Infrastructure Finance Authority of Arizona (WIFA) Revenue Loan, issued \$4,000,000, due in semi-annual variable principal and interest installments, bearing interest at 3.304%, maturing July 1, 2029. Payable with sewer utility revenues.	1,702,961	220,210
Total loans payable	<u>\$ 4,087,105</u>	<u>\$ 528,505</u>
Bonds payable:		
Pledge Revenue Refunding Obligations, Series 2020, issued \$4,605,000, due in annual principal and semi-annual interest installments ranging from \$616,800 to \$625,200, bearing interest at 4.0%, maturing on July 1, 2029. Revenue bonds are repaid from City and State-shared sales tax revenue. The reacquisition price exceeded the net carrying amount of the old debt and was expensed to interest expense due to its relative significance to the City's Statements. The refunding reduced its total debt service payments by \$777,415 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$718,941.	\$ 3,255,000	\$ 495,000

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
General Obligation Bonds and General Obligation Refunding Bonds, Series 2020, issued \$3,820,000 in general obligation bonds and \$2,665,000 in general obligation refunding bonds, due in annual principal and semi-annual installments ranging from \$253,888 to \$820,704, bearing interest at 1.75% to 4.00%, maturing July 1, 2030. The City issued the general obligation bonds for capital infrastructure. The City repays general obligation bonds from voter-approved property taxes. Of the general obligation bond amounts originally authorized, \$45,120,000 remain unissued. The reacquisition price of the refunding bonds exceeded the net carrying amount of the old debt and was expensed to interest expense due to its relative significance to the City's Statements. The refunding reduced its total debt service payments by \$307,306 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$291,060.	\$ 4,010,000	\$ 545,000
General Obligation Bonds, Series 2011, issued \$18,570,000, due in annual principal payments beginning July 1, 2018 and semi-annual interest installments beginning July 1, 2012 ranging from \$211,023 to \$1,601,600, bearing interest at 3.0% to 4.0%, maturing July 1, 2024. The City issued the general obligation bonds for capital infrastructure. The City repays general obligation bonds from voter-approved property taxes.	1,540,000	1,540,000
General Obligation Bonds, Series 2019, issued \$10,850,000, due in annual principal payments beginning July 1, 2020 and semi-annual interest installments beginning July 1, 2019 ranging from \$162,342 to \$858,750, bearing interest at 3.0% to 4.0%, maturing July 1, 2038. The City issued the general obligation bonds for capital infrastructure. The City repays general obligation bonds from voter-approved property taxes.	9,325,000	425,000
Total bonds payable	<u>\$ 18,130,000</u>	<u>\$ 3,005,000</u>
Total loans and bonds payable	<u>\$ 22,217,105</u>	<u>\$ 3,533,505</u>

Legal Debt Margin

The City is subject to a debt limit that is 26% of the net secondary assessed valuation of taxable real property. At June 30, 2023, that amount was \$87,160,248. As of June 30, 2023, the total outstanding debt applicable to the limit was \$18,366,051 which is 21.07% of the total debt limit.

Subscription-Based Information Technology Arrangements (SBITAs)

The City has obtained the right to use various IT software under the provisions of various subscription-based information technology arrangements. The terms range from three to five years, including options that are more likely than not to be exercised. The discount rate applied to the subscription-based technology arrangements are based on actual rates or an estimated incremental borrowing rate, which ranged from 1.71% to 2.89% for all subscription-based technology arrangements reported.

The total of amount of subscription assets and the related accumulated amortization are as follows:

Total intangible right-to-use subscription assets	\$ 332,328
Less accumulated amortization	<u>(134,533)</u>
Carrying value	<u>\$ 197,795</u>

The following schedule details minimum subscription payments to maturity for the City's subscriptions liability at June 30, 2023:

	Governmental Activities	
	Principal	Interest
Fiscal year ending June 30:		
2024	\$ 136,934	\$ 4,000
2025	52,676	1,583
2026	<u>10,815</u>	<u>185</u>
Total	<u>\$ 200,425</u>	<u>\$ 5,768</u>

Variable and Other Payments

From time to time, the City's leases and SBITAs include variable payments and other payments, such as termination penalties, that are not included in the lease/subscription liabilities because they are either not fixed in substance (variable) or the City is not reasonably certain the other payments will be required. The City recognized an insignificant amount of expenses related to these variable and other payments and they have not been further disclosed or included in the measurement of the lease/subscription liabilities.

8. Interfund Receivables, Payables and Transfers

Short-term borrowings between funds are reported as due to/due from other funds. As of June 30, 2023, the City reported the following interfund receivables and payables:

	Due To	Due From
Fund:		
General	\$ -	\$ 110,559
Nonmajor	<u>110,559</u>	<u>-</u>
Total	<u>\$ 110,559</u>	<u>\$ 110,559</u>

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Interfund transfers for the fiscal year ended June 30, 2023 are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
Fund:		
General	\$ 435,021	\$ -
Nonmajor	-	435,021
Total	<u>\$ 435,021</u>	<u>\$ 435,021</u>

Transfers were made to fund local matching requirements on various grants and to support operations.

9. Pensions

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

At June 30, 2023, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 16,500,897	\$ 4,633,078	\$ 21,133,975
Deferred outflows of resources	8,010,429	719,701	8,730,130
Deferred inflows of resources	1,227,251	199,301	1,426,552
Pension expense	2,537,010	404,389	2,941,399

The City reported \$4,547,185 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Net OPEB asset/liabilities have not been recorded, or further disclosed, at June 30, 2023 in accordance with GASB Statement 75, due to the relative insignificance to the City's financial statements.

Arizona State Retirement System

Plan Description

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

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Benefits Provided

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

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

*with actuarially reduced benefits.

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

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.17% (11.92% for retirement, 0.11% for health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68% (9.62% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023 were \$1,503,953, \$13,879, and \$17,664, respectively.

During fiscal year 2023, the City paid for ASRS pension contributions as follows: 70.60% from the General Fund, 3.07% from other Nonmajor Funds, 8.43% from the Water Fund, 17.61% from the Sewer Fund and 0.29% from the Sanitation Fund.

Pension Liability

At June 30, 2023, the City reported a liability of \$14,182,378 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022. The City's proportion measured as of June 30, 2022, was 0.08689%, which was an increase of 0.00057% from its proportion measured as of June 30, 2021.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense for ASRS of \$1,513,811. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
ASRS:		
Differences between expected and actual experience	\$ 120,842	\$ -
Changes of assumptions or other inputs	703,899	-
Net difference between projected and actual earnings on pension plan investments	-	373,578
Changes in proportion and differences between City contributions and proportionate share of contributions	55,418	61,558
City contributions subsequent to the measurement date	1,503,953	-
	<u>\$ 2,384,112</u>	<u>\$ 435,136</u>
Total	<u>\$ 2,384,112</u>	<u>\$ 435,136</u>

The \$1,503,953 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

	ASRS
Years ending June 30:	
2024	\$ 639,392
2025	(143,679)
2026	(648,618)
2027	597,928
2028	-
Thereafter	-

Actuarial Assumptions

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

ASRS:

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 20, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 – 8.4% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Geometric Real Rate of Return
ASRS asset class:		
Equity	50 %	3.90 %
Fixed income, credit	20	5.30
Fixed income, interest rate sensitive	10	-0.20
Real estate	20	6.00
Total	100 %	

Discount Rate

At June 30, 2022, the discount rate used to measure the ASRS total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
ASRS			
City's proportionate share of the net pension liability	\$ 20,925,677	\$ 14,182,378	\$ 8,559,520

Plan Fiduciary Net Position

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

Public Safety Personnel Retirement System**Plan Description**

City police and fire department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who are PSPRS members participate in the agent plans. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Benefits Provided

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

PSPRS	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years of service, any age 15 years age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement pension that the member is entitled to receive, prorated on Credited Service earned over the required Credited Service for normal retirement (maximum ratio of 1).	
<u>Survivor Benefits</u>		
Retired Members	80% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries currently receiving benefits	15	12
Inactive employees entitled to but not yet receiving benefits	3	4
Active employees	17	21
Total	35	37

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members, pension	7.65% - 11.65%	7.65% - 11.65%
City:		
Pension	24.68%	27.62%
Health insurance premium benefit	0.16%	0.00%

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.18% for Police and Fire of the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

For the agent plans, the City's contributions to the plans for the year ended June 30, 2023, were:

	PSPRS Police	PSPRS Fire
Pension:		
Contributions made	\$ 1,662,921	\$ 1,709,672

During fiscal year 2023, the City paid 100% of the PSPRS pension and OPEB contributions from the General Fund.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Pension Liability

At June 30, 2023, the City reported a PSPRS net pension liabilities of \$2,808,475 for police \$3,297,436 for fire for a total of \$6,105,911.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3% to 7.2%, changing the wage inflation from 3.5% to a range of 3.0 – 6.25%, and increasing the cost-of-living adjustment from 1.75% to 1.85%.

Actuarial Assumptions

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

PSPRS:

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustment	1.85% for pensions
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Geometric Rate of Return
PSPRS asset class:		
U.S. public equity	24 %	3.49 %
International public equity	16	4.47
Global public equity	20	7.18
Other assets (capital appreciation)	7	4.83
Core bonds	2	0.45
Private credit	20	5.10
Diversifying strategies	10	2.68
Cash, Mellon	1	(0.35)
Total	100 %	

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Discount Rates

At June 30, 2022, the discount rate used to measure the PSPRS total pension liabilities was 7.2%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
PSPRS, Police:			
Balance, June 30, 2022	\$ 17,078,681	\$ 15,977,349	\$ 1,101,332
Adjustments, beginning	-	-	-
Changes for the year:			
Service cost	368,989	-	368,989
Interest on the total liability	1,236,826	-	1,236,826
Changes of benefit terms	-	-	-
Differences between expected and actual experiences in the measurement of the liability	699,200	-	699,200
Changes of assumptions or other inputs	109,292	-	109,292
Contributions, employer	-	1,192,869	(1,192,869)
Contributions, employee	-	167,574	(167,574)
Net investment income	-	(641,699)	641,699
Benefit payments, including refunds of employee contributions	(1,009,698)	(1,009,698)	-
Administrative expense	-	(11,580)	11,580
Net changes	1,404,609	(302,534)	1,707,143
Balance, June 30, 2023	\$ 18,483,290	\$ 15,674,815	\$ 2,808,475

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
PSPRS, Fire:			
Balance, June 30, 2022	\$ 20,610,928	\$ 18,907,917	\$ 1,703,011
Changes for the year:			
Service cost	511,559	-	511,559
Interest on the total liability	1,517,889	-	1,517,889
Differences between expected and actual experiences in the measurement of the liability	(400,785)	-	(400,785)
Changes of assumptions or other inputs	149,512	-	149,512
Contributions, employer	-	792,535	(792,535)
Contributions, employee	-	163,156	(163,156)
Net investment income	-	(758,262)	758,262
Benefit payments, including refunds of employee contributions	(658,970)	(658,970)	-
Administrative expense	-	(13,679)	13,679
Other changes	-	-	-
Net changes	1,119,205	(475,220)	1,594,425
Balance, June 30, 2023	\$ 21,730,133	\$ 18,432,697	\$ 3,297,436

