

PRELIMINARY OFFICIAL STATEMENT DATED MAY 20, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

RATING: See "RATING" herein

In the opinion of Greenberg Traurig, LLP, Special Counsel, assuming the accuracy of certain representations and certifications and the continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, the portion of each installment payment made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Holders of the Obligations (the "Interest Portion") will be excludable from gross income for federal income tax purposes. Further, the Interest Portion will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "Code"), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion will not be excluded from the determination of adjusted financial statement income. See "TAX EXEMPTION" herein for a description of certain other federal tax consequences of ownership of the Obligations. Special Counsel is further of the opinion that the Interest Portion will be exempt from income taxation under the laws of the State of Arizona so long as the Interest Portion is excludable from gross income for federal income tax purposes.

\$46,750,000*

**WASTEWATER SYSTEM REVENUE
OBLIGATIONS, SERIES 2026A**

\$4,435,000*

**WASTEWATER SYSTEM REVENUE
REFUNDING OBLIGATIONS, SERIES 2026B**



**Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by the
CITY OF AVONDALE, ARIZONA**

**Pursuant to a Series 2026 Wastewater Revenue Purchase Agreement,
Dated as of June 1, 2026***

Dated: Date of Initial Delivery

Due: July 1, as shown on inside front cover pages

The Wastewater System Revenue Obligations, Series 2026A (the "2026A Obligations") and the Wastewater System Revenue Refunding Obligations, Series 2026B (the "2026B Obligations" and, collectively with the 2026A Obligations, the "Obligations") are being executed and delivered pursuant to a Series 2026 Wastewater Revenue Obligation Indenture, to be dated as of June 1, 2026*, between the City of Avondale, Arizona (the "City"), and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Interest with respect to the Obligations will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027*. The Obligations will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), for purposes of the book-entry-only system described herein and will be available to ultimate purchasers in the amounts of \$5,000 of principal represented by the Obligations of a series due on a specific maturity date, or any integral multiple thereof, pursuant to the book-entry-only system maintained by DTC. Payments of principal and interest with respect to the Obligations will be paid by the Trustee to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Obligations. See APPENDIX H – "BOOK-ENTRY-ONLY SYSTEM."

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the City's sewer collection and treatment system (the "Wastewater System"), (ii) refunding the Obligations Being Refunded (as defined herein), and (iii) paying costs incurred in connection with the execution and delivery of the Obligations. See "SOURCES AND USES OF FUNDS" herein.

SEE MATURITY SCHEDULES ON INSIDE FRONT COVER PAGES

The 2026A Obligations will be subject to optional redemption prior to maturity. The 2026B Obligations will not be subject to optional redemption prior to maturity. See "THE OBLIGATIONS - Redemption Provisions."*

The Obligations will evidence undivided proportionate interests of the Holders (as defined herein) thereof in the right to receive certain installments of the Purchase Price (as defined herein) pursuant to a Series 2026 Wastewater Revenue Purchase Agreement, to be dated as of June 1, 2026* (the "Purchase Agreement"), between the City and the Trustee in its capacity as seller. Principal and interest with respect to the Purchase Agreement, together with principal and interest on any Additional Obligations (as defined herein), will be payable solely from the Pledged Revenues (as defined herein) derived by the City from the operation of the Wastewater System. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS" herein. *The Obligations will not be general obligations of the City and will not constitute an indebtedness of the City when computing its bonded indebtedness for purposes of debt limitations imposed by constitutional or statutory provisions, a charge against the general credit limitations imposed by constitutional or statutory provisions or against the general credit or taxing power of the City nor a liability of the City for payment of the Obligations other than from the sources described herein.*

THE "RISK FACTORS" SECTION OF THIS OFFICIAL STATEMENT SHOULD BE REVIEWED PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE OBLIGATIONS.

The Obligations will be offered when, as and if executed and delivered by the Trustee, subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the Obligations and tax exemption. Certain matters will be passed upon for the Underwriter identified below by its counsel, Squire Patton Boggs (US) LLP, Phoenix, Arizona. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June 18, 2026*.

This cover page contains only a brief description of the Obligations and the security therefor. It is not intended to be a summary of material information with respect to the Obligations. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

RAYMOND JAMES®

* Subject to change.

\$46,750,000*
WASTEWATER SYSTEM REVENUE OBLIGATIONS, SERIES 2026A
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by the
CITY OF AVONDALE, ARIZONA,
Pursuant to a Series 2026 Wastewater Revenue Purchase Agreement,
Dated as of June 1, 2026*

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No.
2027	\$250,000	%	%	
2028	250,000			
2029	250,000			
2030	250,000			
2031	250,000			
2032	500,000			
2033	500,000			
2034	1,000,000			
2035	1,065,000			
2036	1,115,000			
2037	1,170,000			
2038	1,225,000			
2039	1,280,000			
2040	1,340,000			
2041	1,405,000			
2042	1,475,000			
2043	1,545,000			
2044	1,615,000			
2045	1,695,000			
2046	1,775,000			
2047	1,860,000			
2048	1,945,000			
2049	2,040,000			
2050	2,135,000			
2051	2,500,000			
2052	2,600,000			
2053	2,700,000			
2054	3,000,000			
2055	4,000,000			
2056	4,015,000			

* Subject to change.

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\$4,435,000*
WASTEWATER SYSTEM REVENUE REFUNDING OBLIGATIONS, SERIES 2026B
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by the
CITY OF AVONDALE, ARIZONA,
Pursuant to a Series 2026 Wastewater Revenue Purchase Agreement,
Dated as of June 1, 2026*

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No.
2027	\$350,000	%	%	
2028	370,000			
2029	390,000			
2030	405,000			
2031	430,000			
2032	450,000			
2033	475,000			
2034	500,000			
2035	520,000			
2036	545,000			

* *Subject to change.*

⁽¹⁾ *CUSIP® is a registered trademark of the American Bankers Association. CGS is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2026 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Municipal Advisor, the Underwriter, Special Counsel or their agents or counsel assumes responsibility for the accuracy of such numbers.*

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CITY OF AVONDALE, ARIZONA

MAYOR AND CITY COUNCIL

Mike Pineda, *Mayor*

Curtis Nielson, *Vice Mayor*

Tina Conde, *Council Member*

Jeannette Garcia, *Council Member*

Gloria Solorio, *Council Member*

Shari Weise, *Council Member*

Max White, *Council Member*

CITY ADMINISTRATION

Ron Corbin, *City Manager*

Katie Gregory, *Assistant City Manager*

Jennifer Stein, *Assistant City Manager*

Dale Nannenga, *Assistant City Manager*

Renee Weatherless, *Finance and Budget Director*

MUNICIPAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

U.S. Bank Trust Company, National Association
Tempe, Arizona

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City of Avondale, Arizona (the “City”), Stifel, Nicolaus & Company, Incorporated (the “Municipal Advisor”), or Raymond James & Associates, Inc. (the “Underwriter”), to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the City’s Wastewater System Revenue Obligations, Series 2026A or Wastewater System Revenue Refunding Obligations, Series 2026B (collectively, the “Obligations”) by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth in this Official Statement, which includes the cover page, inside front cover pages and appendices hereto, has been obtained from the City and other sources that are considered to be accurate and reliable and customarily relied upon in the preparation of similar official statements, but such information has not been independently confirmed or verified by the City, the Municipal Advisor or the Underwriter, is not guaranteed as to accuracy or completeness, and is not to be construed as the promise or guarantee of the City, the Municipal Advisor or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: “The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.”

None of the City, the Municipal Advisor, the Underwriter, counsel to the Underwriter or Special Counsel (as defined herein) are actuaries. None of them have performed any actuarial or other analysis of the City’s share of the unfunded liabilities of the Arizona State Retirement System or the Arizona Public Safety Personnel Retirement System.

The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. All information, estimates and assumptions contained herein have been based on past experience and on the latest information available and are believed to be accurate and reliable, but no representations are made that such information, estimates and assumptions are correct, will continue, will be realized or will be repeated in the future. To the extent that any statements made in this Official Statement involve matters of forecasts, projections, opinions, assumptions, or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty, and no representation is made that any of these statements have been or will be realized. All forecasts, projections, assumptions, opinions or estimates are “forward looking statements” that must be read with an abundance of caution and that may not be realized or may not occur in the future. Information other than that obtained from official records of the City has been identified by source and has not been independently confirmed or verified by the City, the Municipal Advisor or the Underwriter and its accuracy cannot be guaranteed. The information and forward looking statements herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any of the other parties or matters described herein since the date hereof.

The Obligations will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange in reliance upon certain exemptions. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the merits of the Obligations, the accuracy or adequacy of this Official Statement, or approved the Obligations for sale.

A wide variety of information, including financial information, concerning the City is available from publications and websites of the City and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such publications and websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission.

The City will undertake to provide continuing disclosure as described in this Official Statement under the heading “CONTINUING DISCLOSURE” and in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING,” all pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM THE INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS.

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OFFICIAL STATEMENT

\$46,750,000*
WASTEWATER SYSTEM REVENUE
OBLIGATIONS, SERIES 2026A

\$4,435,000*
WASTEWATER SYSTEM REVENUE
REFUNDING OBLIGATIONS, SERIES 2026B

**Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by the
CITY OF AVONDALE, ARIZONA
Pursuant to a Series 2026 Wastewater Revenue Purchase Agreement,
Dated as of June 1, 2026***

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside front cover pages and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the \$46,750,000* principal amount of Wastewater System Revenue Obligations, Series 2026A (the “2026A Obligations”) and the \$4,435,000* principal amount of Wastewater System Revenue Refunding Obligations, Series 2026B (the “2026B Obligations”) and, collectively with the 2026A Obligations, the “Obligations”), evidencing proportionate interests of the registered owners of each Obligation (the “Holders”), in certain installment payments (the “Purchase Payments” and collectively, the “Purchase Price”) to be paid by the City of Avondale, Arizona (the “City”), pursuant to a Series 2026 Wastewater Revenue Purchase Agreement, to be dated as of June 1, 2026* (the “Purchase Agreement”), between U.S. Bank Trust Company, National Association (the “Trustee”), in its capacity as seller, and the City. The Obligations will be executed and delivered pursuant to a Series 2026 Wastewater Revenue Obligation Indenture, to be dated as of June 1, 2026* (the “Indenture”), between the City and the Trustee in its capacity as trustee thereunder.

For definitions of certain capitalized terms used in this Official Statement and not otherwise defined, as well as for certain provisions of the Purchase Agreement and the Indenture, see APPENDIX F – “OBLIGATIONS DOCUMENTS SUMMARIES.”

The Purchase Payments will be payable from and secured by a first lien on and pledge of the Pledged Revenues (as defined herein) on a parity with the pledge and lien granted by the City for the payment and security of any Additional Obligations.

“Pledged Revenues” means Revenues (including any unrestricted fund balances of the hereinafter defined Wastewater System) remaining after deducting the Operating Expenses of the Wastewater System, subject to certain additions or subtractions under certain circumstances described in the final paragraph under the subheading “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Additional Obligations; No Prior Obligations.”

“Revenues” means and includes all income, moneys and receipts derived by the City from the ownership, use and operation of the Wastewater System including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the Wastewater System, but excluding (i) any amounts received which the City is contractually required to pay out as reimbursement for acquisition, construction or installation of the Wastewater System, (ii) the proceeds of the Obligations or any Additional Obligations or the interest received on any proceeds of Additional Obligations placed irrevocably in trust to pay, or provide for the payment of, any Obligations or Additional Obligations, or (iii) any non-cash capital contributions received by the City for the use and operation of the Wastewater System. “Operating Expenses” means all costs reasonably incurred in connection with the operation, use and maintenance of the Wastewater System, including (I) repairs necessary to keep the Wastewater System in efficient and economical operating condition, (II) the payments of premiums for insurance required to be carried on the Wastewater System, (III) payments of reasonable Administrative Expenses, and (IV) generally all expenses of the Wastewater System except depreciation and interest expense on the Obligations, any Additional Obligations and any obligations subordinate to such obligations.

As described under the heading “PLAN OF REFUNDING” herein, all remaining outstanding amounts of the City of Avondale, Arizona Water and Sewer System Revenue Obligations, Series 2016 (the “2016 Obligations”) will be

redeemed with proceeds of the 2026B Obligations on the date of execution and delivery of the Obligations. Accordingly, such obligations are not being treated as being an ongoing payment obligation of the City secured by any City revenues, including any portion of the Pledged Revenues, for purposes of this Official Statement.

Neither the Obligations nor the obligations of the City pursuant to the Purchase Agreement constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof for constitutional or statutory purposes. The Obligations do not obligate the City to levy or pledge any form of *ad valorem* or other taxes. The Obligations are a limited obligation of the City secured solely by Pledged Revenues and otherwise as provided in the Ordinance (as defined herein) and the Purchase Agreement. No security interest will be held by the Trustee for the benefit of the owners of the Obligations in any portion of Projects (as defined herein) or the Wastewater System.

The offering of the Obligations is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Obligations. Accordingly, prospective purchasers of the Obligations should read this entire Official Statement before making their investment decision.

All financial and other information presented in this Official Statement with respect to the City has been provided by representatives of the City from its records, except for information expressly attributed to other sources. The presentation of financial and other information, including tables of receipts from the revenues of the Wastewater System and other sources, is intended to show recent historical information and, except as expressly stated otherwise, is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

References to provisions of State of Arizona (the “State” or “Arizona”) law, whether codified in the Arizona Revised Statutes or uncodified, or of the Arizona Constitution, are references to those current provisions. Those provisions may be amended, repealed or supplemented.

Copies of the forms of the Purchase Agreement and the Indenture may be obtained, until the delivery of the Obligations, from Raymond James & Associates, Inc. (the “Underwriter”), upon request to: Raymond James & Associates, Inc., 8501 North Scottsdale Road, Suite 250, Scottsdale, Arizona 85253, Attention: Municipal Finance. After delivery of the Obligations, copies of such documents may be obtained from the Trustee upon request to: U.S. Bank Trust Company, National Association, 1101 West Washington Street, 2nd Floor, Tempe, Arizona 85288, Attention: Global Corporate Trust.

THE OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the Obligations pursuant to the provisions of the Indenture and an ordinance adopted by the Mayor and Council of the City on May 4, 2026 (the “Ordinance”).

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the Wastewater System (collectively, the “2026 Projects”), (ii) refunding the Obligations Being Refunded (as defined herein), and (iii) paying costs incurred in connection with the execution and delivery of the Obligations. See “SOURCES AND USES OF FUNDS” herein. The 2026 Projects and the portion of the projects financed with proceeds of the Obligations Being Refunded (the “Refinanced Projects”) are referred to collectively herein as the “Projects.”

General Provisions

The Obligations will be dated the date of initial delivery thereof and will be issued in the form of fully registered obligations in amounts of \$5,000 of principal of a series due on a maturity date or any integral multiple thereof. As described in APPENDIX H - “BOOK-ENTRY-ONLY SYSTEM,” the Obligations will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). So long as DTC, or its nominee, is the registered owner of all of the Obligations, all payments on the Obligations will be made directly to DTC for payment to the owners as described in APPENDIX H – “BOOK-ENTRY-ONLY SYSTEM.”

The Obligations will bear interest from their dated date, payable semiannually on January 1 and July 1 of each year, commencing January 1, 2027*. The Obligations will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside front cover pages of this Official Statement. Interest will be computed on the basis of a year comprised of three hundred sixty (360) days consisting of twelve (12) months of thirty (30) days each. Interest on the Obligations will be paid by the Trustee to the owners thereof (initially Cede & Co., as nominee of DTC) as shown on the registration books maintained by the Trustee, at the close of business on the 15th day of the month next preceding each Obligation Payment Date (the “Record Date”). So long as the Obligations are in DTC’s book-entry-only system, and thereafter at the written request and expense of the owners of \$1,000,000 or more in aggregate principal amount of Obligations delivered to the Trustee prior to a Record Date, interest and principal will be paid by wire transfer to a bank account in the continental United States.

Redemption Provisions*

The 2026A Obligations maturing before or on July 1, 20__, will not be subject to redemption prior to maturity. The 2026A Obligations maturing on or after July 1, 20__, will be subject to redemption, in whole or in part on any date on or after July 1, 20__, in increments of \$5,000 of principal amount due on a specific maturity date, in any order of maturity, all as directed by the City, and by lot within a maturity by payment of the principal amount of each Obligation to be redeemed plus interest accrued to the date fixed for redemption, without premium.

The 2026B Obligations will not be subject to redemption prior to maturity.

Notice of and Procedure for Redemption

Notice of any redemption will be sent by first-class mail not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption to the Holder of each Obligation, initially DTC, to be redeemed, in whole or in part, at the address shown on the registration books maintained by the Trustee or at such other address as may be furnished by such Holders to the Trustee.

Any notice of redemption given as described in the preceding paragraph will also contain a statement that on the redemption date, the redemption price of such Obligations called for redemption will become due and payable and that, from and after such date, the Obligations being redeemed will cease to accrue interest; provided, that no notice of redemption shall be sent unless (i) the Trustee has on deposit funds to effect such redemption, or (ii) such redemption notice states that the call for optional redemption is conditioned upon the deposit with the Trustee of an amount sufficient to pay the principal of the Obligations being redeemed on the redemption date.

