Reporting and insights from 2025 audit:

City of Tolleson, Arizona

June 30, 2025

Executive summary

We have completed our audit of the financial statements of the City of Tolleson for the year ended June 30, 2025 and have issued our report thereon dated December 17, 2025.

- Financial Statement Audit Report
  - Unmodified opinion
- *Government Auditing Standards* Compliance Report
  - No instances of noncompliance or other matters
  - No identified material weaknesses
- Federal Grants Single Audit Report
  - Major Program – Coronavirus State and Local Fiscal Recovery Funds
    - No Findings

This presentation supplements our letter to governance dated December 17, 2025 as required by our professional standards.

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. Reasonable assurance is a high level of assurance, but not an absolute level of assurance.
- Assessing the risks of material misstatement of the basic financial statements whether due to fraud or error. Included in that assessment is a consideration of the City's internal control over financial reporting
- Performing appropriate procedures based upon our risk assessment
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management
- Forming and expressing an opinion based on our audit about whether the basic financial statements prepared by management, with the oversight of those charged with governance:
    - Are free from material misstatement
    - Present fairly in all material respects and in accordance with accounting principles generally accepted in the United States of America
    - Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by Government Auditing Standards

- Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities.

Our responsibilities

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance including:

- Internal control matters – Various controls have been tested with no reportable findings.
- Qualitative aspects of the City's accounting practice including policies, accounting estimates and financial statement disclosures – This can be found on Note 1 of the financial statements
- Significant unusual transactions – All significant and unusual transactions have been audited with no reportable issues.
- Significant difficulties encountered – No difficulties to report
- Disagreements with management – No disagreements to report
- Circumstances that affect the form and content of the auditors' report and key audit matters – None noted
- Audit consultations outside the engagement team – None noted
- Corrected and uncorrected misstatements – No misstatements identified
- Other audit findings or issues – No audit findings or issues identified

Required communications

Management's consultations with other accountants

- In some cases, management may decide to consult with other accountants about auditing and accounting matters.
  - Management informed us that and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any instances of known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the City's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the basic financial statements including the effects on the basic financial statements and the adequacy of the related disclosures and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the City's related parties.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Assistance with preparation of the Data Collection Form
- Assist in preparing the GASB 68/74 Pension journal entries using actuary and plan provided support for (ASRS, PSPRS, EORP).

In addition, we prepared GASB No. 34 conversion entries which are summarized in the, “Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position” and the, “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities” in the financial statements.

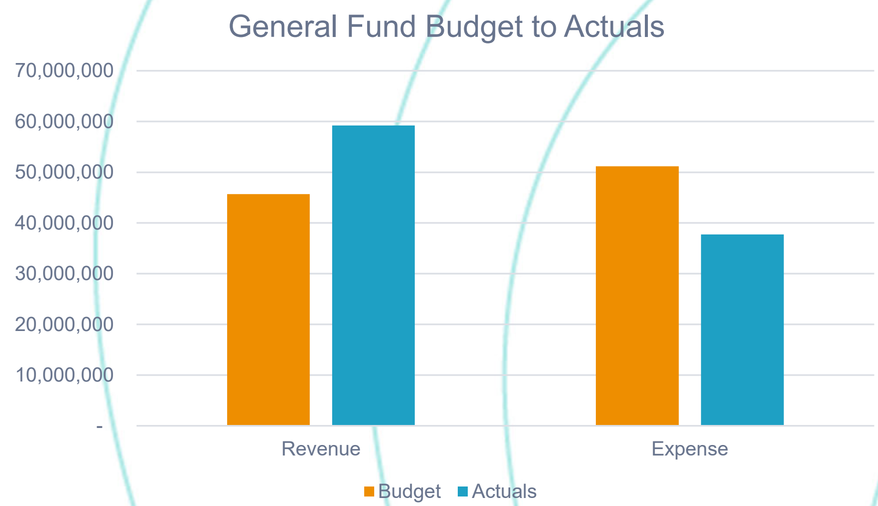
None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Communications with City Council and Management

- Expenditure Limitation Report
  - City was $112.01 million dollars under the Home Rule Expenditure Limitation
  - Issued to the Arizona State Auditor General timely

Voter-Approved Expenditure Limitation	$198,064,114
City Expenditures Subject to Limitation	80,753,780
Amount under the expenditure Limitation	$117,310,334

Communications with City Council and Management

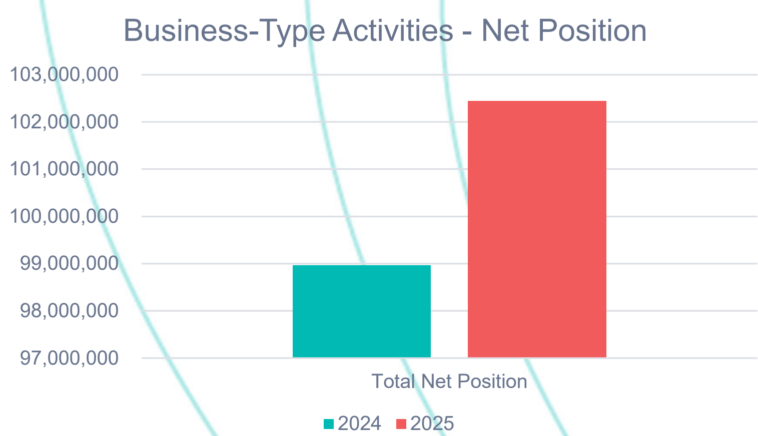


- Fund balance increased by $25.6 million during the current fiscal year, with the increase primarily due to an increase in tax revenues and investment earnings.
- Actual revenues were $13.5 million more than budget
- Actual expenditures were $13.4 less than budget

Communications with City Council and Management

Enterprise Funds

- Water fund – Operating expenses exceeded charges for services by $625K, leading to a decrease in net position of $587.9K.
- Wastewater and Sewer - Charges for services exceeded operating expenses by $1.8M, leading to an increase in net position of $2.9M.
- Sanitation – Charges for services exceeded operating expenses by $2.2K, leading to an increase in net position of $18.5K.



Questions?

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