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liabilities calculated using the discount rate of 7.2%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
PSPRS, Police:			
Net pension liability	\$ 5,455,063	\$ 2,808,475	\$ 656,825
	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
PSPRS, Fire:			
Net pension liability	\$ 6,351,686	\$ 3,297,436	\$ 794,849

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense

For the year ended June 30, 2023, the City recognized \$688,601 for police and \$661,465 for fire for a total of \$1,350,066 of PSPRS pension expense.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Pension Deferred Outflows/Inflows of Resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS, Police:		
Differences between expected and actual experience	\$ 1,030,731	\$ 72,529
Changes of assumptions or other inputs	229,579	-
Net difference between projected and actual earnings on pension plan investments	272,823	-
City contributions subsequent to the measurement date	1,662,921	-
Total	<u>\$ 3,196,054</u>	<u>\$ 72,529</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS, Fire:		
Differences between expected and actual experience	\$ 779,264	\$ 863,153
Changes of assumptions or other inputs	338,236	-
Net difference between projected and actual earnings on pension plan investments	248,387	-
City contributions subsequent to the measurement date	1,709,672	-
Total	<u>\$ 3,075,559</u>	<u>\$ 863,153</u>

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Police
Years ending June 30:	
2024	\$ 338,020
2025	360,995
2026	167,486
2027	544,103
2028	-
Thereafter	-
	PSPRS Fire
Years ending June 30:	
2024	\$ 140,432
2025	34,850
2026	(153,419)
2027	522,750
2028	(41,879)
Thereafter	-

Elected Officials Retirement Plan

Plan Description

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

Benefits Provided

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

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

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

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

Contributions

State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2023, statute required active EORP members to contribute seven or 13% of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 70.42% of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.39% to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42% to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges.

During fiscal year June 30, 2023, the City paid 100% of the EORP pension contributions from the General Fund.

Liability

At June 30, 2023, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$	845,699
State's proportionate share of the EORP net pension liability associated with the City		<u>77,462</u>
Total	\$	<u><u>923,161</u></u>

The net liability was measured as of June 30, 2022 and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3% to 7.2%, decreasing the wage inflation from 3.75% to 3.25%, and increasing the cost-of-living adjustment from 1.75% to 1.85%

The City's proportion of the net pension liability was based on the City's required contributions to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2022. The City's proportion measured as of June 30, 2022, was 0.125265%, which was a decrease of 0.017211% from its proportion measured as of June 30, 2021.

Expense

For the year ended June 30, 2023, the City recognized pension expense for EORP of \$94,404 and revenue of \$24,073 for the City's proportionate share of the State's appropriation to EORP and the designated court fees.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

Deferred Outflows/Inflows of Resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
EORP:		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	7,636	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	55,737
Changes of assumptions or other inputs		
City contributions subsequent to the measurement date	66,771	-
Total	<u>\$ 74,407</u>	<u>\$ 55,737</u>

The \$66,771 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

	EORP
Years ending June 30:	
2024	\$ (54,199)
2025	73
2026	(3,600)
2027	9,625
2028	-
Thereafter	-

Actuarial Assumptions

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

EORP:	
Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.25% for pensions
Price inflation	2.5% for pensions
Cost-of-living adjustment	1.85% for pensions
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021.

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

The long-term expected rate of return on EORP plan investments was determined to be 7.2% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Geometric Rate of Return
EORP asset class:		
U.S. public equity	24 %	3.49 %
International public equity	16	4.47
Global private equity	20	7.18
Other assets (capital appreciation)	7	4.83
Core bonds	2	0.45
Private credit	20	5.10
Diversifying strategies	10	2.68
Cash, Mellon	1	(0.35)
Total	100 %	

Discount Rate

At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.20%, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarial rates, and State contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.2%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2%) or 1 percentage point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
EORP:			
City's proportionate share of the net pension liability	\$ 965,484	\$ 845,699	\$ 743,095

Pension Plan Fiduciary Net Position

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

City of Tolleson, Arizona

Notes to Financial Statements

June 30, 2023

10. Commitments

At June 30, 2023, the City has the following active construction commitments:

	<u>Remaining Commitment</u>
Project:	
Aquatic Center	\$ 141,998
Secondary Clarifier #3 Rehab	728,686
LS-30 Rehab	12,000
WWTP Plantwide Repairs	<u>374,577</u>
Total	<u>\$ 1,257,261</u>

These projects will be financed from operating funds. These contracts will be paid in future periods.

11. Risk Management

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

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

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



Financial Section

Required Supplementary Information

Budgetary Comparison Schedules

General Fund

Public Safety Tax Fund

Pension Schedules



City of Tolleson, Arizona

Required Supplementary Information

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes:				
Sales taxes	\$ 30,000,000	\$ 30,000,000	\$ 35,328,866	\$ 5,328,866
Property taxes	4,999,957	4,999,957	4,998,023	(1,934)
Franchise taxes	50,000	50,000	54,561	4,561
Intergovernmental revenues	2,444,863	2,444,863	2,497,322	52,459
Fines and forfeitures	155,500	155,500	175,831	20,331
Licenses and permits	560,000	560,000	598,581	38,581
Charges for services	2,384,034	2,384,034	2,101,693	(282,341)
Rents and royalties	67,000	67,000	36,339	(30,661)
Contributions and donations	25,000	25,000	73,179	48,179
Investment earnings:				
Interest income	112,200	112,200	1,498,851	1,386,651
Unrealized loss on investments	-	-	5,430	5,430
Other revenues	5,000	5,000	17,766	12,766
Total revenues	40,803,554	40,803,554	47,386,442	6,582,888
Expenditures				
Current:				
General government:				
Mayor and council	878,100	878,100	660,630	217,470
City management	562,800	562,800	471,493	91,307
Public affairs admin	793,020	793,020	761,470	31,550
Housing services	880,100	880,100	340,440	539,660
City clerk	441,850	441,850	389,660	52,190
Employee resources	842,825	842,825	813,826	28,999
City magistrate	275,150	275,150	243,724	31,426
Court administration	692,295	692,295	567,538	124,757
City prosecutor	85,500	85,500	85,500	-
Finance	4,595,250	4,595,250	1,275,114	3,320,136
Information technology	1,592,800	1,592,800	1,507,431	85,369
Field operations vehicles	614,650	614,650	562,549	52,101
Field operations grounds	630,690	630,690	466,399	164,291
Field operations building	4,980,100	4,980,100	1,981,895	2,998,205
Human services	1,092,200	1,092,200	684,639	407,561
Non profit donations	62,000	62,000	36,000	26,000
Employee development relations	87,000	87,000	90,528	(3,528)
Total general government	19,106,330	19,106,330	10,938,836	8,167,494

See notes to budgetary comparison schedules

City of Tolleson, Arizona

Required Supplementary Information

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Public safety:				
Police administration	\$ 894,500	\$ 894,500	\$ 458,762	\$ 435,738
Police support services	2,854,650	2,854,650	2,716,666	137,984
Police investigation	799,250	799,250	715,694	83,556
Police field operations	3,652,500	3,652,500	2,157,709	1,494,791
Fire administration	1,144,350	1,144,350	1,039,876	104,474
Fire operations	4,500,700	4,500,700	3,875,785	624,915
Buildings inspection	637,900	637,900	567,766	70,134
Impound	53,210	53,210	41,822	11,388
Total public safety	14,537,060	14,537,060	11,574,080	2,962,980
Highway and Streets				
Field operations streets	1,174,950	1,174,950	1,152,951	21,999
Transportation	650,000	650,000	331,210	318,790
Total highway and streets	1,824,950	1,824,950	1,484,161	340,789
Culture and recreation:				
Library	1,476,600	1,476,600	1,101,890	374,710
Aquatics center	882,200	882,200	568,318	313,882
Parks and recreation	2,385,700	2,385,700	2,201,043	184,657
Teen council	216,540	216,540	171,102	45,438
City promotion	555,600	555,600	528,828	26,772
Total culture and recreation	5,516,640	5,516,640	4,571,181	945,459
Economic development:				
Economic development	1,875,600	1,875,600	1,310,921	564,679
Planning and engineering	8,853,650	8,853,650	5,581,598	3,272,052
Total economic development	10,729,250	10,729,250	6,892,519	3,836,731
Debt service:				
Principal retirement	-	-	129,903	(129,903)
Interest	-	-	2,877	(2,877)
Total debt service	-	-	132,780	(132,780)
Total expenditures	51,714,230	51,714,230	35,593,557	16,120,673
Excess (deficiency) of revenues over (under) expenditures	(10,910,676)	(10,910,676)	11,792,885	22,703,561
Other Financing Sources (Uses)				
Subscription-based information technology arrangements	-	-	330,328	330,328
Sale of capital assets	3,510,000	3,510,000	16,370	(3,493,630)
Transfers out	(632,827)	(632,827)	(435,021)	197,806
Total other financing sources (uses)	2,877,173	2,877,173	(88,323)	(2,965,496)
Net change in fund balance	(8,033,503)	(8,033,503)	11,704,562	19,738,065
Fund Balance, Beginning	62,036,357	62,036,357	62,036,357	-
Fund Balance, Ending	\$ 54,002,854	\$ 54,002,854	\$ 73,740,919	\$ 19,738,065

See notes to budgetary comparison schedules

City of Tolleson, Arizona

Required Supplementary Information

Public Safety Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Sales taxes	\$ 7,600,000	\$ 7,600,000	\$ 7,664,426	\$ 64,426
Charges for services	135,000	135,000	19,223	(115,777)
Investment earnings:				
Interest income	2,000	2,000	308,866	306,866
Total revenues	7,737,000	7,737,000	7,992,515	255,515
Expenditures				
Public safety:				
Services, supplies and other	5,816,000	5,816,000	5,681,547	134,453
Capital Outlay	2,040,000	2,040,000	1,008,139	1,031,861
Total expenditures	7,856,000	7,856,000	6,689,686	1,166,314
Net change in fund balance	(119,000)	(119,000)	1,302,829	1,421,829
Fund Balance, Beginning	10,508,077	10,508,077	10,508,077	-
Fund Balance, Ending	<u>\$ 10,389,077</u>	<u>\$ 10,389,077</u>	<u>\$ 11,810,906</u>	<u>\$ 1,421,829</u>

See notes to budgetary comparison schedules

City of Tolleson, Arizona

Required Supplementary Information
Notes to the Budgetary Comparison Schedules
Year Ended June 30, 2023

1. Budgeting and Budgetary Control

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:

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

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

Supplementary budgetary appropriations were necessary during the year.