PLAN OF REFUNDING

The proceeds of the 2026B Obligations, net of amounts used to pay costs related to the execution and delivery of the 2026B Obligations, will be placed in a trust account with U.S. Bank Trust Company, National Association, as escrow trustee (the “Escrow Trustee”), under an Escrow Trust Agreement, to be dated as of June 1, 2026*, and will be used to acquire certain obligations of, or guaranteed as to principal and interest by, the United States of America (the “Government Obligations”), in amounts sufficient, without reinvestment, to be applied to payment of the principal and redemption price of and interest due pursuant to the 2016 Obligations identified below (collectively, the “Obligations Being Refunded”), which are being refunded as follows:

[Remainder of page left intentionally blank]

* *Subject to change.*

Schedule of Obligations Being Refunded*

<u>Issue Series</u>	<u>Maturity Date (July 1)</u>	<u>Coupon</u>	<u>Principal Amount Outstanding</u>	<u>Principal Being Refunded*</u>	<u>Redemption Date*</u>	<u>CUSIP®⁽¹⁾ No. 054321</u>
2016	2026	4.000%	\$380,000	\$380,000	N/A	AV6
	2027	4.000	400,000	400,000	7/18/2026	AW4
	2028	4.000	415,000	415,000	7/18/2026	AX2
	2029	4.000	430,000	430,000	7/18/2026	AY0
	2030	4.000	445,000	445,000	7/18/2026	AZ7
	2031	4.000	465,000	465,000	7/18/2026	BA1
	2032	4.000	485,000	485,000	7/18/2026	BB9
	2033	4.000	505,000	505,000	7/18/2026	BC7
	2034	4.000	525,000	525,000	7/18/2026	BD5
	2035	4.000	545,000	545,000	7/18/2026	BE3
	2036	4.000	565,000	565,000	7/18/2026	BF0
			<u>\$5,160,000</u>	<u>\$5,160,000</u>		

⁽¹⁾ See footnote ⁽¹⁾ to the inside front cover pages.

See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” herein. On delivery of the Obligations and such deposit of proceeds with the Escrow Trustee, the Obligations Being Refunded will no longer be outstanding under the indenture pursuant to which they were executed and delivered and will no longer be secured by any City revenues, including any portion of the Pledged Revenues.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Public Finance, LLC, a firm of independent certified public accountants (the “Verification Agent”), will deliver to the City, before or on the date of execution and delivery of the Obligations, its verification report indicating, among other things, that it has verified, in accordance with standards for attestation engagements established by the American Institute of Certified Public Accountants, the mathematical accuracy of the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, to pay, when due, the principal of, interest and applicable premiums, if any, on the Obligations Being Refunded. The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by Stifel, Nicolaus & Company, Incorporated (the “Municipal Advisor”).

SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS

General

For the amounts payable pursuant to the Purchase Agreement (including the Purchase Price), the Trustee, in its separate capacity as seller, will sell and convey to the City, and the City will purchase from the Trustee, in its separate capacity as seller, the Projects to be financed and refinanced with the proceeds of the Obligations.

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the Obligations. During the term of the Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the sewer collection and treatment system of the City (the “Wastewater System”). The obligation of the City to make

the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the Obligations in any portion of the Projects or the Wastewater System. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the Projects or any portion of the Wastewater System. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX F – “OBLIGATIONS DOCUMENTS SUMMARIES – The Purchase Agreement – Purchase Events of Default” and “– Remedies on Default by City.” For information concerning the Wastewater System, see APPENDIX A – “CITY OF AVONDALE, ARIZONA – THE WASTEWATER SYSTEM.”

Source of Purchase Payments

The obligation of the City to make the Purchase Payments under the Purchase Agreement will be payable from and secured by a first lien on, pledge of, and security interest in, the Pledged Revenues.

Such lien on, pledge of and security interest in the Pledged Revenues will be on parity with any Additional Obligations subsequently issued or incurred under separate documentation in accordance with the Purchase Agreement.

The pledge of, lien on and security interest in the Pledged Revenues will be irrevocably made in the Purchase Agreement and created for the prompt and punctual payment of the principal of and interest on the Obligations and to make other payments specified. None of the Obligations or any of the Additional Obligations will be entitled to priority or distinction over any of the others in the application of the Pledged Revenues, regardless of the issuance or incurrence of the Obligations or any of the Additional Obligations in series or the delivery of the Obligations or any of the Additional Obligations prior to the delivery of the Obligations or any other of the Additional Obligations of that series or regardless of the time or times the Obligations or the Additional Obligations mature or are called for redemption prior to maturity or otherwise. The Obligations and the Additional Obligations will be co-equal as to the pledge of and lien on the Pledged Revenues for the payment thereof and will share ratably, without preference, priority or distinction, as to the source or method of payment or security therefor.

Neither the Obligations nor the obligations of the City pursuant to the Purchase Agreement constitute a debt or a pledge of the full faith and credit of the City, the State or any political subdivision thereof for constitutional or statutory purposes. The Obligations do not obligate the City to levy or pledge any form of ad valorem or other taxes. The Obligations are a limited obligation of the City secured solely by Pledged Revenues and otherwise as provided in the Ordinance and the Purchase Agreement.

Rate Covenant

The City has covenanted and agreed in the Purchase Agreement to continuously control, operate and maintain the Wastewater System and to establish and maintain rates, fees and other charges for all services supplied by the Wastewater System to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce (a) Pledged Revenues in each Fiscal Year equal to at least 120 percent of the Principal Requirement and the Interest Requirement on all Outstanding Obligations and Outstanding Additional Obligations for the corresponding Bond Year (treating the Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and Outstanding Additional Obligations subject to mandatory redemption as maturing on their respective mandatory redemption dates), and (b) an amount of Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

Additional Obligations; No Prior Obligations

Pursuant to the provisions of the Purchase Agreement, Additional Obligations may be incurred if there will not be any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Pledged Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been (a) at least equal to 120 percent of the Parity Lien Test Debt Service including such Additional Obligations, and (b) sufficient to provide an amount of the Pledged Revenues for the then-current Fiscal Year which, net of the aggregate amounts required to be deposited to the Obligation Fund during such Fiscal Year, will be sufficient to provide at least 100 percent of the amounts with regard to any Credit Facility due and owing in such Fiscal Year.

The Purchase Agreement provides that the City may not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under the Purchase Agreement.

For the purposes of the computation described in the first paragraph under this subheading, additional amounts may be added to, or are to be subtracted from, the Pledged Revenues of the preceding Fiscal Year, as follows: (i) if all or part of the proceeds of the Additional Obligations are to be expended for the acquisition of utility properties, the revenues which would have been derived from the operation of such acquired utility properties during the entire immediately preceding Fiscal Year, as estimated by a Consultant, then added; (ii) if during such preceding Fiscal Year the City has acquired or sold existing utility properties, the revenues which would have been derived from the operation of such properties during such Fiscal Year had such properties been acquired and operating or sold and not operating throughout such Fiscal Year, as estimated by a Consultant, then added or subtracted, respectively; and (iii) if during such preceding Fiscal Year the City shall have increased rates, fees and charges with respect to the Systems, the increased amount which would have been received during such Fiscal Year had such increase been in effect throughout such Fiscal Year, as estimated by a Consultant, then added.

SOURCES AND USES OF FUNDS

Sources of Funds:	2026A Obligations	2026B Obligations	Total
Principal Amount of Obligations [Net] Original Issue Premium	\$46,750,000.00*	\$4,435,000.00*	\$51,185,000.00*
Total Sources			
 Uses of Funds:			
Payment of Costs of the 2026 Projects Deposit with Escrow Trustee Payment of Costs of Issuance (a)			
Total Uses			

(a) Costs related to the execution and delivery of the Obligations, including Underwriter's compensation.

* Subject to change.

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The following table sets forth certain information relating to the operation of the Wastewater System and estimated debt service coverage ratio for total annual debt service requirements provided by Pledged Revenues. For detailed information regarding the Wastewater System, see APPENDIX A – “CITY OF AVONDALE, ARIZONA – THE WASTEWATER SYSTEM.”

HISTORICAL AND PROJECTED PLEDGED REVENUES AND DEBT SERVICE COVERAGE

	<u>Audited</u>					<u>Projected (a)</u>
	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>
Operating Revenues						
Charges for services (b)	\$ 15,123,431	\$ 11,035,424	\$ 10,447,957	\$ 11,909,858	\$ 13,567,111	\$ 14,954,600
Miscellaneous	4,036	-	65,705	-	4,401	-
Total Operating Revenues	<u>\$ 15,127,467</u>	<u>\$ 11,035,424</u>	<u>\$ 10,513,662</u>	<u>\$ 11,909,858</u>	<u>\$ 13,571,512</u>	<u>\$ 14,954,600</u>
Operating Expenses						
Salaries, wages, and benefits	\$ 2,209,001	\$ 2,099,935	\$ 2,102,925	\$ 2,353,088	\$ 2,864,820	\$ 3,202,500
Contractual services, materials, and supplies	3,934,596	4,659,431	6,082,696	5,685,551	7,072,350	6,066,000
Total Operating Expenses	<u>\$ 6,143,597</u>	<u>\$ 6,759,366</u>	<u>\$ 8,185,621</u>	<u>\$ 8,038,639</u>	<u>\$ 9,937,170</u>	<u>\$ 9,268,500</u>
Nonoperating Revenues (Expenses)						
Investment income	\$ 3,671	\$ (1,752,275)	\$ 757,765	\$ 2,334,409	\$ 2,766,034	\$ 677,525
Development impact fees	-	7,832,899	4,371,896	2,980,320	2,688,746	3,056,000
Total Nonoperating Revenues (Expenses)	<u>\$ 3,671</u>	<u>\$ 6,080,624</u>	<u>\$ 5,129,661</u>	<u>\$ 5,314,729</u>	<u>\$ 5,454,780</u>	<u>\$ 3,733,525</u>
Pledged Revenues (c)	<u>\$ 8,987,541</u>	<u>\$ 10,356,682</u>	<u>\$ 7,457,702</u>	<u>\$ 9,185,948</u>	<u>\$ 9,089,122</u>	<u>\$ 9,419,625</u>
Debt Service						
Outstanding Debt Service for 2016 Obligations (d)	\$ 589,600	\$ 587,000	\$ 589,000	\$ 590,400	\$ 591,200	\$ 586,400
Pledged Revenue Debt Service Coverage (e)	15.24x	17.64x	12.66x	15.56x	15.37x	16.06x

(a) Projected figures based on unaudited actual figures through March 31, 2026, and City Finance and Budget Department estimates for the remainder of the Fiscal Year. Projected figures are “forward-looking” statements, subject to change upon audit and should be considered with an abundance of caution.

(b) Through fiscal year 2022/23, the City accrued wastewater sales at Fiscal Year end; however, effective Fiscal Year 2024/25, this practice was discontinued in accordance with an updated Finance and Budget Department policy. This resulted in differences between the historical Pledged Revenues showing in this table and the data shown in Tables A-3 and A-4 herein.

(c) Represents the Revenues available after payment of the Operating Expenses. Such amounts are the Pledged Revenues pledged to payment of the Purchase Payments.

(d) As described herein under “PLAN OF REFUNDING,” the Obligations Being Refunded will be defeased in full simultaneously with the execution and delivery of the Obligations.

(e) Debt service coverage is computed using Pledged Revenues available for debt service for each Fiscal Year divided by the annual debt service on the Obligations.

ESTIMATED DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

The following table sets forth (i) the estimated annual debt service requirements of each series of the Obligations, and (ii) the projected debt service coverage based on audited Pledged Revenues for the Fiscal Year ended June 30, 2025.

SCHEDULE OF ESTIMATED ANNUAL WASTEWATER SYSTEM REVENUE OBLIGATION DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE (a)

Fiscal Year	Pledged Revenues (b)	The 2026A Obligations*			The 2026B Obligations*			Total Aggregate Debt Service*	Annual Debt Service Coverage* (d)
		Principal	Interest (c)	Total	Principal	Interest (c)	Total		
2024/25	\$9,089,122								
2025/26									
2026/27		\$250,000	\$2,220,625 (e)	\$2,470,625	\$350,000	\$229,758 (e)	\$579,758	\$3,050,383	2.98x
2027/28		250,000	2,208,750	2,458,750	370,000	204,250	574,250	3,033,000	3.00x
2028/29		250,000	2,196,875	2,446,875	390,000	185,750	575,750	3,022,625	3.01x
2029/30		250,000	2,185,000	2,435,000	405,000	166,250	571,250	3,006,250	3.02x
2030/31		250,000	2,173,125	2,423,125	430,000	146,000	576,000	2,999,125	3.03x
2031/32		500,000	2,161,250	2,661,250	450,000	124,500	574,500	3,235,750	2.81x
2032/33		500,000	2,137,500	2,637,500	475,000	102,000	577,000	3,214,500	2.83x
2033/34		1,000,000	2,113,750	3,113,750	500,000	78,250	578,250	3,692,000	2.46x
2034/35		1,065,000	2,066,250	3,131,250	520,000	53,250	573,250	3,704,500	2.45x
2035/36		1,115,000	2,015,663	3,130,663	545,000	27,250	572,250	3,702,913	2.45x (f)
2036/37		1,170,000	1,962,700	3,132,700				3,132,700	2.90x
2037/38		1,225,000	1,907,125	3,132,125				3,132,125	2.90x
2038/39		1,280,000	1,848,938	3,128,938				3,128,938	2.90x
2039/40		1,340,000	1,788,138	3,128,138				3,128,138	2.91x
2040/41		1,405,000	1,724,488	3,129,488				3,129,488	2.90x
2041/42		1,475,000	1,657,750	3,132,750				3,132,750	2.90x
2042/43		1,545,000	1,587,688	3,132,688				3,132,688	2.90x
2043/44		1,615,000	1,514,300	3,129,300				3,129,300	2.90x
2044/45		1,695,000	1,437,588	3,132,588				3,132,588	2.90x
2045/46		1,775,000	1,357,075	3,132,075				3,132,075	2.90x
2046/47		1,860,000	1,272,763	3,132,763				3,132,763	2.90x
2047/48		1,945,000	1,184,413	3,129,413				3,129,413	2.90x
2048/49		2,040,000	1,092,025	3,132,025				3,132,025	2.90x
2049/50		2,135,000	995,125	3,130,125				3,130,125	2.90x
2050/51		2,500,000	893,713	3,393,713				3,393,713	2.68x
2051/52		2,600,000	774,963	3,374,963				3,374,963	2.69x
2052/53		2,700,000	651,463	3,351,463				3,351,463	2.71x
2053/54		3,000,000	523,213	3,523,213				3,523,213	2.58x
2054/55		4,000,000	380,713	4,380,713				4,380,713	2.07x
2055/56		4,015,000	190,713	4,205,713				4,205,713	2.16x
		<u>\$46,750,000</u>	<u>\$46,223,675</u>	<u>\$92,973,675</u>	<u>\$4,435,000</u>	<u>\$1,317,258</u>	<u>\$5,752,258</u>	<u>\$98,725,933</u>	

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the "Municipal Advisor"). Amounts may not add due to rounding.

(b) Reflects audited Pledged Revenues available for debt service for the Fiscal Year ended June 30, 2025 as provided by the City. See "HISTORICAL AND PROJECTED PLEDGED REVENUES AND DEBT SERVICE COVERAGE" herein.

(c) Interest is estimated.

- (d) *Debt service coverage is computed using audited Pledged Revenues available for debt service for the Fiscal Year ended June 30, 2025, divided by the combined annual debt service on the Obligations.*
- (e) *The first interest payment on the Obligations will be due January 1, 2027*. Thereafter, interest payments will be made semiannually on January 1 and July 1 until the final maturity, or prior redemption, of the Obligations.*
- (f) *Represents the maximum annual debt service coverage for the Obligations.*

* *Subject to change.*

RISK FACTORS

Investment in the Obligations involves risks that may not be appropriate for certain investors. The following is a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating the Obligations for investment. The information set forth below does not purport to be an exhaustive listing of the risks and other considerations that may be relevant to an investment in the Obligations. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Limited Obligations

The obligation of the City under the Purchase Agreement will not constitute a debt or a pledge of the full faith and credit of the City, the State or any other political subdivision thereof. The City will not pledge any form of *ad valorem* property taxes to the payment of the Obligations. The Obligations will be special, limited obligations of the City, secured only by the Purchase Payments which are to be paid from, and secured by a pledge of, the Pledged Revenues. No security interest will be held by the Trustee for the benefit of the owners of the Obligations in any portion of Projects or the Wastewater System. Remedies available to the Trustee upon a failure of the City to make the Purchase Payments when due will be generally limited to specific performance against the City to payment from the Pledged Revenues.

No assurance can be made that the Pledged Revenues, estimated or otherwise, will be realized by the City in amounts sufficient to pay the Purchase Payments. In addition, the realization of future Pledged Revenues is subject to, among other things, the capabilities of management of the City, the ability of the City to provide sewer management services to its customers, and the ability of the City to meet its covenant to fix, prescribe, and collect rates and charges for the Wastewater System in amounts sufficient to timely pay the Purchase Payments. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Rate Covenant.” Additional obligations may be incurred in the future that are secured by the Pledged Revenues on a parity with the Obligations. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Additional Obligations; No Prior Obligations.”

Wastewater System Expenses and Future Rates

Increases in expenses could require a significant increase in rates or charges in order to pay for projects and to pay the debt service on the Obligations and any Additional Obligations. Also, any such rate increases could increase the likelihood of nonpayment by purchasers of sewer services from the City and could also decrease demand from such purchasers and may impact the City’s ability to make the Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the Obligations.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the Wastewater System. The operations of the Wastewater System on a daily basis require a significant amount of electrical power and natural gas. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Prices for electricity or gas may increase, which could adversely affect the Wastewater System’s financial condition.

Wastewater System Demand

There can be no assurance that the local demand for the services provided by the Wastewater System will be maintained at levels described in this Official Statement. Because of the potential for changes in demographics within the boundaries of the City, as well as unpredictable future hydrological conditions, it is possible for the demand for sewer services to decline over the term of the Obligations. In addition, major economic disruptions and recession may adversely affect the economic activity of the region in general, resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction all of which could cause a decline in the demand for sewer services. A significant decline in demand might create a situation in which the City could not increase rates sufficiently to offset the decrease in customers or usage. This could reduce the City's ability to make the Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the Obligations as and when due.

Water Supply and Drought Conditions

The City currently has access to three primary renewable sources of water: (1) Salt River Project ("SRP") surface water, (2) reclaimed effluent (treated wastewater), and (3) Central Arizona Project ("CAP") surface water. The City is currently designated with a 100-Year Assured Water Supply by the Arizona Department of Water Resources. Such designation allows the City to supplement the water portfolio with non-renewable water pumping, which includes groundwater and Long-Term Storage Credits ("LTSCs"). The City currently holds such groundwater and LTSCs in an amount equal to approximately nine times its current annual demand, which amount is intended to provide drought mitigation and long-term supply reliability. It is the opinion of City management that the City has adequate water supplies for growth. The City has engaged in planning and resource management to provide for current and future availability of water supplies during normal and drought conditions. However, the ability of the City's Wastewater System to operate effectively may still be affected, and potentially may be significantly affected, by the water supply available to the City, which is situated in a desert environment. In particular, recent conditions on the Colorado River system may be indicative of future challenges, although most of the City's CAP water supplies have a relatively high priority in right as compared to other recipients of CAP water. The City is evaluating and implementing response options based on evolving conditions on the Colorado River, including actions authorized under its Drought Preparedness Plan as set forth in the City Code. The initial step, declaring a "Stage One Shortage," consists of voluntary conservation measures, public outreach, and increased water reduction efforts at City facilities, and was recently implemented by the City. If the water supply decreases significantly however, whether by physical limitation, regulatory restrictions, increased water costs or otherwise, System water sales may be diminished and Pledged Revenues available to pay the debt service may be adversely affected. See APPENDIX A – "CITY OF AVONDALE, ARIZONA – THE WASTEWATER SYSTEM."

Notwithstanding the foregoing, while the multiple sources of supply available to the City along with the various plants, wells, reservoirs and other facilities may help to mitigate risk, future water availability, drought, flooding, environmental conditions and other climate related conditions in Arizona and the other Colorado River Basin states are unpredictable and subject to change. For example, since January 2022, Arizona has operated under a drought contingency plan and has received a reduction to its deliveries of Colorado River water as described above. Additional reductions may result from the federal Colorado River Post 2026 Operations process, including the development of new operational guidelines for Lake Powell and Lake Mead by the United States Bureau of Reclamation in coordination with the other Colorado River Basin states and/or from litigation over new operational guidelines. The impacts associated with climate variability, natural disasters, and other "force majeure" events on the City cannot be predicted but could be significant.

Security of the Wastewater System

To ensure water quality and delivery service are maintained, the City continually plans and prepares for emergency situations such as fire, power failure, or possible terrorist activities. There can be no assurance that any existing or additional safety and security measures will prove adequate in the event of an emergency situation affecting the Wastewater System, or that costs of security measures will not be greater than presently anticipated. Further, damage

to certain components of the Wastewater System could require the City to increase expenditures for repairs to the Wastewater System significantly enough to adversely impact the City's ability to make the Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the Obligations.

Factors Adversely Affecting Development

The allocable portion of any development, impact, connection or related fee or charge available as a result of the existence of the Wastewater System are paid to the City as building permits are pulled for the construction of new homes and other structures. The pace at which building permits are pulled will be affected by changes in general economic conditions, fluctuations in land prices both locally and nationally, availability of water, water treatment, wastewater treatment and power necessary for development, changes in the income tax treatment of land and ownership, changes in the availability and cost of borrowed funds and numerous other factors. In addition, land development operations are subject to comprehensive federal, State and local regulation. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, the availability of an assured water supply, construction activity, land use, zoning, school and health requirements and many other matters.

Public and or political attitudes toward growth are subject to shifts from support for growth to opposition to growth. Although growth cannot be prevented, no assurance can be given that the City Council as now constituted or a future City Council will not delay or defer action required for continued growth. Such action by the City Council as now constituted or a future City Council could have a material adverse effect on future collections of any development, impact, connection or related fee or charge available as a result of the existence of the Wastewater System.

Limitations on Remedies

Any remedies available to the owners of the Obligations upon the occurrence of an Indenture Event of Default or a Purchase Event of Default will be in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the owners of the Obligations, and the obligations incurred by the City, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, receivership, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against political subdivisions in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Obligations to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the Obligations that the Obligations constitute valid and binding limited obligations of the City and the Indenture constitutes a valid and binding obligation of the City will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the Obligations will be similarly qualified. See APPENDIX D – "FORM OF OPINION OF SPECIAL COUNSEL."

If the City fails to comply with its covenants under the Purchase Agreement to pay the Purchase Payments, there can be no assurance of the availability, or timeliness, of remedies adequate to protect the interests of the Holders of the Obligations.

Statutory and Regulatory Compliance; Future Legislation

The Wastewater System is subject to a variety of federal and State statutory and regulatory requirements. Laws and regulations governing water and wastewater treatment and the delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be

costly and, as more stringent standards are developed to ensure safe drinking water standards and the provision of water for other purposes, such costs will likely increase.

The City's failure to comply with applicable laws and regulations could result in significant fines and penalties. Such claims are payable from assets of the Wastewater System or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency sewer systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. The City is unable to predict the adoption or amendment of any such laws, rules or regulations, or their effect on the operations of the Wastewater System or financial condition of the City. Future compliance with such orders can also impose substantial additional costs on the Wastewater System.

No assurance can be given that the cost of compliance with such laws, regulations, and orders would not adversely affect the ability of the Wastewater System to generate Pledged Revenues sufficient to pay the debt service on any Obligations or Additional Obligations, including, without limitation, the Purchase Payments, which could in turn adversely impact the City's ability to make payments of the principal of and interest on the Obligations.

Limited Secondary Market for the Obligations

There can be no guarantee that there will ever be a secondary market for purchase or sale of the Obligations or, if a secondary market exists, that the Obligations can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Pending Municipal Fee, Tax and Utility Rate Moratorium Legislation

House Concurrent Resolution 2016 ("HCR 2016") is currently pending in the State Legislature. If approved by the State Legislature, HCR 2016 is a referendum that would be presented to voters at the statewide election in November 2026. HCR 2016, if ultimately approved by voters, would impose a four-year moratorium on increases in municipal fees, taxes and utility rates above the current fees, taxes and utility rates imposed as of July 1, 2026. Specifically, HCR 2016 permits limited increases in utility rates for municipalities that have not raised utility rates by a cumulative twelve percent (12%) or more in the preceding four fiscal years. Notwithstanding the foregoing, HCR 2016 permits the adoption, imposition or collection of a new or increased rate or fee to fund the acquisition and delivery of new or additional water resources. Furthermore, HCR 2016 prohibits municipalities from (i) adopting or imposing a new tax classification or expanding the tax base to additional taxpayers, (ii) imposing a new charge that is substantially similar in effect to an increase in a fee, tax, or utility rate, and (iii) adopting or amending a fee, tax or utility rate to avoid the application of HCR 2016. HCR 2016 expressly applies to all municipal fees, taxes and utility rates related to (A) taxable transactions, (B) receiving a governmental service, (C) obtaining a permit, license, approval or inspection, and (D) connecting to or receiving a municipally provided utility service. If HCR 2016 is approved by voters, certain municipal tax increases are permitted, but only if such increases are approved by the qualified electors of the municipality, at least sixty percent (60%) of the votes cast at the election are in favor of the tax increase, and the election is conducted in an even-numbered year at a consolidated election pursuant to Section 16-204, Arizona Revised Statutes. HCR 2016 does not have any similar provision permitting voter approval of utility rate increases. HCR 2016, if approved by voters, also states that any fee, tax or utility rate imposed by a municipality in violation of HCR 2016 is void, and creates a cause of action for any taxpayer, resident, business or property owner to bring an action for declaratory or injunctive relief. The City is unable to predict whether HCR 2016 will be approved by the State Legislature and referred to voters at the November 2026 election, and, if so referred, whether voters will ultimately vote in favor of the referendum. Furthermore, no representative of the City, the Municipal Advisor, the Underwriter, Special Counsel, or counsel to the Underwriter is able to predict what effect, if any, the moratorium on fee, tax and utility rate increases, if imposed pursuant to HCR 2016, would have on the City's financial condition or ability to pay debt service when due on the Obligations, but it could be material and adverse. To the extent the provisions of HCR 2016 are enacted into law, the City may be prohibited from complying with certain of the City's covenants included in the Purchase Agreement. Furthermore, the City is unable to predict whether the State Legislature will take future, similar actions affecting the Pledged Revenues, or the possible effect of any future, similar actions. An investment in

the Obligations should be made only after due consideration of the foregoing. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Rate Covenant.”

Loss of Tax Exemption on the Obligations

As discussed under heading “TAX EXEMPTION,” the Interest Portion (as defined herein) received by Holders of the Obligations could become included in gross income for purposes of federal income taxation, retroactive to the date the Obligations were executed and delivered, as a result of future acts or omissions of the City in violation of its covenants in the Indenture and the Purchase Agreement.

Economic, Political, Social, and Environmental Conditions

Prospective investors are encouraged to evaluate current and prospective economic, political, social, and environmental conditions as part of an informed investment decision. Changes in economic, political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, or financial markets, unemployment rates, technological advancements, shortages or surpluses in natural resources or energy supplies, imposition of tariffs or other trade restrictions, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters. The City cannot guarantee that prices for electricity will not increase, which could adversely affect the Wastewater System’s financial condition.

Cybersecurity; Other Safety and Security Risks

Cybersecurity breaches could damage the City’s information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the Wastewater System or the finances of the City. The City maintains active security (including information security) and emergency preparedness programs and has a number of security measures and safeguards in place. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities, including cyber terrorism, or acts of malfeasance are directed against the assets of the Wastewater System or the information technology systems of the City. The costs of security measures or of remedying damage from security breaches could be greater than presently anticipated.

LITIGATION

To the knowledge of appropriate representatives of the City, no litigation or administrative action or proceeding is pending or threatened to restrain or enjoin, or seeking to restrain or enjoin: the execution or delivery of the Purchase Agreement, the Indenture or the Obligations, the application of the proceeds of the Obligations or the pledge and/or collection of Pledged Revenues to pay the principal of, and interest on, the Obligations; contesting or questioning the proceedings and authority under which the Purchase Agreement, the Indenture or the Obligations have been authorized and are to be sold, executed or delivered, or the validity of the Obligations.

The City is party to various lawsuits and other claims incidental to the ordinary course of its operations. The City’s management believes, based on the advice of the City Attorney, that the resolution of such matters will not have a materially adverse effect on the City’s financial position. Certificates of appropriate representatives of the City to that effect will be delivered at the time of the original delivery of the Obligations.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the portion of each of the Purchase Payments made by the City pursuant to the Purchase Agreement and denominated as and comprising interest pursuant to the Purchase Agreement and received by the Holders of the Obligations (the “Interest Portion”) be and remain excludable from gross income for federal income tax purposes. The City’s failure to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

In the opinion of Special Counsel, assuming the accuracy of certain representations and certifications of the City and continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the Interest Portion will be excludable from gross income of the owners thereof for federal income tax purposes and will be exempt from Arizona income taxation so long as the Interest Portion is excludable from gross income for federal income tax purposes. The Interest Portion will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, but in the case of the alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion will not be excluded from the determination of adjusted financial statement income. Special Counsel will express no opinion as to any other tax consequences regarding the Interest Portion or the Obligations. Prospective purchasers of the Obligations should consult with their own tax advisors as to the status of the Interest Portion under the tax laws of any state other than the State.

The above opinion on federal tax matters with respect to the Obligations will be based on and will assume the accuracy of certain representations and certifications of the City, and compliance with certain covenants of the City to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Obligations will be and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Special Counsel will not independently verify the accuracy of those certifications and representations. Special Counsel will express no opinion as to any other consequences regarding the Obligations.

Except as described above, Special Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the Interest Portion, or the ownership or disposition of the Obligations. Prospective purchasers of the Obligations should be aware that the ownership of the Obligations may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Obligations, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the Interest Portion, (iii) the inclusion of the Interest Portion in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the Interest Portion in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, (v) the inclusion of the Interest Portion in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits, (vi) net gain realized upon the sale or other disposition of property such as the Obligations generally must be taken into account when computing the Medicare tax with respect to net investment income or undistributed net investment income, as applicable, imposed on certain high income individuals and specified trusts and estates, and (vii) receipt of certain investment income, including the Interest Portion, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Obligations. Prospective purchasers of the Obligations should consult their own tax advisors as to the impact of these and any other tax consequences.

Special Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Special Counsel as of the date thereof. Special Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Special Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Special Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather,

such opinions represent Special Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Discount and Original Issue Premium

Certain of the Obligations (“Discount Obligations”) may be offered and sold to the public at an original issue discount (“OID”). OID is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner’s tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

Certain of the Obligations (“Premium Obligations”) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Obligations callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Obligation, based on the yield to maturity of that Premium Obligation (or, in the case of a Premium Obligation callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Obligation), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Obligation. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Obligation, the owner’s tax basis in the Premium Obligation is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Obligation for an amount equal to or less than the amount paid by the owner for that Premium Obligation.

Owners of Discount Obligations and Premium Obligations should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount Obligations or Premium Obligations and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of the Interest Portion, adversely affect the market price or marketability of the Obligations, or otherwise prevent the holders from realizing the full current benefit of the status of the Interest Portion. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Obligations. Prospective purchasers of the Obligations should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be

refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LEGAL MATTERS

Legal matters incident to the execution and delivery of the Obligations and with regard to the tax-exempt status of the Interest Portion are subject to the legal opinion of Greenberg Traurig, LLP, Special Counsel ("Special Counsel"), whose services have been retained by the City. The signed legal opinion of Special Counsel, dated and premised on the law in effect as of the date of the Obligations, will be delivered to the Underwriter at the time of original delivery of the Obligations. Certain legal matters will be passed upon for the Underwriter by Squire Patton Boggs (US) LLP, counsel to the Underwriter.

The proposed text of the legal opinion is set forth as APPENDIX D – "FORM OF OPINION OF SPECIAL COUNSEL." The legal opinion to be delivered may vary from the text of APPENDIX D – "FORM OF OPINION OF SPECIAL COUNSEL" if necessary to reflect the facts and law existing on the date of delivery. The opinion will speak only as of its date, and subsequent distribution, by recirculation of this Official Statement or otherwise, should not be construed as a representation that Special Counsel has reviewed or expressed any opinion concerning any matters relating to the Obligations subsequent to the original delivery of the Obligations.

While Special Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Obligations that may be prepared or made available by the City or others to holders of the Obligations or others.

The legal opinions to be delivered concurrently with the delivery of the Obligations will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Obligations. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATING

Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" to the Obligations. Such rating reflects only the views of S&P. An explanation of the significance of a rating assigned by S&P may be obtained at One California Street, 31st Floor, San Francisco, CA 94111. Such rating may be revised or withdrawn entirely at any time by S&P if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligations. The City will covenant in its continuing disclosure undertaking with respect to the Obligations that it will file notice of any formal change in any rating relating to the Obligations. See "CONTINUING DISCLOSURE" and APPENDIX G – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

CONTINUING DISCLOSURE

The City will covenant for the benefit of the Holders of the Obligations to provide certain financial information and operating data relating to the City by not later than February 1 in each year commencing February 1, 2027 (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Notices”). The Annual Reports and the Notices will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system as described in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.” The specific nature of the information to be contained in the Annual Reports and the Notices is set forth in APPENDIX G – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

On January 31, 2023 the City filed a Notice of Failure to File Audited Annual Financial Report for the fiscal year ended June 30, 2022. On April 3, 2023 the City filed the Annual Comprehensive Financial Report for the City for fiscal year ended June 30, 2022.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2025, and for its Fiscal Year then ended, included as APPENDIX E – “CITY OF AVONDALE, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025” to this Official Statement, have been audited by Heinfeld, Meech & Co., P.C., as stated in its opinion included therein. **The City has not requested the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its report on the financial statements.**

THE FINANCIAL STATEMENTS INCLUDED IN APPENDIX E OF THIS OFFICIAL STATEMENT ARE CURRENT AS OF THEIR DATE ONLY AND MAY NOT REPRESENT THE CURRENT FINANCIAL CONDITION OF THE CITY.

UNDERWRITING

The Obligations will be purchased by the Underwriter at an aggregate purchase price of \$_____, pursuant to an obligation purchase agreement (the “Purchase Contract”) entered into by and between the City and the Underwriter. If the Obligations are sold to produce the yields shown on the inside front cover pages hereof, the Underwriter’s compensation will be \$_____. The Purchase Contract provides that the Underwriter will purchase all of the Obligations so offered if any are purchased. The Underwriter may offer and sell the Obligations to certain dealers (including dealers depositing the Obligations into unit investment trusts) and others at prices higher or yields lower than the public offering prices or yields stated on the inside front cover pages hereof. The initial offering prices or yields set forth on the inside front cover pages may be changed, from time to time, by the Underwriter without amendment of the Official Statement.

MUNICIPAL ADVISOR

The Municipal Advisor’s fee for services rendered with respect to the sale of the Obligations is contingent upon the execution and delivery of the Obligations. The Municipal Advisor participated in the preparation of the Official Statement but has not verified, and does not assume any responsibility for, the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement: “The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.”

RELATIONSHIP AMONG PARTIES

Special Counsel has previously represented the Underwriter and the Municipal Advisor and is currently representing the Underwriter and the Municipal Advisor with respect to other financings and has acted or is acting as special counsel with respect to other obligations underwritten by the Underwriter and the Municipal Advisor and may do so in the future. Special Counsel also serves and has served as special counsel for one or more of the political subdivisions that the City territorially overlaps. Counsel to the Underwriter has previously acted as special counsel with respect to other obligations underwritten by the Underwriter and the Municipal Advisor and may continue to do so in the future if requested.

CONCLUDING STATEMENT

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of these opinions or estimates have been or will be realized. Information in this Official Statement has been derived by the City from official and other sources and is believed by the City to be accurate and reliable. Information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Neither this Official Statement nor any statement that may have been or that may be made orally or in writing is to be construed as a part of a contract with the original purchasers or subsequent owners of the Obligations.

CITY OF AVONDALE, ARIZONA

By: _____
Mayor

CITY OF AVONDALE, ARIZONA – THE WASTEWATER SYSTEM

Overview of the Wastewater System

The City has operated a sewer collection and treatment system (the “Wastewater System”) for more than 50 years pursuant to authority of Title 9, Chapter 5 of the Arizona Revised Statutes, as amended (the “Municipal Utility Statute”) in order to provide for the needs of the City’s residents and businesses.

Administration and Management

The City operates under a Council-Manager form of government, with the Mayor and six council members elected at large and have legislative responsibilities. The budget for the Wastewater System is adopted annually by the Mayor and Council of the City and the Wastewater System is a self-supporting enterprise of the City which receives no subsidy from the general fund of the City (the “General Fund”). The Wastewater System is operated by the City’s Public Works Department, and the Finance and Budget Department of the City has the responsibility for all financial administration in the City and performs general financial duties for the Wastewater System.