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

2. Budgetary Basis of Accounting

The City's budget is prepared on a basis consistent with generally accepted accounting principles.



City of Tolleson, Arizona

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability Cost - Sharing Pension Plan

June 30, 2023

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Arizona Retirement System										
City's proportion of the net pension liability	0.086890%	0.086330%	0.087600%	0.088600%	0.085460%	0.081630%	0.078415%	0.077390%	0.074250%	Information not available*
City's proportionate share of the net pension liability	\$ 14,182,378	\$ 11,343,379	\$ 15,178,031	\$ 12,892,331	\$ 11,918,662	\$ 12,716,363	\$ 12,656,162	\$ 12,054,148	\$ 10,986,414	
City's covered payroll	12,617,055	9,572,275	9,432,777	8,852,549	8,894,734	7,951,763	7,592,673	6,969,789	6,799,467	
City's proportionate share of the net pension liability as a percentage of its covered payroll	112.41%	118.50%	160.91%	145.63%	134.00%	159.92%	166.69%	172.95%	161.58%	
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	
Elected Officials Retirement Plan										
City's proportion of the net pension liability	0.125265%	0.142476%	0.129403%	0.124057%	0.101939%	0.093390%	0.069212%	0.060990%	0.081390%	Information not available*
City's proportionate share of the net pension liability	\$ 845,699	\$ 867,055	\$ 873,419	\$ 822,724	\$ 642,356	\$ 1,144,221	\$ 653,884	\$ 476,603	\$ 545,776	
State's proportionate share of the net pension liability associated with the City	77,462	85,836	81,632	77,327	110,064	237,474	135,009	148,585	167,340	
Total	\$ 923,161	\$ 952,891	\$ 955,051	\$ 900,051	\$ 752,420	\$ 1,381,695	\$ 788,893	\$ 625,188	\$ 713,116	
City's covered payroll	\$ 86,764	\$ 96,943	\$ 106,767	\$ 103,771	\$ 87,413	\$ 77,094	\$ 55,562	\$ 54,621	\$ 57,464	
City's proportionate share of the net pension liability as a percentage of its covered payroll	974.72%	894.40%	818.06%	792.83%	734.85%	1484.20%	1176.86%	872.56%	949.77%	
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	

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

See notes to pension plan schedule

City of Tolleson, Arizona

Required Supplementary Information

Schedule of Changes in the City's Net Pension Liability and Related Ratios Agent

Pension Plan

Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
City of Tolleson Police Public Safety Personnel Retirement System										
Total Pension Liability										
Service cost	\$ 368,989	\$ 411,979	\$ 416,974	\$ 489,506	\$ 465,683	\$ 473,995	\$ 398,983	\$ 385,782	\$ 381,895	Information not available*
Interest on the total pension liability	1,236,826	1,179,741	1,078,433	1,007,765	892,898	863,811	764,905	708,237	606,076	
Changes on benefit terms	-	-	-	-	-	40,808	530,259	-	164,727	
Differences between expected and actual experience in the measurement of the pension liability	699,200	109,920	517,687	(86,018)	457,983	(650,605)	28,330	91,845	(166,928)	
Changes of assumptions or other inputs	109,292	-	-	285,936	-	357,571	453,240	-	792,851	
Benefit payments, including refunds of employee contributions	(1,009,698)	(743,638)	(496,998)	(443,086)	(598,856)	(466,574)	(412,948)	(528,208)	(430,081)	
Net change in total pension liability	1,404,609	958,002	1,516,096	1,254,103	1,217,708	619,006	1,762,769	657,656	1,348,540	
Total pension liability, beginning	17,078,681	16,120,679	14,604,583	13,350,480	12,132,772	11,513,766	9,750,997	9,093,341	7,744,801	
Total pension liability, ending (a)	<u>\$ 18,483,290</u>	<u>\$ 17,078,681</u>	<u>\$ 16,120,679</u>	<u>\$ 14,604,583</u>	<u>\$ 13,350,480</u>	<u>\$ 12,132,772</u>	<u>\$ 11,513,766</u>	<u>\$ 9,750,997</u>	<u>\$ 9,093,341</u>	
Plan Fiduciary Net Position										
Contributions, employer	\$ 1,192,869	\$ 887,957	\$ 1,150,934	\$ 1,127,202	\$ 1,922,331	\$ 1,513,489	\$ 1,161,744	\$ 454,309	\$ 426,364	
Contributions, employee	167,574	161,957	171,055	182,744	185,088	230,920	238,489	217,506	201,353	
Net investment income	(641,699)	3,422,011	147,349	550,647	566,510	753,490	31,927	179,481	577,456	
Benefit payments, including refunds of employee contributions	(1,009,698)	(743,638)	(496,998)	(443,086)	(598,856)	(466,574)	(412,948)	(528,208)	(430,081)	
Hall/Parker Settlement	-	-	-	-	(254,140)	-	-	-	-	
Administrative expense	(11,580)	(16,157)	(12,017)	(10,566)	(9,322)	(7,067)	(4,993)	(4,761)	-	
Other changes	-	-	-	-	99	78	(34,989)	(78,507)	(4,650)	
Net change in plan fiduciary net position	(302,534)	3,712,130	960,323	1,406,941	1,811,710	2,024,336	979,230	239,820	770,442	
Plan Fiduciary Net Position, Beginning	15,977,349	12,265,219	11,326,218	9,924,324	8,112,614	6,088,278	5,109,048	4,869,228	4,098,786	
Adjustments, beginning	-	-	(21,322)	(5,047)	-	-	-	-	-	
Plan Fiduciary Net Position, Ending (b)	<u>\$ 15,674,815</u>	<u>\$ 15,977,349</u>	<u>\$ 12,265,219</u>	<u>\$ 11,326,218</u>	<u>\$ 9,924,324</u>	<u>\$ 8,112,614</u>	<u>\$ 6,088,278</u>	<u>\$ 5,109,048</u>	<u>\$ 4,869,228</u>	
City's Net Pension Liability, Ending (a) - (b)	<u>\$ 2,808,475</u>	<u>\$ 1,101,332</u>	<u>\$ 3,855,460</u>	<u>\$ 3,278,365</u>	<u>\$ 3,426,156</u>	<u>\$ 4,020,158</u>	<u>\$ 5,425,488</u>	<u>\$ 4,641,949</u>	<u>\$ 4,224,113</u>	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.81%	93.55%	76.08%	77.55%	74.34%	66.87%	52.88%	52.40%	53.55%	
Covered Payroll	\$ 2,225,190	\$ 1,659,700	\$ 1,886,156	\$ 1,879,940	\$ 2,091,078	\$ 2,044,846	\$ 2,047,119	\$ 1,965,393	\$ 1,956,233	
City's Net Pension Liability as a Percentage of Payroll	126.21%	66.36%	204.41%	174.39%	163.85%	196.60%	265.03%	236.18%	215.93%	

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

See notes to pension plan schedule

City of Tolleson, Arizona

Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability and Related Ratios Agent
Pension Plan
Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
City of Tolleson Fire Public Safety Personnel Retirement System										
Total Pension Liability										
Service cost	\$ 511,559	\$ 472,274	\$ 476,161	\$ 612,498	\$ 512,618	\$ 553,129	\$ 434,330	\$ 437,425	\$ 416,879	Information not available*
Interest on the total pension liability	1,517,889	1,398,273	1,328,189	1,320,018	1,176,421	1,078,336	902,804	809,086	721,067	
Changes on benefit terms	-	-	-	-	-	107,196	1,210,896	-	(63,500)	
Differences between expected and actual experience in the measurement of the pension liability	(400,785)	809,130	380,523	(1,126,982)	138,781	(291,050)	(25,025)	179,866	(67,804)	
Changes of assumptions or other inputs	149,512	-	-	277,727	-	336,050	530,950	-	414,674	
Benefit payments, including refunds of employee contributions	(658,970)	(1,501,797)	(940,062)	(241,227)	(245,783)	(241,485)	(230,974)	(230,974)	(389,667)	
Net change in total pension liability	1,119,205	1,177,880	1,244,811	842,034	1,582,037	1,542,176	2,822,981	1,195,403	1,031,649	
Total pension liability, beginning	20,610,928	19,433,048	18,188,237	17,346,203	15,764,166	14,221,990	11,399,009	10,203,606	9,171,957	
Total pension liability, ending (a)	\$ 21,730,133	\$ 20,610,928	\$ 19,433,048	\$ 18,188,237	\$ 17,346,203	\$ 15,764,166	\$ 14,221,990	\$ 11,399,009	\$ 10,203,606	
Plan Fiduciary Net Position										
Contributions, employer	\$ 792,535	\$ 687,315	\$ 955,240	\$ 1,278,913	\$ 1,163,074	\$ 833,691	\$ 751,037	\$ 401,653	\$ 360,947	
Contributions, employee	163,156	176,699	200,466	259,088	202,211	286,450	295,993	269,101	232,876	
Net investment income	(758,262)	4,266,708	189,383	725,413	817,294	1,157,802	51,108	289,531	913,806	
Benefit payments, including refunds of employee contributions	(658,970)	(1,501,797)	(940,062)	(241,227)	(245,783)	(241,485)	(230,974)	(230,974)	(389,667)	
Hall/Parker Settlement	-	-	-	-	(440,563)	-	-	-	-	
Administrative expense	(13,679)	(19,984)	(15,444)	(13,603)	(13,139)	(10,645)	(7,754)	(7,452)	-	
Other changes	-	(178,693)	-	-	128	49,430	243,929	1,330	(12,064)	
Net change in plan fiduciary net position	(475,220)	3,430,248	389,583	2,008,584	1,483,222	2,075,243	1,103,339	723,189	1,105,898	
Plan Fiduciary Net Position, Beginning	18,907,917	15,477,669	15,088,086	13,083,989	11,600,767	9,525,524	8,422,185	7,698,996	6,593,098	
Adjustment, beginning	-	-	-	(4,487)	-	-	-	-	-	
Plan Fiduciary Net Position, Ending (b)	\$ 18,432,697	\$ 18,907,917	\$ 15,477,669	\$ 15,088,086	\$ 13,083,989	\$ 11,600,767	\$ 9,525,524	\$ 8,422,185	\$ 7,698,996	
City's Net Pension Liability, Ending (a) - (b)	\$ 3,297,436	\$ 1,703,011	\$ 3,955,379	\$ 3,100,151	\$ 4,262,214	\$ 4,163,399	\$ 4,696,466	\$ 2,976,824	\$ 2,504,610	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.83%	91.74%	79.65%	82.96%	75.43%	73.59%	66.98%	73.89%	75.45%	
Covered Payroll	\$ 2,158,417	\$ 2,151,312	\$ 1,991,039	\$ 2,080,669	\$ 2,160,212	\$ 2,351,738	\$ 2,234,206	\$ 2,425,801	\$ 2,274,469	
City's Net Pension Liability as a Percentage of Covered Payro	152.77%	79.16%	198.66%	149.00%	197.31%	177.03%	210.21%	122.72%	110.12%	