The City Manager is responsible for the day-to-day operations of the City. City Manager Ron Corbin’s career in public service began in 2002 and spans over two decades in municipal management and human resources; he has served Avondale as City Manager for over three years. Mr. Corbin holds a Master of Administration with Distinction from Northern Arizona University, along with degrees in Biology and Education from Eastern Washington University and is a member of the International City/County Management Association.

The City’s Public Works Department, encompassing the water and wastewater enterprise funds, is directed by Kirk Beaty. Mr. Beaty has served as the Public Works Director for the City for over five years. He has over 36 years of experience in public works, civil engineering, and facility construction and maintenance. He holds a Bachelor’s and Master’s degree in Civil Engineering from Arizona State University and is a licensed Professional Civil Engineer in Arizona. He is a member of various public works and engineering organizations and is the current Chairperson for the Management Board of the Arizona Municipal Water Users Association.

The Finance and Budget Department of the City operates under the direction of Renee Weatherless, who has been the Finance and Budget Director since April 2022. Ms. Weatherless has 30 years of experience in financial management including serving as the Executive Finance Director for the Tucson Unified School District No. 1, one of the largest school districts in Arizona. Ms. Weatherless holds a Bachelor of Science degree in Finance and Accounting from the University of Arizona and a Master of Business Administration from the Keller Graduate School of Management.

Billing and Accounting

The City’s Finance and Budget Department performs all accounting services for the Public Works Department, which includes a combined bill for water, wastewater and solid waste services (“Utility Services”).

The City assesses late fees of 1.5% or \$2.00, whichever is greater, on past due balances. If a Utility Services bill is delinquent at least 60 days, the service for water is subject to disconnection. Wastewater and solid waste services are not subject to disconnection. A \$60 non-payment reconnection fee is assessed on accounts that are disconnected. After water services have been disconnected, they are restored upon payment of all outstanding past due balances and any additional security deposit required, unless payment arrangements are made. Approximately 0.87% of the total accounts have their water service disconnected at any point in time.

The City requires a security deposit up to \$250 for residential accounts and \$300 for commercial accounts.

Although a separate audit of the Wastewater System’s records is not conducted, such records are subject to audit procedures in conjunction with the annual audit of the City’s combined financial statements. Meters are read and bills

are issued monthly. The Wastewater System's accounting practices are maintained in conformance with generally accepted accounting principles as applicable to governmental entities. The City's audited financial statements showing the results of operations for the Fiscal Year 2024/25 is shown in APPENDIX E to this Official Statement.

Wastewater System Rates and Charges

Financial planning and rates development are provided by the Finance & Budget Department in coordination with the Public Works Department. The City's rates, fees, and other charges for each system are recommended annually to the City Council. City Council has the ultimate responsibility for setting system rates, fees and charges. The principal sources of Wastewater System revenue for the City are derived from base fees and user fees charged for services provided and a one-time connection fee charged to new users for connection to the system.

The City Council has traditionally implemented incremental rate increases over two years at a time. A rate increase went into effect on January 1, 2026, and another rate increase will go into effect on January 1, 2027. Combined, both of these rate adjustments increased wastewater rates by \$1.81 for the average residential customer.

The Mayor and Council of the City are authorized to set rates and charges for water and sewer service by the City pursuant to the Municipal Utility Statute, following a public hearing. As a municipal corporation of the State, the City's water and sewer rates and charges are not subject to review or approval by the Arizona Corporation Commission, as is the case with respect to privately owned Arizona public utilities.

Demand for System Service

The City experienced rapid growth in new residential and commercial construction over the last ten years. Customer growth continues at a steady rate of just under 2% year over year and is projected to maintain in the foreseeable future.

Capital Improvement Plan ("CIP")

The CIP is a balanced five-year plan that addresses projects that are needed, or will be needed, across the Wastewater System. Each year, the CIP is updated for changes in cost, scope, and timing of the capital projects. Wastewater projects, such as treatment facilities and collection infrastructure, are funded primarily through user fees, debt financing including revenue bonds/obligations, and development impact fees.

In Fiscal Year 2026, the City budgeted \$20.8 million for Wastewater System CIP projects. This figure includes \$4.8 million in estimated carryover funding (i.e., projects that were budgeted in Fiscal Year 2025 but not finished). Of the \$20.8 million budgeted in Fiscal Year 2026, approximately \$9 million is funded from user fees, \$50,000 from development impact fees, and the remaining \$11.8 million from proceeds of the 2026A Obligations. Through Fiscal Year 2030, the Wastewater System CIP totals \$175.9 million (including the Fiscal Year 2026 CIP previously described), of which the City currently anticipates funding approximately \$143.7 million from proceeds of the 2026A Obligations and Additional Obligations.

Overview of the Wastewater System

Wastewater Service Area

The Wastewater System currently provides services to over 27,000 customer accounts and covers a service area that includes most areas in the City. The City provides sewer service to the residents, commercial and industrial customers by operating its own wastewater collection system and water reclamation facility. The City oversees fewer wastewater accounts than water accounts because portions of the City are still 'unsewered'. This means that some neighborhoods utilize septic systems that are privately maintained. In this scenario, a resident would not receive a wastewater bill even though they receive a City water bill.

The Wastewater System consists of approximately 290 miles of sewer mains, varying in size from 6-inch to 48-inch diameter, and 12 lift stations. These sewer mains are constructed of PVC, vitrified clay, high density polyethylene and

other common sewer main materials. The sewer mains vary in age and condition but are inspected on a regular basis with the City's CCTV program. The wastewater collection system is regarded to be in generally good condition.

Charles M. Wolf Water Reclamation Facility

Wastewater is treated at the Charles M. Wolf Water Resource Center ("Wolf"), which has a permitted capacity of 9.0 million gallons per day ("MGD"). The facility utilizes a conventional activated sludge process with biological nutrient removal, including nitrification and denitrification, followed by clarification and disinfection. Solids are stabilized through anaerobic digestion and dewatered prior to disposal in compliance with regulatory standards.

The plant currently treats a maximum monthly average daily flow of approximately 7.5 MGD, indicating available capacity to accommodate near-term growth while maintaining operational flexibility. This reserve capacity supports system reliability and reduces the risk of near-term capital pressure, while still signaling the need for long-range expansion planning.

A central strength of the Wastewater System is its integration with the City's water resource strategy. The majority of treated effluent is directed to the McDowell Recharge Basins, where it percolates into the aquifer for long-term storage and future recovery. This approach transforms wastewater from a disposal obligation into a renewable water resource, enhancing overall supply sustainability and drought resilience.

The Wolf also maintains a permitted surface discharge pathway to the Agua Fria River, providing operational flexibility during maintenance events or peak flow conditions. This dual-pathway approach strengthens reliability and ensures compliance under varying operating scenarios.

Environmental Compliance

The Wastewater System meets federal, state, and county regulations which are implemented through the permit programs administered by the responsible agencies including the Maricopa County Environmental Services Department, the Arizona Department of Environmental Quality and the Environmental Protection Agency, respectively. The Public Works Department maintains the required permits and reporting and the Wastewater System currently satisfies applicable water quality parameters.

In collaboration with the City's Water System, the City operates an industrial pretreatment program consistent with federal and state requirements, limiting the introduction of harmful pollutants into the system and protecting treatment processes. The relatively limited number of significant industrial users reduces variability in influent quality and operational risk to the treatment plant.

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The following tables contain information regarding the Wastewater System.

Wastewater Rates

The following rates, plus the applicable proportionate part of any taxes or any governmental impositions which are assessed on wastewater sales currently apply, or will apply, to all individually metered wastewater services:

TABLE A-1

**Base User Rates – Wastewater System
City of Avondale, Arizona**

<u>Description of Services</u>	<u>2025/26 Charges</u>	<u>2026/27 Charges</u>	<u>2027/28 Charges</u>
<u>Meter Size-Base Fee all users (a)</u>			
¾"	\$ 9.16	\$ 9.34	\$ 9.53
1"	13.76	14.04	14.32
1 ½"	24.91	25.41	25.92
2"	39.42	40.21	41.01
3"	71.36	72.79	74.24
4"	116.92	119.26	121.64
6"	229.02	233.61	238.28
8"	341.88	348.72	355.69
10"	-	544.96	555.85
<u>Usage Charge per 1,000 gallons</u>			
All users	\$ 4.53	\$ 4.62	\$ 4.71

(a) Meter charge for multi-family will be based upon a 47 percent (47%) unit equivalency factor applied to the ¾" meter charge times number of units.

TABLE A-2

**Schedule of Existing Monthly Wastewater Charges – Wastewater System
City of Avondale, Arizona**

<u>User Class</u>	<u>Volume Charge (per 1,000 gallon)</u>	<u>Return Factor (a)</u>
All categories	\$4.53	80%

(a) Residential return factor based on 80% of winter water usage.

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TABLE A-3

**Schedule of Wastewater Sales Revenues – Wastewater System
City of Avondale, Arizona**

	2020/21	2021/22	Audited 2022/23	2023/24	2024/25	Budgeted 2025/26 (a)
Wastewater System						
Wastewater Sales						
Residential	\$ 9,211,229	\$ 9,742,611	\$ 8,835,732	\$ 9,781,355	\$ 11,345,708	\$ 12,800,000
Commercial	1,009,690	1,233,829	1,438,375	1,881,303	2,032,278	2,400,000
Total Wastewater Sales:	<u>\$ 10,220,918</u>	<u>\$ 10,976,441</u>	<u>\$ 10,274,107</u>	<u>\$ 11,662,658</u>	<u>\$ 13,377,986</u>	<u>\$ 15,200,000</u>

(a) Based on budgeted projections through June 2026.

TABLE A-4

**Other Fees and Charges – Wastewater System
City of Avondale, Arizona**

Fiscal Year	Tap Fee Revenues	Interest Earnings	Total
2025/26 (a)	\$ 260,000	\$ 572,000	\$ 832,000
2024/25	189,125	1,349,695	1,538,820
2023/24	247,200	2,428,898	2,676,098
2022/23	173,850	788,548	962,398
2021/22	113,400	278,882	392,282
2020/21	227,016	237,864	464,880

(a) Based on budgeted projections through June 2026.

TABLE A-5

**Schedule of Wastewater System Customers – Wastewater System (a)
City of Avondale, Arizona**

Fiscal Year	Residential	Commercial (b)	Total Accounts
2025/26	26,153	751	26,904
2024/25	25,918	738	26,656
2023/24	25,280	728	26,008
2022/23	24,330	707	25,037
2021/22	23,576	684	24,260

(a) Customer counts reflect the number of unique customer accounts billed during the year.

(b) Commercial customers include industrial and multi-unit customers. The City imposes the same user rates and fees on all commercial customers.

TABLE A-6

**Schedule of Ten Largest Customers for Fiscal Year 2025/26 – Wastewater System
City of Avondale, Arizona**

<u>Customer</u>	<u>Revenue</u>	<u>% of Total</u>
Bella Mirage	\$120,052	0.88%
Shephard Investment Group LLC	94,963	0.70
KV Aventura Apartments LLC	79,184	0.58
CCW Rio Santa Fe LLC	69,710	0.51
Avalon TIC One LLC	61,937	0.46
Versante Apartment Homes	59,881	0.44
Ashton Pointe Holdings LLC	55,185	0.41
Radia Avondale Station	49,480	0.36
Avari Apartments	47,699	0.35
Bridge WF II AZ Edgewater LLC	47,656	0.35
Total:	<u>\$496,956</u>	<u>5.05%</u>

Litigation and Administrative Actions in the Wastewater System

There is no litigation or administrative proceedings pending or, to the City's knowledge, threatened which would affect the City's title or the Wastewater System or the City's right to operate the Wastewater System and to collect or pledge revenues therefrom or to make Purchase Payments for the debt service on the Obligations.

CITY OF AVONDALE, ARIZONA – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City is located approximately 15 miles west of downtown Phoenix, Arizona (“Phoenix”) in the southwestern portion of the metropolitan Phoenix area and in the central portion of Maricopa County, Arizona (the “County”), contiguous to the communities of Litchfield Park, Arizona to the north, Phoenix to the north and east, Tolleson, Arizona to the east and Goodyear, Arizona to the north and west. Unique to the City is the convergence of the Gila, Salt and Agua Fria rivers within the City. The City was incorporated in 1946.

**TABLE B-1
POPULATION STATISTICS**

	<u>City of Avondale</u>	<u>Maricopa County</u>	<u>State of Arizona</u>
2025 Estimate (a)	100,686	4,787,790	7,718,747
2020 Census	89,334	4,420,568	7,151,502
2010 Census	76,238	3,817,117	6,392,017
2000 Census	35,883	3,072,149	5,130,632
1990 Census	16,169	2,122,101	3,665,339
1980 Census	8,168	1,509,175	2,716,546

(a) Estimate as of July 2025 (data released December 2025).

Source: Arizona Office of Economic Opportunity and the U.S. Census Bureau.

Municipal Government and Utilities

The City operates under a Council-Manager form of government in accordance with its Charter. The Mayor is elected for a four-year term and six council members are elected at large on a non-partisan basis for four-year, staggered terms. The City Council appoints the City Manager who has full responsibility for carrying out Council policy and administering operations for the City. The City Manager in turn appoints department heads.

The City provides its residents with sanitation, water and sewer services. Electricity is provided by both Arizona Public Service Company and Salt River Project. Natural gas is supplied by Southwest Gas Corporation.

Economy

The City is strategically located within the rapidly growing Phoenix metropolitan area, with direct access to Interstate 10, Loop 101, Loop 202, and the future State Route 30 corridor. The City is approximately 18 minutes from Phoenix Sky Harbor International Airport and within close proximity to major employment centers, including TSMC and Intel, supporting continued residential and economic growth.

Avondale’s population has grown from approximately 89,000 in 2020 to an estimated 101,000 in 2025, reflecting strong in-migration trends across the West Valley. Residential development activity remains robust, with ongoing single-family, multi-family, and townhome construction supporting expansion of the City’s tax base and long-term valuation growth.

The local economy benefits from a diverse mix of retail, hospitality, healthcare, and industrial development. Regional attractions such as Phoenix Raceway and the City’s growing BLVD District support tourism and commercial activity, while projects including the Avondale Tech Center and other industrial developments continue to expand employment opportunities in logistics, advanced manufacturing, and technology sectors.

Avondale is also expected to benefit from continued infrastructure investment, including the future State Route 30 freeway and expansion of healthcare and mixed-use development throughout the West Valley. Collectively, these factors position the City to participate in the broader economic growth of the Phoenix region while maintaining a diversified and expanding economic base.

TABLE B-2
MAJOR EMPLOYERS
City of Avondale, Arizona

Employer	Description	Approximate Number of Employees
Amazon.com	Retail	1,030
Maricopa County Community College District	Education	830
City of Avondale	Government	750
Tolleson Union High School District No. 214	Education	550
Fry’s Food Stores	Grocery	470
Avondale Elementary School District No. 44	Education	460
Akos	Healthcare	400
Costco Wholesale	Retail	390
Walmart Stores Inc.	Retail	370
Littleton Elementary School District No. 65	Education	370

Source: Maricopa Association of Governments Employer Database (retrieved January 2026).

The following table illustrates the unemployment rate averages for the City, the County, the State and the United States of America.

TABLE B-3

UNEMPLOYMENT RATE AVERAGES

<u>Calendar Year</u>	<u>City of Avondale (a)</u>	<u>Maricopa County</u>	<u>State of Arizona</u>	<u>United States</u>
2026 (b)	4.2%	4.1%	4.6%	4.6%
2025	4.0	3.6	4.2	4.3
2024	3.4	3.1	3.6	4.0
2023	3.4	3.4	3.9	3.6
2022	3.7	3.3	3.8	3.6
2021	5.6	4.6	5.1	5.3

(a) Each year, historical estimates from the Local Area Unemployment Statistics program are revised to reflect new population controls from the Census Bureau, updated input data, and re-estimation. The data for model-based areas also incorporate new seasonal adjustment, and the unadjusted estimates are controlled to new census division and U.S. totals. Sub-state area data subsequently are revised to incorporate updated inputs, re-estimation, and controlling to new statewide totals.

(b) Data through March 2026.

Source: Arizona Office of Economic Opportunity, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Commerce

The following table illustrates the past five years of sales tax collections.

TABLE B-4

SALES TAX COLLECTIONS

City of Avondale, Arizona

<u>Fiscal Year</u>	<u>Amount</u>
2025/26 (a)	\$64,788
2024/25	88,055
2023/24	86,817
2022/23	86,881
2021/22	76,127
2020/21	65,979

(a) Data through March 2026.

Source: Arizona Department of Revenue, Municipal Privilege Tax Collection Program.

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CITY OF AVONDALE, ARIZONA – FINANCIAL INFORMATION

DIRECT AND OVERLAPPING BONDED INDEBTEDNESS

TABLE C-1

Current Year Statistics (For Fiscal Year 2025/26)

City of Avondale, Arizona

Net Limited Assessed Property Value	\$ 711,470,311
Net Full Cash Assessed Value	1,449,387,025
Estimated Net Full Cash Value	12,455,511,016
Total General Obligation Bonds Outstanding	\$ 46,160,000
Total Water System Revenue Obligations Outstanding and to be Outstanding	19,500,000(a)*
Total Wastewater System Revenue Obligations Outstanding and to be Outstanding	51,185,000(b)*
Total Excise Tax Revenue Obligations Outstanding	12,495,000

* Subject to change.

(a) Reflects planned execution and delivery in June 2026, of approximately \$19,500,000 principal amount of the City's Water System Revenue Obligations, Series 2026 (the "2026 Water Obligations"), the proceeds of which will be applied to finance various City capital improvement projects with respect to the City's water production and distribution system. Such obligations will be secured by a first lien pledge of the net revenues of the water system.

(b) Includes the Obligations and is net of the Obligations Being Refunded.

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Office of Budget and Finance of the County.

TABLE C-2

Direct General Obligation Bonded Debt Outstanding

City of Avondale, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2017A	\$ 14,740,000	Advance refunding	2029	\$ 6,765,000
2019	21,390,000	Construction and improvements	2039	16,265,000
2021	13,670,000	Construction and improvements	2041	12,205,000
2025	11,205,000	Water system improvements	2044	10,925,000
Total General Obligation Bonded Indebtedness Outstanding				<u>\$ 46,160,000</u>

TABLE C-3

**Water System Revenue Obligations Outstanding and to be Outstanding
City of Avondale, Arizona**

	Balance Outstanding and to be Outstanding* <i>(a)</i>
	<u>None</u>
Total Water System Revenue Indebtedness Outstanding	<u>\$ 19,500,000</u>
Plus: Water System Revenue Obligations, Series 2026	<u>\$ 19,500,000</u>
Total Water System Revenue Indebtedness Outstanding and to be Outstanding	<u><u>\$ 19,500,000</u></u>

(a) Reflects planned execution and delivery in June 2026, of the 2026 Water Obligations.

* *Subject to change.*

TABLE C-4

**Wastewater System Revenue Obligations Outstanding and to be Outstanding
City of Avondale, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding	Obligations Being Refunded*	Balance Outstanding and to be Outstanding*
2016	\$ 8,110,000	System improvements	2036	\$ 5,160,000	\$ 5,160,000	\$ -
Total Wastewater System Revenue Indebtedness Outstanding						\$ -
Plus: The 2026A Obligations						46,750,000
Plus: The 2026B Obligations						4,435,000
Total Wastewater System Revenue Indebtedness Outstanding and to be Outstanding						<u><u>\$ 51,185,000</u></u>

* *Subject to change.*

TABLE C-5

**Excise Tax Revenue Obligations Outstanding
City of Avondale, Arizona**

Issue Series	Original Amount	Purpose	Final Maturity Date	Balance Outstanding
2021	\$ 11,770,000	Aquatic center	2031	\$ 7,555,000
2021 REF	7,765,000	Current refunding	2031	4,940,000
Total Excise Tax Revenue Indebtedness Outstanding				<u><u>\$ 12,495,000</u></u>

CITY EMPLOYEE RETIREMENT SYSTEM

Retirement Benefits

The City contributes to the retirement plans described below and as referenced in Note 10 in APPENDIX E – “CITY OF AVONDALE, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025.” Benefits are established by State statute and, depending on the plan, provide retirement, death, long-term disability, survivor and health insurance premium benefits. Both the City and each covered employee contribute to the plans. The City also participates in the Corrections Officers Retirement Plan (“CORP”) and the Elected Officials Retirement Plan (“EORP”). The City’s CORP and EORP plans are considered to be immaterial to the financial operations of the City and as such are not included in the audited financial statements of the City included as APPENDIX E or in this section of the Official Statement.

Each of the plans has reported increases in its unfunded liabilities. The increases in unfunded liabilities is expected to result in increased future annual contributions by the City and its employees; however, the specific impact on the City’s and its employees’ future contributions cannot be determined at this time.

The Governmental Accounting Standards Board (“GASB”) adopted Statement No. 68, Accounting and Financial Reporting for Pensions, which requires that cost-sharing employers report their “proportionate share” of a plan’s net pension liability in their government-wide financial statements and that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. GASB’s Statement No. 67, Financial Reporting for Pensions, is designed to improve financial reporting by state and local governmental pension plans.

Starting on page 98 in APPENDIX E – “CITY OF AVONDALE, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025” is information about the plans based on GASB’s Statements Nos. 67 and 68. Please refer to APPENDIX E for more specific information about the plans. In the case of any difference between what is here versus what is in APPENDIX E, the latter supersedes the former.

The Arizona State Retirement System (“ASRS”). ASRS is a multiple-employer defined benefit pension plan, a multiple-employer defined benefit health insurance premium benefit plan, and a multiple-employer defined benefit long-term disability plan for approximately 650,000 Arizona public employees including qualified employees of the State, municipal governments, counties and K-12 education agencies. As of June 30, 2025, the unfunded liability for ASRS was \$18.294 billion with a funding ratio of 75.6% and an assumed earning rate of 7.0%. As of June 30, 2025, the City reported a liability of \$45,220,254 for its proportionate share of the net pension liability under ASRS. Pursuant to State statute, the contribution rate for the employer (the City) and active members of ASRS are equal. For Fiscal Year 2025/26, the actuarially determined contribution rate for the City and active members of ASRS is 12.00% (11.86% for retirement and health insurance and 0.14% for long-term disability).

The table below shows recent actuarially determined contribution rates that the active ASRS members and the City are/were required to contribute, the plan’s funded status and the pension contributions under ASRS for the current and past four Fiscal Years.

Fiscal year ended	Retirement and Health Insurance Premiums	Long-term Disability	Total Contribution Rate	Funded Status	Pension Contributions
June 30, 2027	11.87%	0.11%	11.98%	unavailable	unavailable
June 30, 2026	11.86	0.14	12.00	unavailable	unavailable
June 30, 2025	12.12	0.15	12.27	75.6%	\$5,303,510
June 30, 2024	12.14	0.15	12.29	74.0	4,629,986
June 30, 2023	12.03	0.14	12.17	73.1	4,083,719

The Public Safety Personnel Retirement System (“PSPRS”). PSPRS is an agent multiple-employer defined benefit pension plan and an agent multiple employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned to hazardous duties for which the Arizona State Legislature establishes active plan members’ contribution rates and member benefits. This is not a “pooled” system – a separate account exists for the police and fire employees of each participating political subdivision. In total, there are 258 individual plans in PSPRS. Each plan has its own financial condition, funding status, etc. which varies greatly across the system.

A 2016 amendment to the State constitution (“Prop 124”) created an exception to the prohibition in the Constitution against diminishing or impairing public retirement system benefits by allowing for certain adjustments to PSPRS and preserved the State’s legislative ability to modify public retirement benefits. Prop 124 allowed for, among other things, the replacement of permanent benefit increases then required by law with COLA (defined below) provisions tied to the regional consumer price indexes.

PSPRS active membership is comprised of three separate “tiers” based on date of hire which are shown in the following table.

<u>“Tier 1” Members</u>	<u>“Tier 2” Members</u>	<u>“Tier 3” Members</u>
Hired into PSPRS position before January 1, 2012	Hired into PSPRS position on or after January 1, 2012 and before July 1, 2017	Hired into PSPRS position on or after July 1, 2017

The different tiers have different types of plans. Tier 1 members have a defined benefit plan, Tier 2 members have a defined benefit or defined benefit hybrid plan and Tier 3 members have a defined contribution, defined benefit or defined benefit hybrid plan. (The hybrid plan is a pension with an additional defined contribution tax-deferred retirement savings account for Tier 2 and Tier 3 members who do not contribute to Social Security). For Tier 1 and Tier 2 members, the type of plan is determined automatically. For Tier 3 members the type of plan is an irrevocable career choice with a default to a defined benefit plan after 90 days. The actuarially determined employer contribution rate varies among the different tiers and the different types of plans as shown in the tables below.

As of June 30, 2025, the unfunded liability for Tiers 1 and 2 of PSPRS was \$7.1 billion with a funding ratio of 70.5%. When calculating, an assumed earning rate of 7.2% was used and an assumed rate of 1.75% was used for increases in the cost of living allowance (“COLA”).

The following tables show the actuarially determined annual contribution rates, funded status and total audited contribution amounts for PSPRS.

Fire

	Fiscal Year Ended				
	6/30/2027	6/30/2026	6/30/2025	6/30/2024	6/30/2023
<u>Contribution Rates*</u>					
Tier 1 Defined Benefit Employer	32.32%	32.94%	31.83%	31.07%	30.55%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	32.32%	32.94%	31.83%	31.07%	30.55%
Tier 2 Defined Benefit Employee (a)(b)	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 3 Defined Benefit Employer (a)(c)	24.42%	24.72%	23.65%	23.22%	25.17%
Tier 3 Defined Benefit Employee (a)	8.66%	8.69%	8.89%	9.56%	9.94%
Tier 3 Defined Contribution Employer (c)	26.54%	26.77%	25.49%	24.26%	26.08%
Tier 3 Defined Contribution Employee	10.78%	10.74%	10.73%	10.60%	10.85%
Pension Funded Status	N/A	N/A	78.7%	77.0%	77.9%
Health Funded Status	N/A	N/A	148.4%	145.4%	136.1%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$2,569,402	\$2,249,669	\$2,262,891

Police

	Fiscal Year Ended				
	6/30/2027	6/30/2026	6/30/2025	6/30/2024	6/30/2023
Contribution Rates*					
Tier 1 Defined Benefit Employer	30.56%	31.97%	32.23%	32.02%	32.28%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	30.56%	31.97%	32.23%	32.02%	32.28%
Tier 2 Defined Benefit Employee (a)(b)	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 3 Defined Benefit Employer (a)(c)	25.06%	26.29%	26.48%	27.21%	28.40%
Tier 3 Defined Benefit Employee (a)	8.66%	8.69%	8.89%	9.56%	9.94%
Tier 3 Defined Contribution Employer (c)	27.18%	28.34%	28.32%	28.25%	29.31%
Tier 3 Defined Contribution Employee	10.78%	10.74%	10.73%	10.60%	10.85%
Pension Funded Status	N/A	N/A	74.6%	70.9%	69.0%
Health Funded Status	N/A	N/A	143.3%	129.8%	128.0%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$3,033,268	\$4,574,027	\$4,052,949

* Sum of the Pension and Health insurance premium benefit contribution rates.

- (a) Does not include additional contribution percentage of 3% associated with defined benefit members additionally participating in the defined contribution plan. Employer rate is 4% for Tier 2 members for a period of time depending on the individual's membership date.
- (b) Tier 2 employees contribute a maximum of 11.65%, but statutory requirements dictate only 7.65% is applied toward employer costs.
- (c) The amortization of unfunded liabilities for Tier 1 and Tier 2 is applied to the payroll for employees in all tiers, including Tier 3, on a level percent basis.

Statutory Changes and Court Decisions Regarding the PSPRS, CORP and EORP

PSPRS, CORP and EORP are all operated under the umbrella of the Public Safety Personnel Retirement System and the Public Safety Personnel Retirement System Board of Trustees. Since 2011 there have been various modifications designed to mitigate increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature; some changes resulted from successful court challenges to those statutory changes; and other changes were implemented by voter approved amendments to the State Constitution. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

Potential Future State Legislation Affecting ASRS and PSPRS

Bills are frequently introduced at sessions of the State Legislature that, if enacted, could impact the administration of the ASRS and PSPRS and the eligibility, timing and payment of benefits from such plans. The City is unable to determine whether any such bills will be enacted into legislation or in what form such legislation may be enacted and what the impact of any such legislation may be.

Other Post-Employment Retirement Benefits

During the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”). The City is required to report the actuarially accrued cost of post-employment benefits, other than pension benefits (“OPEB”), such as health and life insurance for current and future retirees. GASB 75 addresses reporting by governments that provide OPEB by measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to OPEB provided through defined benefit OPEB plan. Please refer to APPENDIX E of the Official Statement which includes the City’s audited financial statements and specifically “Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.”

The City does not offer any OPEB. The City’s employees, their spouses and survivors may be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses also may qualify for retiree health care benefits through the State. Such individuals may obtain the health care benefits offered by the State by paying 100% of the applicable health care insurance premium, net of any subsidy provided by the State. The benefits are available to all retired participants in the State’s health care program. The City does not make payments for OPEB costs for such retirees.

FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

U.S. Bank Trust Company, National Association
Tempe, Arizona

Re: Wastewater System Revenue Obligations, Series 2026A and Wastewater System Revenue Refunding Obligations, Series 2026B, Evidencing Proportionate Interests of the Holders Thereof in Installment Payments of the Purchase Price To Be Paid by the City of Avondale, Arizona, Pursuant to a Series 2026 Wastewater Revenue Purchase Agreement, Dated as of June 1, 2026*

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the Wastewater System Revenue Obligations, Series 2026A (the “2026A Obligations”) in the aggregate principal amount of \$46,750,000* and the Wastewater System Revenue Refunding Obligations, Series 2026B (collectively with the 2026A Obligations, the “Obligations”) in the aggregate principal amount of \$4,435,000* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance and refinance the costs of certain improvements to the sewer collection and treatment system (the “Wastewater System”) serving the City of Avondale, Arizona (the “City”).

We have examined the law and such documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to the opinions expressed herein, we have relied upon, and have assumed due compliance with the provisions of, such documents and have relied upon certifications and representations furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the use to be made of the proceeds of the Obligations. Reference is made to certifications of, and opinions of counsel to, parties with respect to the existence and powers of such parties to enter into and perform the instruments referred to, the authorization, execution and delivery of such instruments by such parties and such instruments being binding upon and enforceable against such parties; we express no opinion as to such matters.

The Obligations are being executed and delivered pursuant to the Series 2026 Wastewater Revenue Obligation Indenture, dated as of June 1, 2026* (the “Indenture”), by and between the City and U.S. Bank Trust Company, National Association, in its capacity as trustee (the “Trustee”). Each of the Obligations represents an undivided and proportionate interest in certain obligations of the City pursuant to the Series 2026 Wastewater Revenue Purchase Agreement, dated as of June 1, 2026* (the “Purchase Agreement”), by and between the Trustee, in its separate capacity as seller (the “Seller”), and the City, as purchaser, pursuant to which the City has agreed to make certain installment purchase payments to the Seller. The Obligations are payable solely, as to both principal and interest, from such installment purchase payments made by the City pursuant to the Purchase Agreement. The City and the Seller have assigned certain of their rights in and benefits from, and of their obligations pursuant to, the Purchase Agreement to the Trustee pursuant to the Indenture.

Based upon the foregoing, we are of the opinion as of this date, which is the date of initial execution and delivery of the Obligations against payment therefor, that:

1. The Indenture, the Purchase Agreement and the Obligations are valid and binding and enforceable in accordance with their terms. The rights of the owners of the Obligations and the enforceability of those rights pursuant to the Obligations as well as the Indenture and the Purchase Agreement may, however, be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors’ rights, and the enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity. The enforceability of the indemnification provisions in the Purchase Agreement and the Indenture may be affected by applicable securities laws.

* *Subject to change.*

2. The obligation of the City for the payment of the installment purchase payments required to be paid by the City pursuant to the provisions of the Purchase Agreement constitute a valid and binding limited, special obligation of the City, payable together with any other obligations issued on parity therewith, solely from and secured solely by a pledge of, a lien on and a security interest in the Pledged Revenues (as defined in the Purchase Agreement), consisting generally of revenues derived by the City from the operation of the Wastewater System after sufficient funds have been provided for the operating expenses of the Wastewater System. Such payments are not secured by an obligation or pledge of any moneys raised by taxation; the Obligations do not represent or constitute a debt or pledge of the general credit of the City or the State of Arizona and the Purchase Agreement, including the obligation of the City to make the payments required thereunder, does not represent or constitute a debt or pledge of the general credit of the City.

3. (a) Based on the representations and covenants of the City and subject to the assumption stated in the last sentence of this paragraph, under existing statutes, regulations, rulings and court decisions, the portion of each payment made by the City pursuant to the Purchase Agreement, denominated and comprising interest and received by the beneficial owners of the Obligations (the "*Interest Portion*"), is excludable from the gross income of the owners thereof for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the case of the alternative minimum tax imposed by Section 55(b)(2) of the Internal Revenue Code of 1986, as amended (the "*Code*"), on applicable corporations (as defined in Section 59(k) of the Code), the Interest Portion is not excluded from the determination of adjusted financial statement income. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the Interest Portion on, or ownership or disposition of, the Obligations. The Code includes requirements which the City must continue to meet after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to their date of execution and delivery. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion. (Subject to the same limitations in the first numbered paragraph hereof as they would relate to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed in this paragraph, we have assumed continuing compliance with the tax covenants referred to hereinabove that must be met after the execution and delivery of the Obligations in order that the Interest Portion not be included in gross income for federal tax purposes.

(b) Assuming the Interest Portion is so excludable for federal income tax purposes, the Interest Portion is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other state tax consequences resulting from the receipt or accrual of the Interest Portion on, or disposition or ownership of, the Obligations.)

Our opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

**CITY OF AVONDALE, ARIZONA –
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Avondale, Arizona

Report on Audit of 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 City of Avondale, Arizona (City), as of and for the year ended June 30, 2025, 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 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, the aggregate remaining fund information of the City of Avondale, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended and the budgetary comparison statements for the General, Dedicated Sales Tax Revenue, Public Safety Sales Tax Revenues and Grants In Aid Funds 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Avondale, Arizona, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and net pension liability information, as listed in the table of contents, 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 Combining and Individual Fund Financial Statements and Schedules are presented for purposes of additional analysis and are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Fund Financial Statements and Schedules 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 report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions 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 other 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 18, 2025,, on our consideration of City of Avondale, Arizona’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 of Avondale, Arizona’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 City of Avondale, Arizona’s internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 18, 2025

**Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)**

Avondale

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

As management of the City of Avondale, Arizona (the City), 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, 2025. This discussion and analysis is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position, 4) identify any significant deviations from the City's Annual Budget and Financial Plan (the council-adopted annual budget), and 5) identify individual fund issues or concerns. The information presented in this discussion and analysis is based on currently known facts, decisions, and conditions.

This discussion and analysis has a different focus and purpose than the Letter of Transmittal presented on pages 1-6 of this report and is designed to be read in conjunction with the Letter of Transmittal, as well as the basic financial statements and the accompanying notes to the financial statements.

Financial Highlights

The following are some of the more significant financial highlights. Explanations for these changes are provided below and in the following sections.