Additional years' information will be displayed as it becomes available

See notes to pension plan schedule

City of Tolleson, Arizona

Required Supplementary Information
Schedule of City Pension Contributions
Year Ended June 30, 2023

	2023	2022	2021	2020	Reporting Fiscal Year		2017	2016	2015	2014
					2019	2018				
Arizona State Retirement System										
Statutorily required contribution	\$ 1,503,953	\$ 1,221,037	\$ 1,115,170	\$ 1,080,053	\$ 989,715	\$ 969,526	\$ 857,200	\$ 823,805	\$ 758,313	\$ 727,543
City's contributions in relation to the statutorily required contribution	1,503,953	1,221,037	1,115,170	1,080,053	989,715	969,526	857,200	823,805	758,313	727,543
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 12,617,055	\$ 10,166,836	\$ 9,572,275	\$ 9,432,777	\$ 8,852,549	\$ 8,894,734	\$ 7,951,763	\$ 7,592,673	\$ 6,969,789	\$ 6,799,467
City's contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%	11.18%	10.90%	10.78%	10.85%	10.88%	10.70%
Elected Officials Retirement Plan										
Statutorily required contribution	\$ 66,771	\$ 61,099	\$ 59,552	\$ 58,946	\$ 63,819	\$ 20,542	\$ 18,117	\$ 13,057	\$ 12,836	\$ 18,492
City's contributions in relation to the actuarially determined contribution	66,771	61,099	59,552	58,946	63,819	20,542	18,117	13,057	12,836	18,492
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 87,271	\$ 86,764	\$ 96,943	\$ 106,767	\$ 103,771	\$ 87,413	\$ 77,094	\$ 55,562	\$ 54,621	\$ 57,464
City's contributions as a percentage of covered payroll	76.51%	70.42%	61.43%	55.21%	61.50%	23.50%	23.50%	23.50%	23.50%	32.18%
The City was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2019, 2018 or 2017. Information for fiscal years 2016 through 2010 is not available.										
City of Tolleson Police Public Safety Personnel Retirement System										
Actuarially determined contribution	\$ 662,921	\$ 533,823	\$ 487,957	\$ 515,934	\$ 638,841	\$ 719,034	\$ 613,489	\$ 461,744	\$ 454,309	\$ 426,364
City's contributions in relation to the actuarially determined contribution	1,662,921	1,233,823	887,957	1,150,934	1,127,202	1,922,331	1,513,489	1,161,744	454,309	426,364
City's contribution deficiency (excess)	\$ (1,000,000)	\$ (700,000)	\$ (400,000)	\$ (635,000)	\$ (488,361)	\$ (1,203,297)	\$ (900,000)	\$ (700,000)	\$ -	\$ -
City's covered payroll	\$ 2,686,066	\$ 2,225,190	\$ 1,659,700	\$ 1,886,156	\$ 1,879,940	\$ 2,091,078	\$ 2,044,846	\$ 2,047,119	\$ 1,965,393	\$ 1,956,233
City's contributions as a percentage of covered payroll	61.91%	55.45%	53.50%	61.02%	59.96%	91.93%	74.01%	56.75%	23.12%	21.80%
City of Tolleson Fire Public Safety Personnel Retirement System										
Actuarially determined contribution	\$ 709,672	\$ 550,828	\$ 562,315	\$ 635,240	\$ 469,927	\$ 611,230	\$ 433,691	\$ 751,037	\$ 401,653	\$ 360,947
City's contributions in relation to the actuarially determined contribution	1,709,672	750,828	687,315	955,240	1,278,913	1,163,074	833,691	751,037	401,653	360,947
City's contribution deficiency (excess)	\$ (1,000,000)	\$ (200,000)	\$ (125,000)	\$ (320,000)	\$ (808,986)	\$ (551,844)	\$ (400,000)	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,569,413	\$ 2,158,417	\$ 2,151,312	\$ 1,991,039	\$ 2,080,669	\$ 2,160,212	\$ 2,351,738	\$ 2,234,206	\$ 2,425,801	\$ 2,274,469
City's contributions as a percentage of covered payroll	66.54%	34.79%	31.95%	47.98%	61.47%	53.84%	35.45%	33.62%	16.56%	15.87%

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

See notes to pension plan schedule

City of Tolleson, Arizona

Required Supplementary Information
Notes to Pension Plan Schedules
Year Ended June 30, 2023

1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2021 actuarial valuation	19 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed fair value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS and from 4.0% - 7.25% to 3.5% - 6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS and from 4.5% - 7.75% to 4.0% - 7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5% for PSPRS and from 5.0% - 8.25% to 4.5% - 7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP. Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Retirement age	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).
Mortality	

2. Factors That Affect Trends

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

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



Financial Section

Other Supplementary Information

Nonmajor Governmental Funds Financial Statements

Special Revenue Funds

Highway User Revenue Fund (HURF) - This fund accounts for the City's share of Arizona's highway user tax revenues and associated expenditures legally restricted for road construction and maintenance.

Grants Fund - This fund accounts for miscellaneous federal and state grants and other contributions that are restricted for specific use.

Debt Service Fund

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



City of Tolleson, Arizona

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue			
	Highway User Revenue Fund	Grants	Debt Service	Total
Assets				
Cash and cash equivalents	\$ 1,184,613	\$ 184,796	\$ 275,040	\$ 1,644,449
Taxes receivable	-	-	46,254	46,254
Intergovernmental	71,213	161,999	50,387	283,599
Prepays	-	775	500	1,275
Total assets	<u>\$ 1,255,826</u>	<u>\$ 347,570</u>	<u>\$ 372,181</u>	<u>\$ 1,975,577</u>
Liabilities				
Accounts payable	\$ 14,146	\$ 9,992	\$ -	\$ 24,138
Accrued wages and benefits	-	4,616	-	4,616
Due to other funds	-	20,559	90,000	110,559
Total liabilities	<u>14,146</u>	<u>35,167</u>	<u>90,000</u>	<u>139,313</u>
Deferred Inflows of Resources				
Unavailable revenue	<u>-</u>	<u>35,767</u>	<u>16,330</u>	<u>52,097</u>
Fund Balances				
Nonspendable				
Prepaid items	-	775	500	1,275
Restricted:				
Highways and streets	1,241,680	-	-	1,241,680
Debt service	-	-	265,351	265,351
Grants	-	275,861	-	275,861
Total fund balances	<u>1,241,680</u>	<u>276,636</u>	<u>265,851</u>	<u>1,784,167</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 1,255,826</u>	<u>\$ 347,570</u>	<u>\$ 372,181</u>	<u>\$ 1,975,577</u>

City of Tolleson, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2023

	Special Revenue		Debt Service	
	Highway User Revenue Fund	Grants		Total
Revenues				
Taxes:				
Sales taxes	\$ -	\$ -	\$ 604,644	\$ 604,644
Property taxes	-	-	2,030,095	2,030,095
Intergovernmental	906,278	878,719	-	1,784,997
Investment earnings:				
Interest income	23,608	-	10,357	33,965
	<u>929,886</u>	<u>878,719</u>	<u>2,645,096</u>	<u>4,453,701</u>
Total revenues				
	<u>929,886</u>	<u>878,719</u>	<u>2,645,096</u>	<u>4,453,701</u>
Expenditures				
Current:				
Public safety	-	177,540	-	177,540
Highway and streets	984,304	-	-	984,304
Health & welfare	-	937,160	-	937,160
Capital outlay	-	143,662	-	143,662
Debt service:				
Principal retirement	-	-	2,201,376	2,201,376
Interest and fiscal charges	-	-	678,151	678,151
	<u>984,304</u>	<u>1,258,362</u>	<u>2,879,527</u>	<u>5,122,193</u>
Total expenditures				
	<u>984,304</u>	<u>1,258,362</u>	<u>2,879,527</u>	<u>5,122,193</u>
Excess of revenues over (under) expenditures	<u>(54,418)</u>	<u>(379,643)</u>	<u>(234,431)</u>	<u>(668,492)</u>
Other Financing Sources (Uses)				
Transfers in	-	435,021	-	435,021
	<u>-</u>	<u>435,021</u>	<u>-</u>	<u>435,021</u>
Net change in fund balances	(54,418)	55,378	(234,431)	(233,471)
Fund Balances, Beginning	<u>1,296,098</u>	<u>221,258</u>	<u>500,282</u>	<u>2,017,638</u>
Fund Balances, Ending	<u>\$ 1,241,680</u>	<u>\$ 276,636</u>	<u>\$ 265,851</u>	<u>\$ 1,784,167</u>

Financial Section

Other Supplementary Information

Budgetary Comparison Schedules

Highway User Revenue Fund

Grants Fund

Debt Service Fund

City of Tolleson, Arizona

Highway User Revenue

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Intergovernmental revenues	\$ 914,074	\$ 914,074	\$ 906,278	\$ (7,796)
Investment earnings:				
Interest income	300	300	23,608	23,308
Total revenues	914,374	914,374	929,886	15,512
Expenditures				
Current:				
Highways & streets	1,110,000	1,110,000	984,304	125,696
Net change in fund balance	(195,626)	(195,626)	(54,418)	141,208
Fund Balance, Beginning	1,296,098	1,296,098	1,296,098	-
Fund Balance, Ending	<u>\$ 1,100,472</u>	<u>\$ 1,100,472</u>	<u>\$ 1,241,680</u>	<u>\$ 141,208</u>

City of Tolleson, Arizona

Grants

Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues	\$ 45,531,394	\$ 45,531,394	\$ 878,719	\$ (44,652,675)
Expenditures				
Current:				
Public safety	510,925	510,925	177,540	333,385
Health and welfare	-	-	937,160	(937,160)
Capital outlay	42,736,000	42,736,000	143,662	42,592,338
Total expenditures	43,246,925	43,246,925	1,258,362	41,988,563
Excess (deficiency) of revenues over (under) expenditures	2,284,469	2,284,469	(379,643)	(2,664,112)
Other Financing Sources (Uses)				
Transfers in	632,827	632,827	435,021	(197,806)
Net change in fund balance	2,917,296	2,917,296	55,378	(2,861,918)
Fund Balance, Beginning	221,258	221,258	221,258	-
Fund Balance, Ending	<u>\$ 3,138,554</u>	<u>\$ 3,138,554</u>	<u>\$ 276,636</u>	<u>\$ (2,861,918)</u>