- Government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of June 30, 2025 by \$1.5 billion (net position). Of this amount, \$175.8 million represents unrestricted net position, an increase of \$7.1 million (four percent) from the prior year, which may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased \$45.7 million (three percent) from the prior year resulting from a \$40.1 million (four percent) increase in governmental activities net position and a \$5.6 million (one percent) increase in business-type activities net position between years. These figures take into account the restatement of beginning net position due to the implementation of a new accounting standard.
- Governmental activities program revenues increased \$3.1 million (six percent) and general revenues decreased by \$2.6 million (two percent) between years while expenses increased \$15.5 million during the same period. The increase in program revenue was primarily attributed to an increase in charges for services resulting from strong development activity within the City. The decrease in general revenues was primarily attributed to a decrease in the gain on sale of capital assets driven by no large land sales during the fiscal year.
- Business-type activities program revenues decreased \$5.9 million (ten percent) and general revenues increased by \$2.2 million (37 percent) over the previous year, while expenses increased \$2.1 million, or four percent. The increase in general revenues was attributed to settlement revenue from the class action PFAS (per- and polyfluoroalkyl substances) cases while the decrease in program revenues was attributed to decreased developer donations of water and wastewater infrastructure compared to prior years.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Financial Highlights (Continued)

- Government-wide assets increased \$56.2 million (3 percent) from the prior year. This was largely due to a \$31.9 million increase in overall capital assets driven by infrastructure donations from developers and construction project activity within the City and a \$32.2 million increase in cash and investments, including \$17.9 million from issuances of general obligations bonds during the year. The remaining change was primarily due to a decrease in receivables from taxes and other governments.
- Government-wide liabilities increased \$13.8 million (six percent) from the prior year. The increase was primarily due to the issuances of general obligation bonds.
- At year-end, the governmental funds reported combined fund balance of \$235.5 million, an increase of \$21.4 million over the previous year. Of this total fund balance amount, \$131.0 million was either externally restricted or internally assigned or committed to specific purposes. The unassigned fund balance remained relatively consistent increasing by \$70,103 (less than 0.1percent) from the prior year.
- Combined governmental fund revenues of \$199.9 million increased \$6.0 million and expenditures of \$197.9 million decreased \$0.9 million from the prior fiscal year.
- General Fund revenues exceeded budgeted revenues by \$22.5 million, while expenditures were \$23.4 million less than final budgeted expenditures during the year resulting a net budgetary savings of \$45.9 million.

Overview of Financial Statements

The discussion and analysis provides an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, some of which is required, that provides additional detail information to support the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide a broad overview of the City's finances in a manner similar to a private-sector business. All of the City's activities, except those of a fiduciary nature, are included in these statements.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements (Continued)

The City's activities are presented in two columns; governmental activities and business-type activities. A total column is also presented for the City.

- Governmental activities include the City's basic services such as general government (administration), public safety (police and fire), streets and transportation, community and economic development, and community services (human services, parks and recreation, and libraries). These activities are mainly supported by general revenues.
- Business-type activities include private sector-type activities such as city-owned water, wastewater, and sanitation systems that provide services to city residents and businesses. These activities are primarily supported by user charges and fees.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. The focus on net position is important because increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Increases in net position may indicate an improved financial position, but decreases in net position may not necessarily indicate the City's financial position is deteriorating. Instead, decreases in net position may reflect situations where the City has used previously accumulated funds to finance its operations or projects such as cash funding of capital projects. As a result, readers must consider and evaluate other financial and nonfinancial indicators to effectively assess the City's overall financial health.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. Since the economic resources measurement focus and full accrual accounting are used for the government-wide financial statements, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 long-term debt that has not matured). This statement also focuses on both the gross and net costs of city functions based only on direct functional revenues and expenses. This focus is designed to show the extent to which city functions are dependent on general revenues for support.

The government-wide financial statements can be found on pages 44 through 47 of this report.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements (Continued)

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and to establish and maintain control over city assets as part of its fiduciary responsibility. All city funds are categorized as governmental funds or proprietary funds. The fund financial statements focus on the City's major funds.

Governmental funds. Government funds 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 year-end. Such information may be useful in evaluating the City's near-term financing requirements and determining what financial resources are available in the near future to fund city programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for the 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 City's near-term financing decisions. To facilitate this comparison, reconciliations of the differences between the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances and government-wide statement of net position and statement of activities are provided immediately following the respective governmental fund statements. These reconciliations are on pages 53 and 56, respectively.

The City maintains 20 governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Dedicated Sales Tax Revenue Fund, Public Safety Sales Tax Revenue Fund, Grants In Aid Fund, General Obligation Bonds Debt Service Fund and Other Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining financial statements and schedules.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements (Continued)

The City adopts an annual budget and legally allocates (appropriates) available monies for all governmental funds. Budgetary comparison statements are presented for all major funds, except for the Other Capital Projects and General Obligation Debt Service Funds, on pages 57-60. Budgetary comparison schedules are presented for the remaining governmental funds on pages 135-149.

Proprietary funds. Proprietary funds use the economic resources measurement focus and full accrual accounting, the same method used by private sector business. The City maintains seven proprietary funds.

Enterprise Funds. Enterprise funds account for activities that primarily serve customers outside the city unit. The enterprise funds generally provide information similar to the business-type activities column of the government-wide financial statements but provide more detailed information such as cash flows. The City uses separate enterprise funds to account for its water, wastewater and sanitation system services. The Water, Wastewater, and Sanitation Funds are considered to be major funds of the City.

Internal Service Funds. Internal service funds account for activities where the City is the primary customer. Because these funds primarily provide services to governmental activities, the internal service fund account balances and activities are reported in the governmental activities column on the government-wide financial statements. The internal service fund account balances and activities are presented in a single, aggregated column on the proprietary fund financial statements. The operating income or loss of the internal service funds is allocated to the various user functions on the government-wide statement of activities. Since the City partially allocates the operating income or loss of the internal service funds to business-type activities on the government-wide financial statements, a reconciliation is provided following the proprietary fund financial statements to reconcile total enterprise fund net position and changes in net position on the fund financial statements to the business-type activities column on the government-wide financial statements. The City uses separate internal service funds to account for its risk management program, workers' compensation, fleet management services, and employee benefits programs. Additional information on the internal service funds is provided in combining statements.

Notes to the financial statements. Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with these financial statements. The notes can be found on pages 64-113 of this report.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Overview of Financial Statements (Continued)

Required Supplementary Information Other Than MD&A. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process and employer pension plans. Governments have the option of including budgetary comparison statements of the General Fund and major special revenue funds either as part of the fund financial statements within the basic financial statements or as required supplementary information. The City has elected to present budgetary comparison statements as part of the basic financial statements.

Government-Wide Financial Analysis

The following tables, graphs and analyses discuss the financial position and changes in the financial position of the City as of and for the year ended June 30, 2025, with comparative information from June 30, 2024.

Net position, as noted earlier, may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.5 billion at the close of the most recent year.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 288,736,881	\$ 269,896,874	\$ 143,996,311	\$138,476,103	\$ 432,733,192	\$ 408,372,977
Capital assets, net	849,908,988	817,466,186	476,802,185	477,359,478	1,326,711,173	1,294,825,664
Total assets	<u>1,138,645,869</u>	<u>1,087,363,060</u>	<u>620,798,496</u>	<u>615,835,581</u>	<u>1,759,444,365</u>	<u>1,703,198,641</u>
Deferred outflows of resources						
Deferred change on debt refunding	600,326	750,408			600,326	750,408
Deferred outflows related to pensions	27,323,544	22,582,446	1,668,993	1,155,084	28,992,537	23,737,530
Total deferred outflows of resources	<u>27,923,870</u>	<u>23,332,854</u>	<u>1,668,993</u>	<u>1,155,084</u>	<u>29,592,863</u>	<u>24,487,938</u>
Current and other liabilities	25,026,024	25,787,865	5,804,258	6,317,300	30,830,282	32,105,165
Long-term liabilities	185,118,683	170,286,630	15,306,962	15,114,047	200,425,645	185,400,677
Total liabilities	<u>210,144,707</u>	<u>196,074,495</u>	<u>21,111,220</u>	<u>21,431,347</u>	<u>231,255,927</u>	<u>217,505,842</u>
Deferred inflows of resources						
Leases	3,960,496	4,451,811			3,960,496	4,451,811
Deferred inflows related to pensions	5,234,748	3,000,123	517,556	319,781	5,752,304	3,319,904
Total deferred inflows of resources	<u>9,195,244</u>	<u>7,451,934</u>	<u>517,556</u>	<u>319,781</u>	<u>9,712,800</u>	<u>7,771,715</u>
Net position:						
Net investment in capital assets	772,323,014	739,922,188	469,151,117	470,781,251	1,241,474,131	1,210,703,439
Restricted	84,706,756	84,310,614	46,058,248	38,646,325	130,765,004	122,956,939
Unrestricted	90,200,018	82,936,683	85,629,348	85,811,961	175,829,366	168,748,644
Total net position	<u>\$ 947,229,788</u>	<u>\$ 907,169,485</u>	<u>\$ 600,838,713</u>	<u>\$595,239,537</u>	<u>\$1,548,068,501</u>	<u>\$ 1,502,409,022</u>

At year-end, the City is able to report positive balances in all three categories of net position for both governmental and business-type activities. Total net position increased \$49.8 million from the prior year.

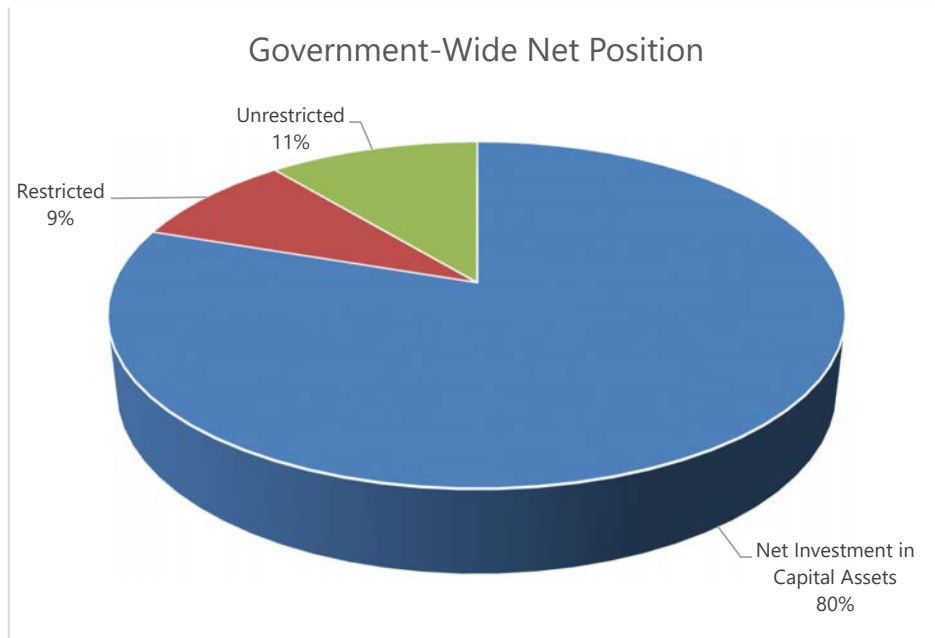
The largest portion of net position, net investment in capital assets of \$1.2 billion, reflects the City's investment in capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources related to refunded debt also are included in this component of net position. The City uses these capital assets to provide services to its citizens. Consequently, these assets are not available for future spending. Although the capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities. Net investment in capital assets increased \$30.8 million from the prior fiscal year.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

Restricted net position of \$130.8 million represents resources with constraints placed on their use externally either by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted net position increased \$7.8 million from the prior fiscal year, which is largely due to increases in resources restricted for capital projects.

Unrestricted net position of \$175.8 million may be used to meet the City's ongoing obligations to its citizens and creditors. Unrestricted net position increased \$7.1 million from the prior fiscal year.



City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

Changes in net position. The following table presents revenues, expenses, and changes in net position of the City for the fiscal years ended June 30, 2025 and June 30, 2024.

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 18,940,107	\$ 16,309,440	\$ 42,387,797	\$ 38,383,809	\$ 61,327,904	\$ 54,693,249
Operating grants and contributions	15,545,503	19,073,353			15,545,503	19,073,353
Capital grants and contributions	21,887,444	17,870,943	9,393,593	19,326,995	31,281,037	37,197,938
General revenues:						
Sales and use taxes	87,349,160	86,717,983			87,349,160	86,717,983
Property taxes	10,087,127	9,105,347			10,087,127	9,105,347
Franchise taxes	1,616,487	1,630,400			1,616,487	1,630,400
State-shared revenues	39,161,445	42,794,656			39,161,445	42,794,656
Investment income	14,130,225	11,874,442	6,454,663	5,505,994	20,584,888	17,380,436
Miscellaneous	637,497	449,166	1,440,373	299,647	2,077,870	748,813
Gain (loss) on disposal of capital assets	71,465	3,074,377	145,833	55,541	217,298	3,129,918
Total revenues	209,426,460	208,900,107	59,822,259	63,571,986	269,248,719	272,472,093
Expenses:						
General government	33,457,700	32,983,133			33,457,700	32,983,133
Public safety	71,007,787	64,399,855			71,007,787	64,399,855
Streets and transportation	32,114,933	24,421,641			32,114,933	24,421,641
Community and economic development	7,290,143	8,348,689			7,290,143	8,348,689
Community services	20,947,924	19,426,866			20,947,924	19,426,866
Interest on long-term	2,246,965	1,970,847			2,246,965	1,970,847
Water			25,335,853	23,076,247	25,335,853	23,076,247
Wastewater			18,587,304	18,415,633	18,587,304	18,415,633
Sanitation			8,413,991	8,729,293	8,413,991	8,729,293
Total expenses	167,065,452	151,551,031	52,337,148	50,221,173	219,402,600	201,772,204
Increase (decrease) in net position before transfers	42,361,008	57,349,076	7,485,111	13,350,813	49,846,119	70,699,889
Transfers	1,418,827	1,454,000	(1,418,827)	(1,454,000)		
Increase (decrease) in net	43,779,835	58,803,076	6,066,284	11,896,813	49,846,119	70,699,889
Net position – July 1, as restated	903,449,953	848,366,409	594,772,429	583,342,724	1,498,222,382	1,431,709,133
Net position – June 30	\$947,229,788	\$907,169,485	\$600,838,713	\$ 595,239,537	\$1,548,068,501	\$ 1,502,409,022

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

Total revenues for the current fiscal year were \$269.2 million, which is a decrease of \$3.2 million from the previous year. Governmental activities revenue increased by \$0.5 million and business-type activities revenues decreased \$3.7 million over the prior year, while expenses increased \$15.5 million and \$2.1 million for governmental and business-type activities, respectively.

Governmental Activities. Governmental activities increased the City's net position before transfers by \$42.4 million during the year, compared to \$57.3 million in the prior year. The decrease from the prior year was primarily due to increased expenses compared to prior years. Governmental activities accounted for 78 percent of the City's total revenue and 76 percent of total expense during the year. Program revenues of \$56.4 million were 27 percent of governmental activities revenues during the year, compared to \$53.3 million, or 25 percent, of total revenues in fiscal year 2023-24.

General revenues changed from the prior fiscal year mainly due to the following:

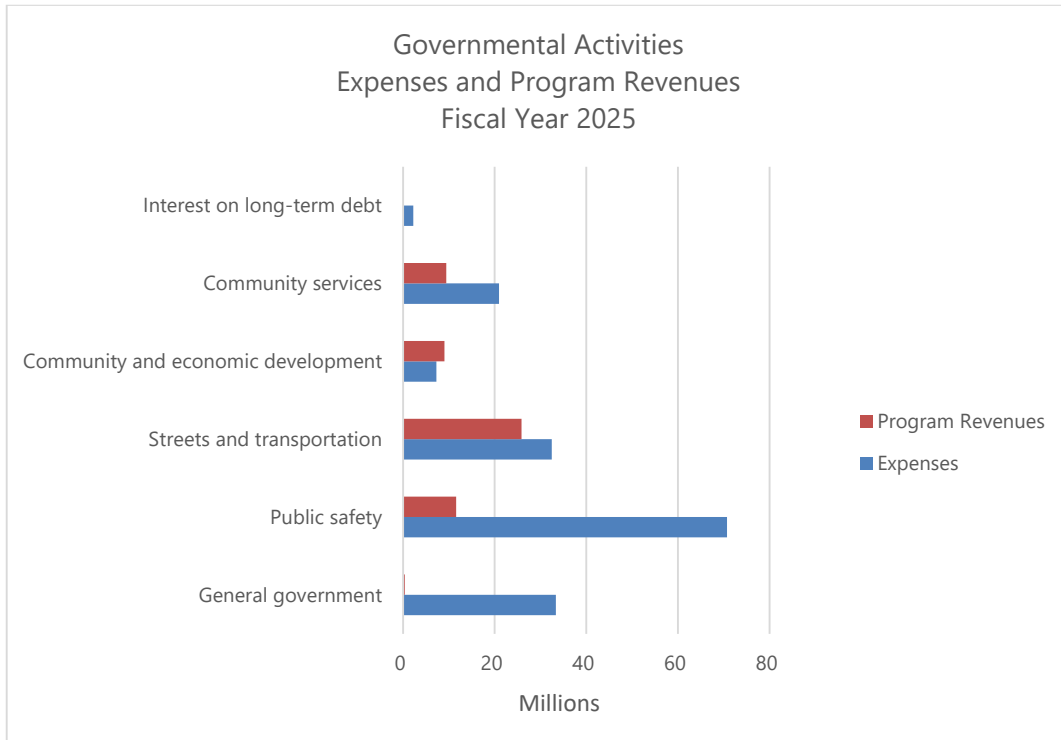
- State-shared revenues decreased \$3.6 million or eight percent due to the full implementation of the state income flat tax.
- The gain on sale of capital assets decreased by \$3.0 million due to no major land sales during the year.
- The \$2.3 million increase in investment income was due to the City's investment strategy of a diversified fixed income portfolio that continued to earn strong returns even with three rate cuts early in the fiscal year.

Governmental activities program expenses increased by \$15.5 million. The increase was dispersed among most departments with the most significant increases affecting the public safety and streets and transportation departments. The \$6.6 million increase in public safety was for continued investments in police and fire medical personnel salaries and benefits. The City increased public safety full-time equivalents (FTE) by 6.5 in addition to increasing salaries by three to eight percent. The \$7.7 million increase in streets and transportation was primarily due to pavement preservation projects that do not qualify for capitalization.