City of Tolleson, Arizona

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Sales taxes	\$ 620,000	\$ 620,000	\$ 604,644	\$ (15,356)
Property taxes	2,341,000	2,341,000	2,030,095	(310,905)
Investment earnings:				
Interest income	-	-	10,357	10,357
Total revenues	2,961,000	2,961,000	2,645,096	(315,904)
Expenditures				
Debt service:				
Principal retirement	2,564,376	2,564,376	2,201,376	363,000
Interest	-	-	678,151	(678,151)
Total expenditures	2,564,376	2,564,376	2,879,527	(315,151)
Net change in fund balance	396,624	396,624	(234,431)	(631,055)
Fund Balance, Beginning	500,282	500,282	500,282	-
Fund Balance, Ending	<u>\$ 896,906</u>	<u>\$ 896,906</u>	<u>\$ 265,851</u>	<u>\$ (631,055)</u>



Statistical Section

<u>Contents</u>	<u>Pages</u>
Financial Trends: These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	101-106
Revenue Capacity: These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales and uses taxes.	107-113
Debt Capacity: These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	114-119
Demographic and Economic Statistics: These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	120-122
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	123-128



City of Tolleson, Arizona

Table 1
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities										
Net investment in capital assets	\$ 27,534,901	\$ 30,954,613	\$ 30,421,590	\$ 32,215,631	\$ 35,872,282	\$ 43,344,723	\$ 46,353,982	\$ 47,483,826	\$ 55,890,355	\$ 63,268,921
Restricted	5,110,928	2,633,181	4,896,402	5,684,881	3,652,102	15,686,162	5,668,215	9,331,450	13,016,513	13,983,979
Unrestricted	9,625,353	(373,945)	4,441,397	6,218,425	9,449,895	(1,626,497)	15,458,380	29,152,183	47,334,838	61,087,177
Total governmental activities net position	42,271,182	33,213,849	39,759,389	44,118,937	48,974,279	57,404,388	67,480,577	85,967,459	116,241,706	138,340,077
Business-Type Activities										
Net investment in capital assets	34,835,900	42,351,199	46,812,938	47,446,347	48,568,972	50,126,416	50,543,526	52,261,630	52,648,010	54,143,716
Restricted	494,335	494,852	-	499,179	506,163	518,226	619,400	579,374	601,735	549,112
Unrestricted	20,708,802	17,740,832	18,087,097	19,893,307	22,973,234	26,976,548	30,438,009	32,967,733	35,733,525	38,290,027
Total business-type activities net position	56,039,037	60,586,883	64,900,035	67,838,833	72,048,369	77,621,190	81,600,935	85,808,737	88,983,270	92,982,855
Primary Government										
Net investment in capital assets	62,370,801	73,305,812	77,234,528	79,661,978	84,441,254	93,471,139	96,897,508	99,745,456	108,538,365	117,412,637
Restricted	5,605,263	3,128,033	4,896,402	6,184,060	4,158,265	16,204,388	6,287,615	9,910,824	13,618,248	14,533,091
Unrestricted	30,334,155	17,366,887	22,528,494	26,111,732	32,423,129	25,350,051	45,896,389	62,119,916	83,068,363	99,377,204
Total primary government net position	\$ 98,310,219	\$ 93,800,732	\$ 104,659,424	\$ 111,957,770	\$ 121,022,648	\$ 135,025,578	\$ 149,081,512	\$ 171,776,196	\$ 205,224,976	\$ 231,322,932

City of Tolleson, Arizona

Table 2
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
General government	\$ 4,069,698	\$ 5,415,488	\$ 5,596,149	\$ 6,057,979	\$ 6,699,834	\$ 6,244,732	\$ 8,293,849	\$ 8,802,055	\$ 8,249,937	\$ 11,705,795
Public safety	9,342,079	10,820,773	11,510,678	13,703,866	13,256,375	14,014,601	13,327,589	15,922,346	13,637,171	16,298,825
Highways and streets	4,278,584	2,155,241	2,146,277	2,158,993	2,702,277	2,709,339	2,980,662	2,520,959	2,379,025	3,122,637
Culture and recreation	885,714	1,691,577	1,667,220	2,438,231	2,382,861	2,907,590	3,545,868	3,085,615	3,783,474	4,740,527
Economic development	1,464,624	715,207	641,130	1,196,079	794,512	1,000,307	701,000	807,093	1,220,010	538,311
Health and welfare	378,772	426,259	510,429	455,278	506,590	545,600	602,713	805,115	941,668	1,014,599
Interest on long-term debt	812,432	776,981	750,181	717,956	636,533	727,733	1,093,652	735,730	616,099	535,092
Total governmental activities	21,231,903	22,001,526	22,822,064	26,728,382	26,978,982	28,149,902	30,545,333	32,678,913	30,827,384	37,955,786
Business-type activities:										
Water	5,446,163	5,032,519	5,379,124	5,294,611	5,926,382	5,287,268	5,927,310	6,130,858	5,980,303	6,846,830
Sanitation	630,134	502,305	475,758	418,557	373,399	362,235	362,020	390,518	6,955,939	10,554,083
Wastewater and sewer	6,238,217	6,408,153	6,434,002	6,720,582	6,639,875	6,298,733	6,885,266	6,739,960	356,675	421,727
Total business-type activities	12,314,514	11,942,977	12,288,884	12,433,750	12,939,656	11,948,236	13,174,596	13,261,336	13,292,917	17,822,640
Total primary government expenses	33,546,417	33,944,503	35,110,948	39,162,132	39,918,638	40,098,138	43,719,929	45,940,249	44,120,301	55,778,426
Program Revenues										
Governmental activities:										
Fines, fees and charges for services:										
General government	795,223	888,639	883,447	1,005,417	1,527,499	1,562,514	1,314,784	3,116,069	4,811,845	1,478,162
Public safety	302,522	273,624	598,221	404,051	321,968	303,551	1,056,164	1,450,784	1,253,789	1,486,168
Highways and streets	-	-	126,794	-	-	-	-	-	-	-
Culture and recreation	17,292	14,458	122,954	22,316	36,482	64,882	60,419	5,999	28,228	65,055
Redevelopment and housing	10,978	-	-	-	-	-	-	-	-	-
Other	-	9,250	-	-	-	-	-	-	-	-
Operating grants and contributions	771,285	916,333	759,072	973,563	972,700	1,355,565	1,923,497	2,471,673	1,415,906	1,388,004
Capital grants and contributions	370,799	-	21,240	18,472	69,939	161,413	31,883	10,242	391,195	221,661
Total governmental activities program revenues	2,268,099	2,102,304	2,511,728	2,423,819	2,928,588	3,447,925	4,386,747	7,054,767	7,900,963	4,639,050
Business-type activities:										
Charges for services:										
Water	6,666,770	6,583,969	6,596,501	6,460,671	6,873,286	6,609,408	6,682,768	7,296,769	7,097,130	7,232,297
Sanitation	324,197	355,328	352,861	384,453	449,095	457,751	449,137	448,320	452,833	449,584
Wastewater and sewer	6,713,988	5,420,273	5,899,361	5,743,503	6,293,079	6,085,228	6,917,860	6,679,392	7,171,037	11,841,623
Capital grants and contributions	-	4,673,401	150,584	49,811	-	-	-	1,217,479	784,432	65,187
Total business-type activities program revenues	13,704,955	17,032,971	12,999,307	12,638,438	13,615,460	13,152,387	14,049,765	15,641,960	15,505,432	19,588,691
Total primary government revenues	\$ 15,973,054	\$ 19,135,275	\$ 15,511,035	\$ 15,062,257	\$ 16,544,048	\$ 16,600,312	\$ 18,436,512	\$ 22,696,727	\$ 23,406,395	\$ 24,227,741

(Continued)

City of Tolleson, Arizona

Table 2

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Sales taxes	\$ 14,360,574	\$ 17,564,422	\$ 19,592,713	\$ 20,910,180	\$ 21,434,225	\$ 25,448,636	\$ 26,365,478	\$ 34,079,997	\$ 44,587,118	\$ 43,597,936
Property taxes	4,481,523	4,508,560	3,917,340	5,615,157	4,955,918	4,859,308	6,514,517	7,386,020	6,699,035	6,850,497
Franchise taxes	44,393	45,765	44,139	49,514	42,647	47,217	51,390	55,333	53,575	54,561
State revenue sharing	729,523	792,313	1,042,649	1,093,270	689,720	725,514	754,547	874,563	1,020,466	1,078,354
State income tax revenue sharing	569,695	598,140	788,017	857,378	889,064	872,525	943,866	1,053,562	953,371	1,383,873
Auto lieu tax	233,354	249,830	269,956	275,697	583,704	510,081	509,050	549,384	544,683	562,331
Investment earnings	56,799	38,073	147,383	162,952	285,082	838,282	873,182	67,930	(708,714)	1,847,112
Other	30,635	37,376	55,827	119,963	164,376	152,928	222,745	44,041	51,134	40,443
Transfers	110,500	(282,785)	(116,962)	(420,000)	(139,000)	(25,447)	-	-	-	-
Total governmental activities	20,616,996	23,551,694	25,741,062	28,664,111	28,905,736	33,429,044	36,234,775	44,110,830	53,200,668	55,415,107
Business-type activities:										
Property taxes	2,553,157	2,654,745	3,293,011	2,157,082	3,224,893	3,637,831	2,451,096	1,773,206	1,212,016	1,073,680
Investment earnings	18,924	14,960	96,484	99,441	169,839	705,392	653,480	53,972	(249,998)	1,159,854
Other	27,424	77,861	96,272	57,587	-	-	-	-	-	-
Transfers	(110,500)	282,785	116,962	420,000	139,000	25,447	-	-	-	-
Total business-type activities	2,489,005	3,030,351	3,602,729	2,734,110	3,533,732	4,368,670	3,104,576	1,827,178	962,018	2,233,534
Total primary government	<u>\$ 23,106,001</u>	<u>\$ 26,582,045</u>	<u>\$ 29,343,791</u>	<u>\$ 31,398,221</u>	<u>\$ 32,439,468</u>	<u>\$ 37,797,714</u>	<u>\$ 39,339,351</u>	<u>\$ 45,938,008</u>	<u>\$ 54,162,686</u>	<u>\$ 57,648,641</u>
Change in Net Position										
Governmental activities	\$ 20,616,996	\$ 3,652,472	\$ 5,430,726	\$ 4,359,548	\$ 4,855,342	\$ 4,855,342	\$ 8,727,067	\$ 10,076,189	\$ 30,274,247	\$ 22,098,371
Business-type activities	2,489,005	8,120,345	4,313,152	2,938,798	4,209,536	5,572,821	3,979,745	3,979,745	3,174,533	3,999,585
Total primary government	<u>\$ 23,106,001</u>	<u>\$ 11,772,817</u>	<u>\$ 9,743,878</u>	<u>\$ 7,298,346</u>	<u>\$ 9,064,878</u>	<u>\$ 10,428,163</u>	<u>\$ 12,706,812</u>	<u>\$ 14,055,934</u>	<u>\$ 33,448,780</u>	<u>\$ 26,097,956</u>

(Concluded)

City of Tolleson, Arizona

Table 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Restricted	\$ 336,340	\$ 485,014	\$ 563,507	\$ 829,648	\$ 509,582	\$ 545,198	\$ 526,278	\$ 520,396	\$ 490,798	\$ 388,906
Nondspendable	5,000	4,446	-	1,017	4,505	23,095	5,711	6,744	8,003	38,024
Unassigned	7,556,991	9,879,027	16,564,021	21,220,634	23,303,394	23,333,773	28,798,314	43,984,645	61,537,556	73,313,989
Total general fund	7,898,331	10,368,487	17,127,528	22,051,299	23,817,481	23,902,066	29,330,303	44,511,785	62,036,357	73,740,919
All Other Governmental Funds										
Restricted:										
Highways and streets	871,385	884,657	1,030,489	1,040,487	283,631	545,458	650,231	891,983	1,296,098	1,241,680
Debt service	1,133,469	938,131	879,996	609,568	325,667	456,077	786,808	1,020,169	500,282	265,351
Capital projects	3,718,026	474,052	242,592	169,021	25,447	11,574,765	11,563,422	10,074,230	-	-
Public safety	3,118,808	3,821,797	3,773,814	2,810,608	2,241,200	2,298,089	3,489,348	6,183,554	10,508,077	11,810,906
Other purposes	-	-	266,943	225,549	-	266,575	176,377	230,807	221,258	275,861
Nondspendable:										
Prepaid items	-	-	-	-	-	-	-	-	-	1,275
Assigned for:										
Other purposes	382,343	306,810	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 9,224,031	\$ 6,425,447	\$ 6,193,834	\$ 4,855,233	\$ 2,875,945	\$ 15,140,964	\$ 16,666,186	\$ 18,400,743	\$ 12,525,715	\$ 13,595,073

City of Tolleson, Arizona

Table 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues										
Taxes	\$ 18,514,067	\$ 21,730,411	\$ 23,625,789	\$ 26,519,434	\$ 26,406,680	\$ 30,369,457	\$ 32,922,112	\$ 41,653,930	\$ 51,611,199	\$ 51,042,946
Intergovernmental	2,471,590	2,740,020	2,686,665	2,957,255	3,095,010	3,436,410	4,024,435	3,575,547	4,049,096	3,919,988
Fines and penalties	256,498	236,270	272,888	325,149	292,883	283,882	223,321	215,889	197,352	175,831
Licenses and permits	396,364	462,220	305,411	506,796	650,962	644,556	422,794	770,437	881,248	598,581
Charges for services	521,705	537,114	628,428	1,096,911	1,319,914	1,381,940	1,354,241	3,356,929	5,149,624	2,120,916
Rents and royalties	11,340	11,340	-	-	62,525	47,045	54,054	54,054	69,707	36,339
Contributions and donations	105,353	126,881	74,790	66,681	40,437	66,619	52,218	1,270,908	66,975	73,179
Impact fees	370,799	-	-	-	-	-	-	-	-	-
Investment earnings	56,800	38,077	146,674	168,706	285,082	838,282	873,182	67,930	(708,714)	1,847,112
Other	35,920	55,702	74,675	88,835	254,617	405,051	585,522	-	-	17,766
Total revenues	22,740,436	25,938,035	27,815,320	31,729,767	32,408,110	37,473,242	40,511,879	50,965,624	61,316,487	59,832,658
Expenditures										
General government	4,415,415	5,078,029	4,826,824	5,631,593	6,688,536	6,692,032	7,500,493	7,752,645	7,672,146	9,477,326
Public safety	9,129,552	9,482,850	10,965,063	11,837,178	13,257,541	13,323,395	13,228,591	13,474,776	13,627,851	17,221,726
Highways and streets	6,866,301	6,137,597	1,360,043	1,382,414	1,694,376	1,989,758	1,973,409	1,492,239	1,489,855	2,468,465
Culture and recreation	1,305,402	1,509,987	1,628,078	1,800,987	2,032,198	2,559,148	3,164,620	2,606,480	3,331,694	4,513,554
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-
Economic development	881,237	725,924	619,344	1,201,318	1,006,559	1,284,470	1,090,113	1,492,553	1,514,864	1,087,317
Health and welfare	366,784	405,236	476,396	457,557	481,220	518,667	631,734	762,709	940,237	937,160
Capital outlay	2,232,168	937,440	1,447,693	2,648,333	4,995,043	8,906,309	3,182,235	3,160,158	18,259,225	8,687,581
Debt service:										
Principal retirement	945,000	835,000	785,000	2,035,000	1,406,500	958,100	1,823,715	2,447,563	2,099,604	2,331,279
Interest on long-term debt	839,087	803,637	776,837	744,612	663,188	770,870	1,022,360	881,666	762,035	681,028
Issuance costs	-	-	-	-	-	226,656	180,388	-	-	-
Total expenditures	26,980,946	25,915,700	22,885,278	27,738,992	32,225,161	37,229,405	33,797,658	34,070,789	49,697,511	47,405,436
Excess of revenues over (under) expenditures	(4,240,510)	22,335	4,930,042	3,990,775	182,949	243,837	6,714,221	16,894,835	11,618,976	12,427,222

(Continued)

City of Tolleson, Arizona

Table 4

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Other Financing Sources (Uses)										
Transfers in	\$ 3,751,052	\$ 3,091,764	\$ 3,134,362	\$ 2,596,590	\$ 1,518,209	\$ 305,239	\$ 1,608,678	\$ 360,569	\$ 361,148	\$ 435,021
Transfers out	(3,640,552)	(3,374,549)	(3,251,324)	(3,016,589)	(1,657,209)	(330,686)	(1,608,678)	(360,569)	(361,148)	(435,021)
Subscription-based information technology arrangements	-	-	-	-	-	-	-	-	-	330,328
Proceeds of refunding debt issuance	-	-	-	-	-	-	6,737,000	-	-	-
Premium on refunding debt issuance	-	-	-	-	-	-	686,780	-	-	-
Proceeds of general obligation bond issuance	-	-	-	-	-	10,850,000	-	-	-	-
Premium on general obligation bond issuance	-	-	-	-	-	1,005,367	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-	-	-	(7,190,000)	-	-	-
Proceeds from sale of capital assets	8,282	15,023	17,525	14,394	9,520	9,272	5,458	21,204	30,568	16,370
Total other financing sources (uses)	118,782	(267,762)	(99,437)	(405,605)	(129,480)	11,839,192	239,238	21,204	30,568	346,698
Net Change in Fund Balance	\$ (4,121,728)	\$ (245,427)	\$ 4,830,605	\$ 3,585,170	\$ 53,469	\$ 12,083,029	\$ 6,953,459	\$ 16,916,039	\$ 11,649,544	\$ 12,773,920
Debt Service as a Percentage of Noncapital Expenditures	7.21%	6.56%	7.29%	10.79%	7.46%	6.90%	9.88%	10.74%	9.13%	7.72%

City of Tolleson, Arizona

Table 5
General Government Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

Fiscal Year	Property	Sales & Use	Franchise	Total
2014	\$ 4,109,100	\$ 14,360,574	\$ 44,393	\$ 18,514,067
2015	4,120,224	17,564,422	41,385	21,726,031
2016	3,988,866	19,592,784	44,139	23,625,789
2017	5,559,669	20,910,251	49,514	26,519,434
2018	4,929,808	21,434,225	42,647	26,406,680
2019	4,873,604	25,448,636	47,217	30,369,457
2020	6,505,244	26,365,478	51,390	32,922,112
2021	7,518,600	34,079,997	55,333	41,653,930
2022	7,982,524	44,451,806	53,575	52,487,905
2023	7,901,803	43,441,037	54,561	51,397,401
Change 2014-2023	92.3%	202.5%	22.9%	177.6%

City of Tolleson, Arizona

Table 6

Assess Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Unaudited)

(In Thousands of Dollars)

Fiscal Year	Industrial & Commercial Property	Agricultural and Vacant	Residential Property	Others	Total Taxable Assessed Value	Total Direct Tax Rate/Thousand	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2014	143,031	8,901	8,076	2,246	162,254	3.7612	162,254	100%
2015	147,663	9,698	9,009	2,259	168,629	3.7457	168,629	100%
2016	172,787	12,297	12,619	1,958	199,661	3.9715	199,661	100%
2017	210,837	12,818	13,974	1,976	239,605	3.9734	239,605	100%
2018	239,361	13,797	15,834	2,264	271,256	3.9895	271,256	100%
2019	264,312	9,810	20,042	1,794	295,958	3.8319	295,958	100%
2020	296,155	10,023	20,844	1,910	328,932	3.7169	328,932	100%
2021	329,937	10,283	26,591	1,908	368,719	3.5259	368,719	100%
2022	349,483	13,048	30,665	2,000	395,196	2.7476	395,196	100%
2023	357,893	11,850	33,933	2,194	405,870	2.6796	405,870	100%

City of Tolleson, Arizona

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

Fiscal Year	Direct Rates			Overlapping Rates			Rate Total
	Basic Rate	General Obligation Debt Service	Total Direct Rate	School District	Flood Control and Water Conservation District	County	
2014	1.7811	1.9801	3.7612	N/A	N/A	N/A	3.7612
2015	1.8309	1.9148	3.7457	N/A	N/A	N/A	3.7457
2016	1.8344	2.1371	3.9715	N/A	N/A	N/A	3.9715
2017	1.8325	2.1409	3.9734	N/A	N/A	N/A	3.9734
2018	1.8325	2.1570	3.9895	N/A	N/A	N/A	3.9895
2019	1.8039	2.0280	3.8319	N/A	N/A	N/A	3.8319
2020	1.7281	2.0280	3.7561	N/A	N/A	N/A	3.7561
2021	1.6584	1.8675	3.5259	N/A	N/A	N/A	3.5259
2022	1.6551	1.0925	2.7476	N/A	N/A	N/A	2.7476
2023	1.5894	1.0902	2.6796	N/A	N/A	N/A	2.6796

Source: Maricopa County Finance Department

N/A - Not available at the time of printing

City of Tolleson, Arizona

Table 8
Principal Property Taxpayers
Current and Nine Years Ago
(Unaudited)