**City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis (Continued)

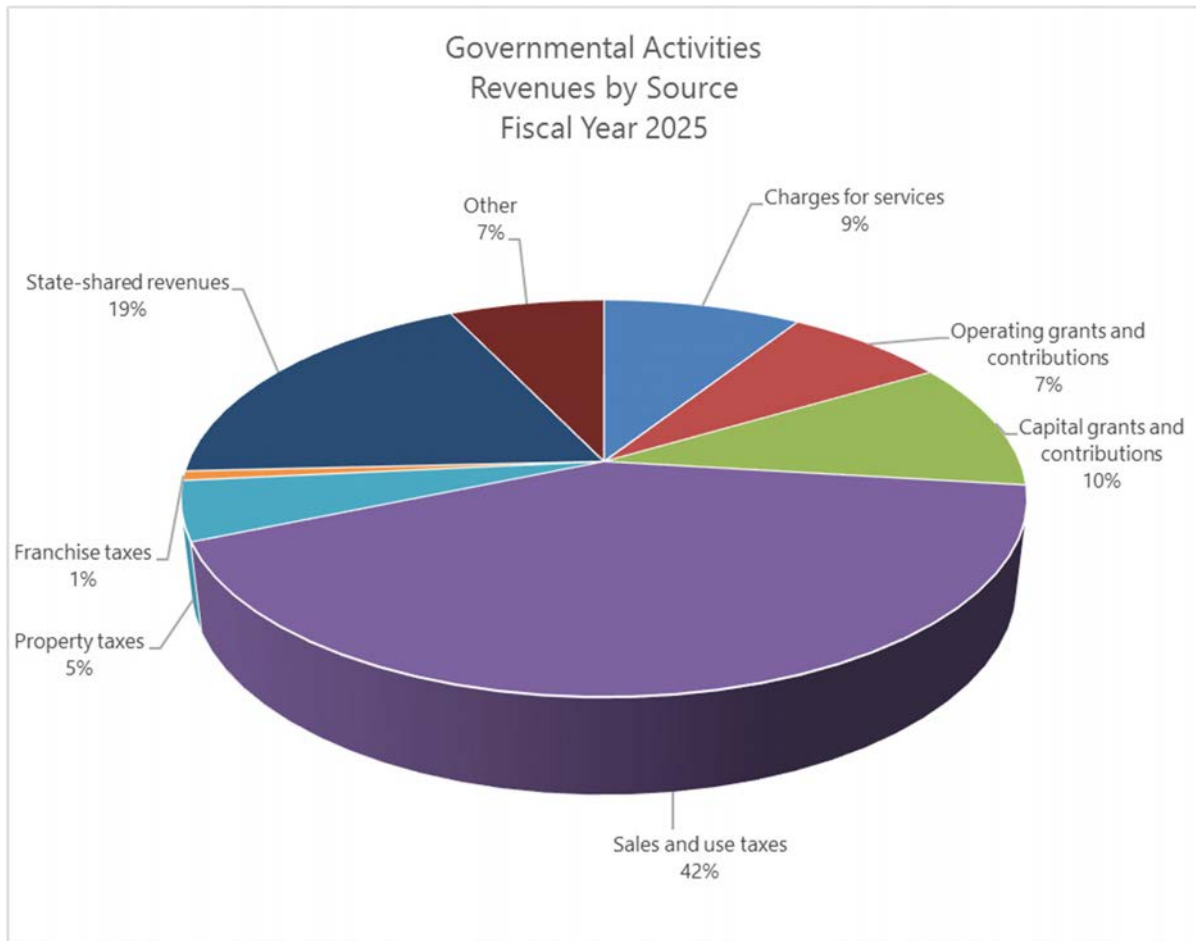
The following graph shows governmental activities functional revenues and expenses in order to demonstrate the extent to which the governmental functions produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation to these functions. Expenses not covered by direct program revenues are covered by the City's general revenues, which consist primarily of taxes and state-shared revenue.



City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

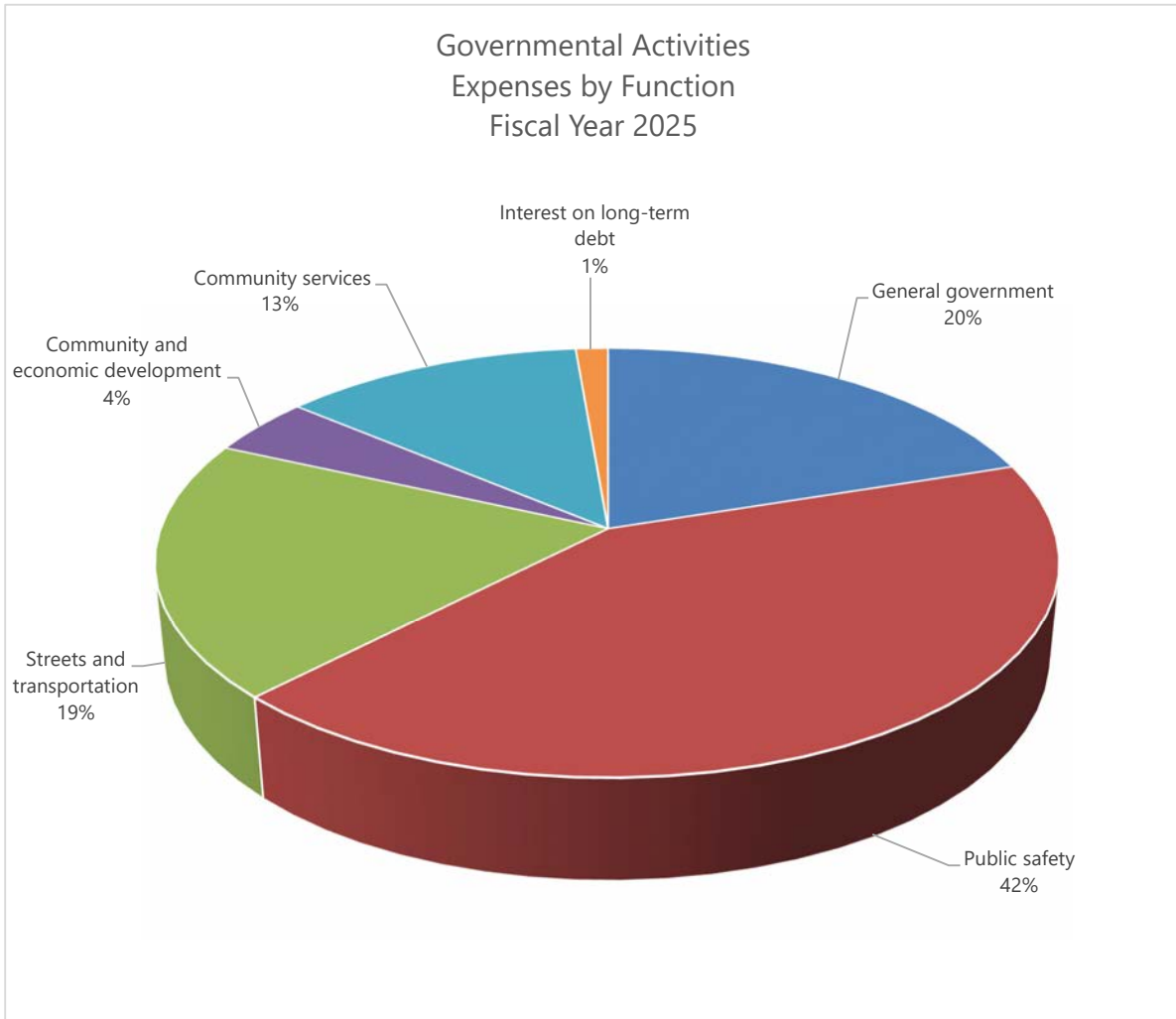
As seen in the following graph, the largest governmental activities revenue sources are sales and use taxes of \$87.3 million (42 percent), followed by state-shared revenues of \$39.2 million (19 percent), capital grants and contributions of \$21.9 million (ten percent), and charges for services of \$18.9 million (nine percent).



City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Government-Wide Financial Analysis (Continued)

The City's largest governmental activities expenses by function include public safety at \$71.0 million (43 percent), followed by general government at \$33.5 million (20 percent), at streets and transportation \$32.1 million (19 percent), and community services at \$20.9 million (13 percent).



Business-type Activities. Business-type activities increased net position before transfers by \$7.5 million during the year, a decrease of \$5.9 million from the prior year. Program revenues decreased \$5.9 million and general revenues increased \$2.2 million from the prior year, respectively, while expenses increased \$2.1 million from the previous year. Business-type activities accounted for 22 percent of the City's total revenue and 24 percent of total expense during the year.

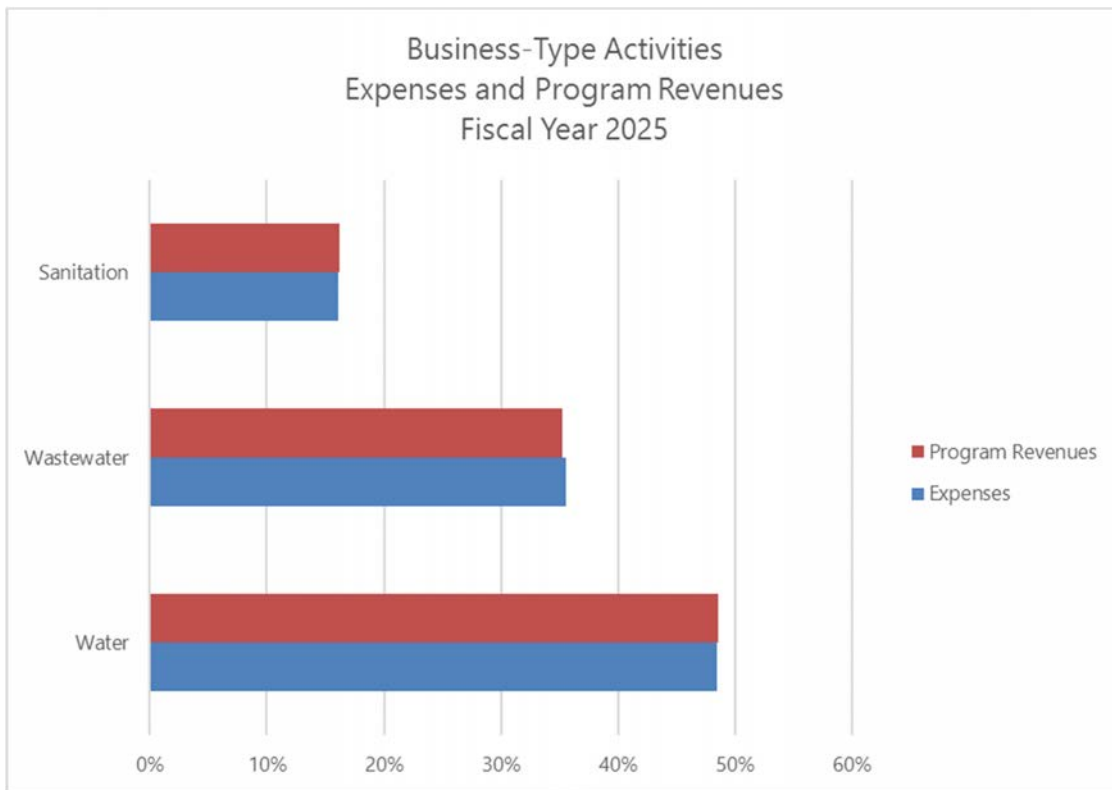
**City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis (Continued)

A significant change in business-type activities was the \$4.0 million increase in charges for services which was driven by a growth in customers and usage charges across all enterprise departments. Additionally, capital grants and contributions experienced a \$9.9 million decrease which was due to a decrease in capital contributions received from developers.

Business-type activities program expenses increased by \$2.1 million. Water expenses increased \$2.3 million due primarily to increased supplies cost and depreciation expense on newly constructed assets. Wastewater expenses increased \$171,671, which is not significant. Sanitation expenses decreased \$315,302 due primarily to a decrease in pension expense.

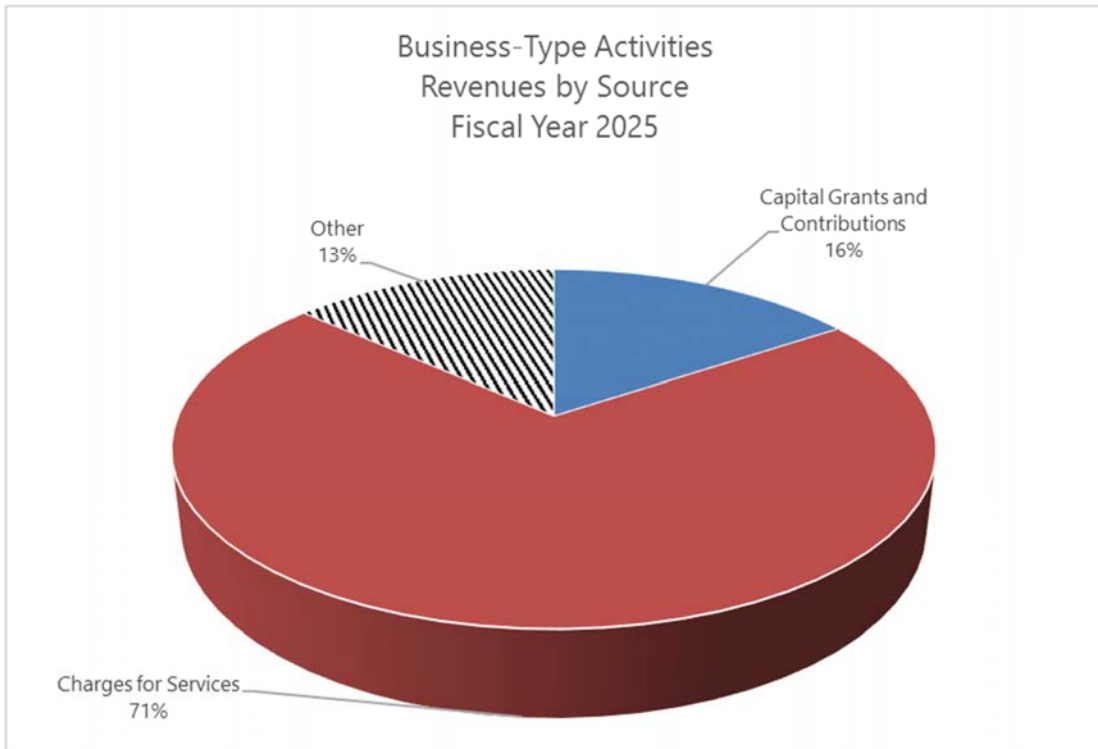
The following graph shows the revenues and expenses of the business-type activities in order to demonstrate the extent to which the business-type activities produce direct revenues to offset related program expenses. It should be noted that this graph is not intended to represent a full cost allocation to these activities. As noted previously, expenses not covered by direct program revenues are covered by the City's general revenues.



**City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Government-Wide Financial Analysis (Continued)

The City's largest business-type activity is water services with program expenses of \$25.3 million and program revenues of \$25.1 million, followed by wastewater services with expenses of \$18.6 million and revenues of \$18.3 million, during the year.



Charges for services, which consist almost entirely of city water sales, sewer fees, and refuse collection fees, provided the largest share of revenues at \$42.4 million or 71 percent. Capital grants and contributions, which consist of developer infrastructure conveyances and impact development fees, provided the second largest share of revenues at \$9.4 million or 16 percent. Other revenues accounted for 13 percent of total revenues.

Financial Analysis of The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements and to establish and maintain control over city assets as part of its fiduciary responsibility.

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

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Financial Analysis of the City's Funds (Continued)

The financial performance of the City, as a whole, is reflected in its governmental funds. As of June 30, 2025, the City reported a combined fund balance of \$235.5 million, an increase of \$21.4 million over the previous year. Fund balance of \$102.7 million is unassigned and fund balance of \$7.5 million is assigned. These balances are available for spending at the City's discretion. The remainder of the fund balance consists of nonspendable balances of \$1.8 million, restricted balances of \$90.2 million, and committed balances of \$33.3 million.

General Fund — The Fund accounts for all city financial resources not required to be accounted for in other funds. This fund is the City's primary operating fund and accounts for many major functions of the City such as general government, public safety, streets and transportation, economic and community development, and community services. At year-end, fund balance of the General Fund was \$136.4 million compared to \$135.2 million in the prior year, an increase of \$1.2 million. The overall increase in fund balance during the year was largely due to revenues increasing \$6.7 million over the previous year. Investment income and charges for services revenues increased \$6.9 million in total driven by investment returns and development within the city, respectively. Expenditures increased by \$13.5 million compared to the prior year. The largest and most significant increase of \$11.6 million in public safety expenditures was due to excess pension contributions above those actuarially required and funding operational expenditures within the General Fund after funding those expenditures with another allowable funding source in the prior year. Net other financing sources and uses decreased by \$5.5 million over the previous year primarily due to no land sales or issuance of lease agreements.

Dedicated Sales Tax Revenue Fund — The Fund accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and sewer systems and streets that serve city neighborhoods, as well as transportation projects and services. The tax was approved by the voters and became effective in July 2001, and amended by voters in September 2008, to include transportation projects and services.

Revenues decreased \$413,085 from the previous year. Transfers out of \$2.5 million were for annual debt service payments. Net fund activities increased fund balance by \$1.2 million from the previous year primarily due to revenues exceeding capital expenditures for street improvements.

Public Safety Sales Tax Revenue Fund — The Fund accounts for the voter-approved 0.5-cent public safety sales tax revenues. The use of these revenues is restricted to providing increased public safety services for city neighborhoods. The tax was approved by the voters and became effective in January 2004.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Financial Analysis of the City's Funds (Continued)

Revenues increased \$258,771 over the prior year. Expenditures increased \$2.5 million from the prior fiscal year. Net fund activities decreased fund balance by \$6.1 million from the previous year which is primarily due to the continued construction of a new detention center and police substation.

Grants In Aid Fund — The Fund accounts for grant funding and private donations/contributions for specific purposes not accounted for in other special revenue funds or otherwise committed or restricted to capital projects. Revenues decreased \$4.8 million from the previous year while expenditures decreased by \$4.9 million from the prior year. The City spent the remaining \$2.1 million of the \$17.9 million Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) monies received in fiscal years 2021 and 2022. Expenditures exceeds revenues and transfers in leading to an overall decrease in fund balance of \$441,401.

General Obligation Bond Debt Service Fund – The Fund accounts for the repayment of the principal and interest on general obligation debt issued by the City. Revenues of \$5.5 million primarily consisted of property taxes that were sufficient to service current year principal and interest expenditures of \$5.4 million. Investment income primarily lead to the increase in fund balance of \$89,118 during the year.