Taxpayer	2023			2014		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SVC Manufacturing INC	\$ 13,986,488	1	5.05%	\$ -	-	-
CLNC NNN Alberts AZ LLC	12,505,266	2	4.52%	-	-	-
FR CAL 3 Tolleson Buckeye LLC	11,648,664	3	4.21%	8,936,909	1	5.51%
Smiths Food & Drugs	11,204,312	4	4.05%	-	-	-
Sun Land Beef Co	8,918,419	5	3.22%	5,625,099	3	3.47%
Prologis-Exchange Westside Business Park LLC	8,455,627	6	3.06%	-	-	-
SBSS W Jefferson LLC/CI448 W Jefferson LLC	5,962,574	7	2.15%	4,266,182	5	2.63%
Greater Arizona Auto Auctions Inc	5,062,748	8	1.83%	-	-	-
Liberty Property LP	4,659,448	9	1.68%	-	-	-
SREIT Loop 101 Phase II LLC	4,602,865	10	1.66%	-	-	-
LBA Realty Fund III Company IX LLC	-	-	-	6,039,570	2	3.72%
ABS SW Investor LLC (Albertson)	-	-	-	5,313,456	4	3.27%
Cole HD Tolleson AZ LLC	-	-	-	4,088,117	6	2.52%
Price Company	-	-	-	2,837,356	7	1.75%
AZEJM Land Holdings/Oxnard	-	-	-	2,446,195	8	1.51%
UB II (New Wincup - AZ) LLC	-	-	-	2,393,258	9	1.48%
91st Avenue Investment Co.	-	-	-	2,206,211	10	1.36%
Total	<u>\$ 87,006,411</u>			<u>\$ 44,152,353</u>		<u>27.22%</u>

Source: Maricopa County Assessor's Office

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

City of Tolleson, Arizona

Table 9
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Levy
		Amount	Percent of Levy		Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy		
2014	\$ 6,063,150	\$ 6,063,150	100.00%	-	\$ 6,063,150	100.00%	\$ -	-
2015	6,189,084	6,143,072	99.26%	-	6,143,072	99.26%	46,012	0.74%
2016	6,563,777	6,563,777	100.00%	-	6,563,777	100.00%	-	-
2017	7,074,915	7,074,915	100.00%	-	7,074,915	100.00%	-	-
2018	7,649,751	7,649,751	100.00%	-	7,649,751	100.00%	-	-
2019	7,941,559	7,909,802	99.60%	-	7,909,802	99.60%	31,757	0.40%
2020	8,542,642	8,423,632	98.61%	-	8,423,632	98.61%	83,510	0.98%
2021	8,651,852	8,463,805	97.83%	76,114	8,539,919	98.71%	148,209	1.71%
2022	7,243,168	7,230,004	99.82%	219,715	7,449,719	102.85%	82,801	1.14%
2023	7,509,399	7,388,285	98.39%	(21,671)	7,366,614	98.10%	52,365	0.70%

Source: Maricopa County Finance Department

City of Tolleson, Arizona

Table 10
Taxable Sales by Category
Last Ten Fiscal Years
(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021
Sales Category								
Commercial & utilities	\$ 1,332,053	\$ 1,486,385	\$ 1,484,711	\$ 1,471,733	\$ 1,429,106	\$ 1,472,126	\$ 1,419,507	\$ 1,535,042
Construction	768,790	1,417,419	907,458	1,337,854	1,553,611	2,534,686	1,224,339	1,424,785
Manufacturing	501,565	649,799	769,714	973,913	955,024	998,523	680,611	820,935
Wholesale	2,281,582	3,261,898	4,387,437	3,980,112	3,487,881	3,774,365	3,914,447	4,651,274
Retail	6,375,361	7,073,146	7,723,550	8,545,050	9,362,838	11,481,732	13,464,737	18,580,686
Real estate	1,525,374	1,851,697	2,150,547	2,085,554	2,454,322	2,528,580	2,654,247	3,653,986
Services	745,858	871,641	1,232,577	1,317,928	1,397,260	1,444,529	1,671,286	1,847,042
All other outlets	829,991	952,436	936,790	1,198,107	794,183	1,214,095	1,336,304	1,540,419
Total	\$ 14,360,574	\$ 17,564,421	\$ 19,592,784	\$ 20,910,251	\$ 21,434,225	\$ 25,448,636	\$ 26,365,478	\$ 34,054,169
City Sales Tax Rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

Source: Arizona State Revenue

Note: This schedule requires that governments present revenue information about their most significant own-source revenue.

City of Tolleson, Arizona

Table 11

Direct and Overlapping Sales Tax Rates

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	City Direct Rate	County
2014	2.50%	8.80%
2015	2.50%	8.80%
2016	2.50%	8.80%
2017	2.50%	8.80%
2018	2.50%	8.80%
2019	2.50%	8.80%
2020	2.50%	8.80%
2021	2.50%	8.80%
2022	2.50%	8.80%
2023	2.50%	8.80%

Source: Arizona State Revenue

City of Tolleson, Arizona

Table 12
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)
(Dollars in Thousands, Except Per Capita)

Fiscal Year	Governmental Activities				Business-Type Activities				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 WIFA Loan			
2014	\$ 11,710	\$ 7,430	\$ -	\$ -	\$ 16,930	\$ -	\$ -	\$ 8,144	\$ 44,214	*	\$ 6,544
2015	11,235	7,070	-	-	14,220	-	-	7,750	40,275	*	5,961
2016	10,825	6,929	-	-	11,330	-	-	7,342	36,426	*	5,257
2017	9,180	6,305	-	-	9,485	-	-	6,921	31,891	*	4,443
2018	8,179	5,900	-	-	6,837	-	-	6,486	27,402	*	3,803
2019	18,495	5,475	-	-	3,860	-	-	6,037	33,867	*	4,640
2020	18,227	5,174	-	-	6,156	-	-	5,573	35,130	*	4,765
2021	16,117	4,690	-	-	4,921	-	-	5,094	30,822	*	4,181
2022	14,389	4,172	-	-	4,178	-	-	4,599	27,338	*	3,747
2023	12,580	3,634	-	-	3,402	-	-	4,087	23,703	*	3,266

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

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

City of Tolleson, Arizona

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

Fiscal Year	General Obligation Bonds	WIFA General Obligation Loan	Net General Obligation Bonded Debt	Taxable Assessed Value of Property	Percentage of Actual Taxable Value of Property	Population	Per Capita
2014	\$ 33,391	\$ 4,751	\$ 38,142	\$ 162,254	23.51%	6,756	\$ 5,646
2015	29,976	4,521	34,497	168,630	20.46%	6,756	5,106
2016	26,438	4,283	30,721	199,661	15.39%	6,929	4,434
2017	22,703	4,038	26,741	239,606	11.16%	6,929	3,859
2018	18,799	3,784	22,583	271,257	8.33%	6,929	3,259
2019	25,877	3,522	29,399	295,958	9.93%	7,299	4,028
2020	24,383	3,251	27,634	328,932	8.40%	7,372	3,749
2021	21,037	2,971	24,008	368,719	7.00%	7,372	3,257
2022	18,567	2,683	21,250	395,196	5.38%	7,295	2,913
2023	15,982	2,384	18,366	405,870	4.53%	7,258	2,530

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
a See Schedule 7 for property value data.

City of Tolleson, Arizona

Table 14

Direct and Overlapping Governmental Activities Debt

June 30, 2023

(Unaudited)

Governmental Unit	General Obligation Debt Outstanding (a)	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (b)
Debt Repaid With Property Taxes			
Tolleson Elementary School District No. 17	\$ 18,780,000	70.94	\$ 13,322,423
Fowler Elementary School District No. 45	8,785,000	9.47	831,901
Littleton Elementary School District No. 65	44,665,000	14.41	6,437,526
Tolleson Union High School District No. 214	214,300,000	17.22	36,895,951
Maricopa County Community College District	87,320,000	0.54	468,534
Maricopa County Special Health Care District	574,205,000	0.54	3,081,021
Western Maricopa Education Center District No. 402	114,930,000	1.43	1,647,905
Subtotal, overlapping debt			62,685,261
City of Tolleson, Arizona Direct Debt	16,950,850	100.00	16,950,850
Total direct and overlapping debt			<u>\$ 79,636,111</u>

(a) Includes total stated principal amount of general obligation bonds outstanding. Does not include outstanding principal amount of certificates of participation, revenue obligations or loan obligations outstanding for the jurisdictions listed above. Does not include outstanding principal amounts of various County and city improvement districts, as the bonds of these districts are presently being paid from special assessments against property within the various improvement districts.

(b) Proportion applicable to the City is computed on the ratio of Net Limited Assessed Property Value for 2022/23.

Source: The various entities, *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue, *Property Tax Rates and Assessed Values*, Arizona Tax Research Association and the Assessor, Office of Budget and Finance and Treasurer of Maricopa County.

Prepared by: Stifel, Nicolaus & Company, Incorporated.

City of Tolleson, Arizona

Table 15

Calculation of Legal Debt Margin

June 30, 2023

(Unaudited)

Net Assessed Valuation		\$ 405,870,380
<u>Water, Sewer, Light, Parks, Open Space and Recreational Facility Bonds</u>		
Debt limit - 20% of secondary net assessed valuation		\$ 81,174,076
Debt applicable to limit		
General obligation bonds outstanding	\$ 10,116,126	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>10,116,126</u>
20% legal debt margin		<u>71,057,950</u>
<u>All Other General Obligation Bonds</u>		
Debt limit - 6% of secondary net assessed valuation		24,352,223
Debt applicable to limit		
General obligation bonds outstanding	8,249,925	
Less amount set aside for repayment of debt	<u>-</u>	
Net debt applicable to limit		<u>8,249,925</u>
All other general obligation bonds debt margin		<u>16,102,298</u>
Total legal debt margin		<u><u>\$ 87,160,248</u></u>

Source: Maricopa County Assessor's Office

City of Tolleson, Arizona

Table 16

Legal Debt Margin Information

Last Ten Fiscal Years

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Secondary Assessed Valuation	\$ 162,254,481	\$ 168,629,759	\$ 199,662,057	\$ 239,605,939	\$ 271,256,677	\$ 295,958,429	\$ 328,931,929	\$ 368,719,284	\$ 395,196,343	\$ 405,870,380
Debt Limit	42,186,165	43,843,737	51,912,135	62,297,544	70,526,736	76,949,192	85,522,302	95,867,014	102,751,049	105,526,299
Total net debt applicable to limit	33,160,790	29,738,090	26,192,537	22,702,537	18,798,871	25,876,823	26,166,178	24,008,903	21,249,749	18,366,051
Legal debt margin	<u>\$ 9,025,375</u>	<u>\$ 14,105,647</u>	<u>\$ 25,719,598</u>	<u>\$ 39,595,007</u>	<u>\$ 51,727,865</u>	<u>\$ 51,072,369</u>	<u>\$ 59,356,124</u>	<u>\$ 71,858,111</u>	<u>\$ 81,501,300</u>	<u>\$ 87,160,248</u>
Total net debt applicable to the limit as a percentage of debt limit.	78.61%	67.83%	50.46%	36.44%	26.65%	33.63%	30.60%	25.04%	20.68%	17.40%

City of Tolleson, Arizona

Table 17
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Unaudited)
(Dollars in Thousands)

Fiscal Year	Revenue Bonds*						Special Assessment Bonds			
	Public Safety Sales Tax	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2014	\$ 720	\$ -	\$ 720	\$ 350	\$ 358	1.02	\$ -	\$ -	\$ -	-
2015	720	-	720	360	345	1.02	-	-	-	-
2016	720	-	720	375	332	1.02	-	-	-	-
2017	720	-	720	390	317	1.02	-	-	-	-
2018	720	-	720	405	301	1.02	-	-	-	-
2019	720	-	720	425	284	1.02	-	-	-	-
2020	720	-	720	440	267	1.02	-	-	-	-
2021	678	-	678	420	201	1.09	-	-	-	-
2022	476	-	476	455	167	0.77	-	-	-	-
2023	605	-	605	475	149	0.97	-	-	-	-

*Revenue Bonds: Public Safety Sale Tax Bonds

City of Tolleson, Arizona

Table 18
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Calendar Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2014	6,756	\$ 37,972	\$ 12,285	N/A	N/A	N/A	6.40%
2015	6,756	32,196	12,934	N/A	N/A	N/A	4.80%
2016	6,929	34,485	13,391	N/A	N/A	N/A	4.50%
2017	7,178	31,388	13,588	N/A	N/A	N/A	4.50%
2018	7,205	39,714	16,267	N/A	N/A	N/A	4.50%
2019	7,299	39,714	16,267	N/A	N/A	N/A	4.50%
2020	7,372	42,935	17,269	N/A	N/A	N/A	9.70%
2021	7,372	45,952	17,998	N/A	N/A	N/A	6.60%
2022	7,295	54,494	21,402	N/A	N/A	N/A	2.90%
2023	7,258	48,002	20,173	N/A	N/A	N/A	3.40%

Sources: U.S. Department of Commerce for population and Homefacts (homefacts.com/unemployment/Arizona/Maricopa-County/Tolleson) for unemployment rate.

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

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

City of Tolleson, Arizona

Table 19

Principal Employers
Current and Nine Years Ago
(Unaudited)

Taxpayer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
J.B. Packerland	1,580	1	9.86%	1,100	1	10.27%
Albertsons, Inc.	800	2	4.99%	-	-	-
Atlas Retail Services	680	3	4.24%	500	2	4.67%
Papa Johns Salads Produce	630	4	3.93%	-	-	-
SK Food Group	550	5	3.43%	-	-	-
Pepsico	550	5	3.43%	462	3	4.32%
Carvana Co	500	7	3.12%	-	-	-
Sysco Food Services of Arizona	390	8	2.43%	273	9	2.55%
Home Depot	370	9	2.31%	-	-	-
Salt River Project	350	10	2.18%	314	7	2.93%
Rousseau Farming Co.	-	-	-	400	4	3.74%
Fry's Distribution	-	-	-	341	5	3.19%
Ryder Inc. Hillshire Brands	-	-	-	322	6	3.01%
Quiktrip Corp.	-	-	-	296	8	2.76%
Berry Plastics, Inc.	-	-	-	260	10	2.43%
Total	6,400		39.92%	4,268		39.87%

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

City of Tolleson, Arizona

Table 20
Full-Time Equivalent Employee by Function
Last Ten Fiscal Years
(Unaudited)

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government	45.0	46.5	41.0	47.0	48.0	60.0	56.0	55.0	54.0
Police	42.0	42.0	48.0	49.0	49.0	49.0	49.0	53.0	54.0
Fire	31.0	33.0	33.0	32.0	32.0	33.0	33.0	33.0	34.0
Public works	18.5	18.0	19.0	19.0	21.0	22.0	22.0	22.0	23.0
Community services	8.0	8.0	9.0	8.0	9.0	10.5	12.5	12.5	11.5
Water	8.0	8.0	11.0	12.0	12.6	14.0	14.0	14.0	14.0
Sanitation	1.5	1.5	3.0	2.0	-	-	-	-	-
Wastewater/sewer	21.0	24.0	28.0	28.5	27.4	28.5	29.0	28	28.0
Total	175.0	181.0	192.0	197.5	199.0	217.0	215.5	217.5	218.5

Source: City Records

City of Tolleson, Arizona

Table 21
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police									
Physical arrests	257	248	293	352	330	404	978	1,064	982
Call for services	12,484	11,712	14,650	15,428	15,942	16,560	15,507	17,376	17,901
Traffic violations	3,582	2,758	3,599	3,433	2,456	1,825	1,263	1,551	1,350
Fire									
Emergency responses	2,212	2,322	2,636	2,915	3,688	3,701	3,944	4,085	2,993
Fires extinguished	134	135	120	116	1,088	1,099	1,195	1,054	647
Inspections	43	116	633	52**	1	24	94	162	218
Planning and Building Safety									
Building permits issued	386	327	336	383	429	488	429	332	411
Building inspections conducted	1,425	1,460	694*	860*	1,286	1,565	984	1,090	788
Transit									
Total route miles	6	6	6	6	6	6	6	6	6
Sanitation									
Refuse collected (tons/day)	8.5	8.87	8.46	0.42***	0.54	0.76	11.00	12	7
Library									
Volumes in collection	26,983	23,172	22,894	24,337	23,809	25,210	24,244	42,311	43,886
Total volumes borrowed	36,480	33,183	29,166	34,419	31,110	39,211	36,281	16,415	19,213
Water									
New connections	44	35	19	26	8	59	35	17	36
Water main breaks						5	7	6	8
Average daily consumption (thousands of gallons)	3,877	3,000	3,823	3,082	3,940	3,774	4	4	4
Peak daily consumption (thousands of gallons)	5,384	6,000	7,100	6,480	5,602	5,721	6	5	6
Wastewater									
Average daily sewage treatment (thousands of gallons)	5,274	8,230	5,347	5,353	5,359	5,490	5,739	5,534	6,061

* Represents 8 months

** Represents 2 months

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

Source: City Records

City of Tolleson, Arizona

Table 22
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	24	24	24	24	24	22	27	34	34	37
Fire Stations	1	1	1	1	1	1	1	1	1	1
Refuse Collection										
Collection trucks	6	6	6	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	34	34	34	34	34	34	34	34	30	30
Streetlights	778	778	778	778	778	944	965	1,071	955	955
Traffic signals	12	12	12	12	13	14	15	15	14	14
Parks and Recreation										
Acreage	20	20	20	20	20	24	24	24	29	29
Playgrounds	3	3	4	4	4	4	4	4	4	4
Baseball/softball diamonds	1	3	3	3	3	3	3	3	3	3
Soccer/football fields	1	2	2	2	2	2	2	2	2	2
Community/Youth Centers	2	2	3	3	3	3	2	2	2	2
Water										
Water mains (miles)	56	60	60	57	57.75	60	64	64	64.03	64.74
Fire hydrants	420	700	700	730	737	748	765	765	768	778
Storage capacity (thousands of gallons)			5,250		5,250	5,250	5,250	5,250	5,250	5,250
Wastewater										
Sanitary sewers (miles)	34.63	35.03	38.12	38.62	38.62	39.46	40.06	40.06	40.16	40.45
Storm sewers (miles)	2	2	2	2	2	2	2	2	2	2
Treatment capacity (thousands of gallons)	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

Table 23

Property Valuations

Fiscal Year Ended June 30, 2023

(Unaudited)

	2022-2023
	Fiscal Year
Estimated actual valuation	\$ 2,724,681,823
Net primary assessed valuation	276,736,941

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

City of Tolleson, Arizona

Table 24

Secondary Valuations as a Percentage of Estimated Valuations

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Net Secondary Assessed Valuation	Estimated Actual Valuation	Net Secondary Assessed Valuations as Percentage of the Estimated Actual Valuation
2022-23	\$ 405,870,380	\$ 2,724,681,823	14.90%
2021-22	395,196,343	2,584,491,200	15.29%
2020-21	368,719,284	2,400,108,151	15.36%
2019-20	328,931,929	2,128,581,709	15.45%
2018-19	295,958,429	1,933,298,374	15.31%
2017-18	271,256,677	1,786,258,167	15.19%
2016-17	239,605,939	1,593,519,300	15.04%
2015-16	199,662,057	1,326,288,910	15.05%
2014-15	168,629,759	1,111,077,328	15.18%
2013-14	162,254,481	1,048,898,288	15.47%

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

City of Tolleson, Arizona

Table 25

Secondary Valuations by Legal Class

June 30, 2023

(Unaudited)

Legal Class	Description	2021-2022 Secondary Assessed Valuation	2022 Percent of Total	2022-2023 Secondary Assessed Valuation	2023 Percent of Total
1	Utilities Telecommunication and Commercial and Industrial	\$ 349,482,677	88.42%	\$ 357,892,686	88.17%
2	Agricultural and Vacant	13,048,653	3.30%	11,850,370	2.92%
3	Residential (Owner occupied)	17,539,103	4.44%	18,712,221	4.61%
4	Residential (Rental)	13,126,010	3.32%	15,220,764	3.75%
5	Railroad	739,290	0.19%	962,519	0.24%
6	Non-commercials	1,260,610	0.32%	1,231,820	0.30%
	Total	<u>\$ 395,196,343</u>	<u>100.00%</u>	<u>\$ 405,870,380</u>	<u>100.00%</u>

Source: Maricopa County Assessor's Office

City of Tolleson, Arizona

Table 26

Secondary Valuations by Major Taxpayer

June 30, 2023

(Unaudited)

Taxpayers	Business	Estimated Secondary 2022 - 2023 Assessed Valuation	Estimated as a Percent of the City's 2022 - 2023 Net Secondary Assessed Valuation
SVC Manufacturing INC	Food Manufacture	\$ 13,986,488	5.05%
CLNC NNN Alberts AZ LLC (Albertsons)	Grocery Retailer	12,505,266	4.52%
FR CAL 3 Tolleson Buckeye LLC	Industrial Property	11,648,664	4.21%
Smiths Food & Drugs	Grocery Retailer	11,204,312	4.05%
Sun Land Beef Co	Food Manufacture	8,918,419	3.22%
Prologis-Exchange Westside Business Park LLC	Industrial Property	8,455,627	3.06%
SBSS W Jefferson LLC/CI448 W Jefferson LLC		5,962,574	2.15%
Greater Arizona Auto Auctions Inc.	Auto Auctions	5,062,748	1.83%
Liberty Property LP	Real Estate	4,659,448	1.68%
SREIT Loop 101 Phase II LLC		4,602,865	1.66%
Total		<u>\$ 87,006,411</u>	<u>31.44%</u>

Source: Maricopa County Assessor's Office



Compliance Section

**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***

Independent Auditors' Report

To the Honorable Mayor and City Council of
City of Tolleson

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Baker Tilly US, LLP

Tempe, Arizona
December 5, 2023