Other Capital Projects Fund – The Fund accounts for capital resources and activities not accounted for in other capital projects funds. Expenditures of \$30.3 million were primarily funded by transfers in of \$27.8 million. The increase in overall fund balance of \$10.4 million is a result of the issuance of general obligations bonds and related issuance premium.

Proprietary funds. The proprietary fund financial statements are prepared using the same measurement focus and accounting basis as the government-wide financial statements, but they provide more detail since each major enterprise fund is presented discretely. The Water Fund's net position of \$326.8 million consisted of \$252.2 million in net investment in capital assets, \$19.6 million in restricted, and \$54.9 million in unrestricted. The Wastewater Fund's net position of \$262.8 million consisted of \$212.0 million in net investment in capital assets, \$26.4 million in restricted, and \$24.4 million in unrestricted. The Sanitation Fund's net position of \$10.6 million consisted of \$4.9 million in net investment in capital assets and \$5.7 million in unrestricted. The factors concerning the finances of these funds, as well as the changes in net position, have been addressed previously during the discussion of the City's business-type activities.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Budgetary Highlights

The City's Annual Budget and Financial Plan (council-adopted budget) establishes the legal level of expenditure control. Amendments to the adopted budget may occur throughout the year, in a legally permissible manner, between departments within the General Fund and within funds in all other funds. During the year, budget adjustments did occur. None of the adjustments increased the City's total budget and all budget amendments were routine in nature.

Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget as amended throughout the year, and the actual revenues and expenditures. Budgetary comparison statements for the General Fund and major special revenue funds can be found on pages 57-60. Budgetary comparison schedules for all other governmental funds can be found on pages 135-149.

General Fund Budgetary Analysis. General Fund revenues of \$135.5 million exceeded budgeted inflows by \$22.5 million or 20 percent, while expenditures of \$102.7 million were only 82 percent of final budgeted expenses of \$126.1 million. The City recorded \$22.5 million more in General Fund revenue than budgeted. The budgeted revenue represented a two percent decrease compared to the prior year. The actual revenue exceeded the prior year by five percent. The major differences between budgeted and actual revenue occurred in taxes, licenses and permits, charges for services and investment income.

The budget for tax revenue was one percent higher over the prior year, a smaller annual growth than in years past, due to a conservative forecast based on the State's elimination of the residential rental tax starting January 1, 2025. The tax revenue exceeded the budget by \$4.0 million and was consistent with the previous year actual amounts.

Licenses and permit revenue primarily comes from building permits. The budget assumed a 35 percent decrease from the prior fiscal year based on anticipated development and a return to long-term averages. Actual revenues were 26 percent higher than the prior fiscal year, which reflects a strong local economy and continued demand for development within the City despite a slowdown in the housing market. As a result, the City recorded \$3.7 million more in licenses and permits revenue than anticipated.

A primary component of charges for services revenue is building and development plan review fees. Like the license and permit forecast, this portion of charges for services exceeded expectations and resulted in \$4.8 million more revenue than budgeted.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Budgetary Highlights (Continued)

Finally, the City continued to have strong investment returns during the year, earning \$11.5 million in investment income compared to a conservative budget of \$4.1 million. The City's strong interest earnings and unrealized gains, even with the three rate cuts early in the fiscal year, were due to investing the majority of available cash in a diversified portfolio of safe interest-bearing securities with an effective duration of 2.08 years.

On the expenditure side, the City spent \$23.4 million less from the General Fund than budgeted. The primary reason for the difference is the \$23.0 million budgeted as contingency to serve as the City's financial safety net to address any unforeseen and unexpected expenses or emergencies that may arise. During the fiscal year, \$5.7 million of the contingency budget was transferred to the operating budget to address operating needs and thus, \$17.3 million of budgeted contingency remained unspent.

The other major reason the City spent less than budgeted was due to vacancy savings. The City, like many other entities in the US, experienced challenges in hiring qualified staff to fill the City's vacant positions. The City budgeted \$65.5 million in personnel related costs but only expended \$61.7 million. Thus, \$3.8 million of the budgeted amount was left unspent.

During the year, the original budget was amended in a legally permissible manner. All budget amendments were routine in nature, and no budget adjustments increased the budget on a total-funds basis. The original General Fund expenditures budget of \$130.2 million was amended by \$4.2 million to the final expenditure budget of \$126.0 million, which is not significant.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2025, the City had invested \$1.3 billion in governmental and business-type capital assets, net of accumulated depreciation/amortization. Total depreciation/amortization expense for the year was \$46.8 million, with \$29.0 million attributed to governmental activities and \$17.8 million to business-types activities. See Note 6 in the notes to the basic financial statements for further information regarding capital assets.

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Capital Assets and Debt Administration (Continued)

The following schedule presents capital asset balances as of June 30, 2025, and June 30, 2024.

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 326,181,638	\$ 316,254,212	\$ 16,559,328	\$ 16,549,328	\$ 342,740,966	\$ 332,803,540
Building and improvements	139,856,058	129,641,281			139,856,058	129,641,281
Improvements other than buildings	58,923,057	53,093,488	218,371	258,811	59,141,428	53,352,299
Vehicles, furniture and equipment	22,820,212	18,901,190	9,125,703	9,285,906	31,945,915	28,187,096
Infrastructure	265,523,399	259,437,026	432,591,741	418,830,218	698,115,140	678,267,244
Water and user rights	1,635,561	1,763,172	8,685,396	9,288,864	10,320,957	11,052,036
Construction in progress	32,942,074	36,491,252	9,621,646	23,146,351	42,563,720	59,637,603
Intangible right-to-use assets	2,026,989	1,884,565			2,026,989	1,884,565
Total	\$ 849,908,988	\$ 817,466,186	\$ 476,802,185	\$477,359,478	\$1,326,711,173	\$1,294,825,664

The City's combined capital assets balances increased \$31.9 million from the prior fiscal year, with governmental activities increasing by \$32.4 million and business-type activities decreasing by \$557,293. More detail regarding the changes in capital asset balances is provided below.

Governmental Activities. The \$32.4 million increase from the prior fiscal year consisted of \$96.5 million of capital assets additions, including \$34.1 million of transfers from construction in progress, offset by \$29.0 million in depreciation expense during the year. Capital additions included \$30.6 million of new construction in progress and \$9.7 million in dedicated infrastructure.

Business-type Activities. The \$557,293 decrease from the prior fiscal year consisted of \$43.4 million of capital additions, 25.6 million of transfers from construction in progress and \$17.8 million in depreciation expense during the year. Capital additions included \$12.1 million of new construction in progress and \$3.4 million of additions from dedicated infrastructure.

The City adopted a five-year capital improvement plan for years 2025 through 2029, with budgeted capital outlays totaling \$654.8 million. The plan, which includes \$189.7 million of budgeted capital outlays for 2025, takes into consideration known capital needs and ties potential revenue sources to those needs. Anticipated funding for fiscal year 2024-25 includes a combination of existing fund balances, development impact fees, bond proceeds, outside funding sources such as grants and intergovernmental cost-sharing agreements, operating and nonoperating revenues, and other financing sources. The capital improvement plan is updated annually as part of the City's formal budgetary process.

**City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025**

Capital Assets and Debt Administration (Continued)

Debt Administration. As of June 30, 2025, the City had total long-term obligations outstanding of \$200.4 million, which is an increase of eight percent from the previous year primarily due to the issuance of general obligation bonds. Of this balance, \$185.1 million was attributable to governmental activities and \$15.3 million was attributable to business-type activities. Of the total outstanding bonds of \$81.6 million, excluding unamortized discounts and premiums, \$61.8 million are general obligation bonds backed by the full faith and credit of the City and Alamar Community Facilities District, and \$19.8 million are revenue bonds secured by pledges of specific revenue sources of the City. Of the \$81.6 million of outstanding bonds, \$5.9 million is due within one year. Of the remaining long-term obligations, \$83.7 million reflects the City's net pension liabilities and \$3.3 million of obligations under leases and financed purchases. See Note 8 in the notes to the basic financial statements for further information regarding long term obligations.

The Arizona Constitution imposes certain debt limitations on the City of six percent and 20 percent of the City's net full cash property assessed value (formerly referred to as secondary assessed valuation). The City's legal debt margin at June 30, 2025 and 2024, is \$71.3 million and \$51.7 million in the six percent capacity and \$250.4 million and \$196.5 million in the 20 percent capacity, respectively. Additional debt limitation and capacity information can be found in the statistical section of this report.

The following schedule presents a summary of the City's outstanding long-term obligations as of June 30, 2025 and 2024.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Compensated absences	\$ 13,914,535	\$ 9,395,336	\$ 1,364,340	\$ 775,178	\$ 15,278,875	\$ 10,170,514
Financed purchases payable	2,509,494	2,874,739			2,509,494	2,874,739
Leases payable	813,260	1,985,985			813,260	1,985,985
Claims payable	7,248,205	8,940,791			7,248,205	8,940,791
General obligation bonds	49,675,000	41,550,000			49,675,000	41,550,000
Pledged revenue obligations	14,265,000	16,855,735		29,270	14,265,000	16,885,005
CFD general obligation bonds	12,130,000	6,550,000			12,130,000	6,550,000
Water and sewer revenue bonds			5,530,000	5,885,000	5,530,000	5,885,000
Unamortized premiums and discounts	8,624,419	8,518,159	608,627	663,957	9,233,046	9,182,116
Net pension	75,938,770	73,228,402	7,803,995	7,760,642	83,742,765	80,989,044
Total	\$185,118,683	\$ 169,899,147	\$ 15,306,962	\$ 15,114,047	\$ 200,425,645	\$ 185,013,194

City of Avondale, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2025

Economic Factors

Avondale continued to grow throughout fiscal year 2024-25. However, overall revenues remained flat when compared to the prior year. This was due to increases being offset by the state eliminating the City's ability to assess a residential rental tax and the implementation of the statewide flat income tax. These two state tax law changes resulted in revenue decreases of \$1.6 million and \$4.3 million.

Avondale's growth activity can be seen through license and permit revenue within the General Fund, which primarily comes from building permits. License and permit revenue increased by \$1.3 million or 26 percent compared to the prior fiscal year. A significant portion of the increase was due to commercial permits, including new data centers locating in the City. Another indicator of growth is the charges for services revenue, which increased \$5.0 million from the prior year.

The City accumulated large fund balances over the past few years due to revenues exceeding the conservative forecast, expending less than budgeted, and delays in planned capital improvements. These balances have allowed the City to fund a number of capital projects to meet the service demands of a growing community with limited debt.

The City recognizes the strong economic growth is not likely to continue in the long-term, and this realistic outlook is included in the City's financial forecast. To ensure resilience in the face of a changing economy, the City is committed to maintaining a structurally balanced budget, where ongoing revenues exceed ongoing expenses.

The City's fiscal year 2024-25 budget was structurally balanced and maintained generous reserve requirements. The City maintained a minimum General Fund balance of no less than 35 percent of the prior year's General Fund operating budget. This strong financial foundation allowed for strategic investments into services and allowed the City to continue to build essential infrastructure with minimal debt.

Request for Information

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 demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please visit our website at <http://www.avondaleaz.gov> or contact:

City of Avondale
Finance and Budget Department
11465 W. Civic Center Drive, Suite 250
Avondale, Arizona 85323
(623) 333-2000

Basic Financial Statements

Avondale

Government-Wide Financial Statements

City of Avondale, Arizona
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 257,211,083	\$ 120,358,981	\$ 377,570,064
Receivables, net			
Accounts	373,126	2,236,525	2,609,651
Taxes	10,883,977		10,883,977
Interest	1,438,501	688,377	2,126,878
Leases	485,606		485,606
Due from other governments	4,949,443		4,949,443
Internal balances	(647,622)	647,622	
Inventories	423,954	1,178,140	1,602,094
Prepaid items	1,767,212		1,767,212
Restricted cash - fiscal agents	7,506,404	485,743	7,992,147
Total current assets	<u>284,391,684</u>	<u>125,595,388</u>	<u>409,987,072</u>
Noncurrent assets:			
Leases receivable	3,609,564		3,609,564
Water storage credit inventory		18,400,923	18,400,923
Equity in joint venture	735,633		735,633
Capital assets not being depreciated	359,123,712	33,457,967	392,581,679
Capital assets, net accumulated depreciation	490,785,276	443,344,218	934,129,494
Total noncurrent assets	<u>854,254,185</u>	<u>495,203,108</u>	<u>1,349,457,293</u>
Total assets	<u>1,138,645,869</u>	<u>620,798,496</u>	<u>1,759,444,365</u>
Deferred outflows of resources			
Deferred loss on refunding	600,326		600,326
Pension plan items	27,323,544	1,668,993	28,992,537
Total deferred outflows of resources	<u>27,923,870</u>	<u>1,668,993</u>	<u>29,592,863</u>
Liabilities			
Current liabilities:			
Accounts payable	13,893,715	3,311,136	17,204,851
Accrued payroll and employee benefits	2,521,965	250,789	2,772,754
Accrued interest payable	1,551,733	110,600	1,662,333
Deposits held for others	231,899	1,911,594	2,143,493
Due to other governments	380,061	220,139	600,200
Bonds payable	5,570,000	370,000	5,940,000
Unearned revenue	6,446,651		6,446,651
Claims payable	4,342,654		4,342,654
Compensated absences payable	6,313,996	626,186	6,940,182
Financed purchases payable	389,272		389,272
Leases payable	471,962		471,962
Total current liabilities	<u>42,113,908</u>	<u>6,800,444</u>	<u>48,914,352</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	168,030,799	14,310,776	182,341,575
Total noncurrent liabilities	<u>168,030,799</u>	<u>14,310,776</u>	<u>182,341,575</u>
Total liabilities	<u>210,144,707</u>	<u>21,111,220</u>	<u>231,255,927</u>

City of Avondale, Arizona
Statement of Net Position (Continued)
June 30, 2025

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Deferred inflows of resources			
Leases	3,960,496		3,960,496
Pension plan items	5,234,748	517,556	5,752,304
Total deferred inflows of resources	<u>9,195,244</u>	<u>517,556</u>	<u>9,712,800</u>
Net position			
Net investment in capital assets	772,323,014	469,151,117	1,241,474,131
Restricted for:			
Streets and transportation	11,196,471		11,196,471
Grantor and contributor purposes	4,609,802		4,609,802
Public safety	8,161,305		8,161,305
Debt service	5,949,822		5,949,822
Capital projects	54,789,356	46,058,248	100,847,604
Unrestricted	90,200,018	85,629,348	175,829,366
Total net position	<u>\$ 947,229,788</u>	<u>\$ 600,838,713</u>	<u>\$ 1,548,068,501</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government					
Governmental activities					
General government	\$ 33,457,700	\$ 382,914	\$ 6,242	\$	\$ (33,068,544)
Public safety	71,007,787	4,308,445	3,098,670	4,208,412	(59,392,260)
Streets and transportation	32,114,933	3,868,077	8,721,119	13,289,958	(6,235,779)
Community and economic development	7,290,143	8,504,916	138,006	405,503	1,758,282
Community services	20,947,924	1,875,755	3,581,466	3,983,571	(11,507,132)
Interest on long-term debt	2,246,965				(2,246,965)
Total governmental activities	<u>167,065,452</u>	<u>18,940,107</u>	<u>15,545,503</u>	<u>21,887,444</u>	<u>(110,692,398)</u>
Business-type activities					
Water	25,335,853	20,429,883		4,708,612	
Wastewater	18,587,304	13,567,111		4,684,981	
Sanitation	8,413,991	8,390,803			
Total business-type activities	<u>52,337,148</u>	<u>42,387,797</u>		<u>9,393,593</u>	
Total primary government	\$ 219,402,600	\$ 61,327,904	\$ 15,545,503	\$ 31,281,037	(110,692,398)
General revenues					
Taxes					
Sales and use taxes 87,349,160					
Property taxes, levied for general purposes 4,033,402					
Property taxes, levied for debt service 6,053,725					
Franchise taxes 1,616,487					
State-shared revenues, unrestricted 39,161,445					
Investment income 14,130,225					
Miscellaneous 637,497					
Gain (loss) on disposal of capital assets 71,465					
Transfers 1,418,827					
Total general revenues and transfers 154,472,233					
Changes in net position 43,779,835					
Net position, beginning of year, previously reported 907,169,485					
Adjustments to beginning net position (3,719,532)					
Net position, beginning of year, as restated 903,449,953					
Net position, end of year \$ 947,229,788					

The notes to the basic financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Position**

Business-Type

<u>Activities</u>	<u>Total</u>
\$	\$ (33,068,544)
	(59,392,260)
	(6,235,779)
	1,758,282
	(11,507,132)
	(2,246,965)
<u> </u>	<u>(110,692,398)</u>
(197,358)	(197,358)
(335,212)	(335,212)
<u>(23,188)</u>	<u>(23,188)</u>
<u>(555,758)</u>	<u>(555,758)</u>
<u>(555,758)</u>	<u>(111,248,156)</u>
	87,349,160
	4,033,402
	6,053,725
	1,616,487
	39,161,445
6,454,663	20,584,888
1,440,373	2,077,870
145,833	217,298
<u>(1,418,827)</u>	<u> </u>
<u>6,622,042</u>	<u>161,094,275</u>
6,066,284	49,846,119
595,239,537	1,502,409,022
<u>(467,108)</u>	<u>(4,186,640)</u>
<u>594,772,429</u>	<u>1,498,222,382</u>
<u>\$ 600,838,713</u>	<u>\$ 1,548,068,501</u>

Avondale

Fund Financial Statements

**City of Avondale, Arizona
Balance Sheet
Governmental Funds
June 30, 2025**

	<u>General</u>	<u>Dedicated Sales Tax Revenue</u>	<u>Public Safety Sales Tax Revenue</u>	<u>Grants In Aid</u>
Assets				
Cash and investments	\$ 131,942,039	\$ 24,784,281	\$ 6,596,800	\$ 2,627,638
Receivables, net				
Accounts	228,424			6,294
Taxes	7,539,411	1,241,605	1,241,605	
Interest	1,125,457			1,350
Leases	4,095,170			
Due from other funds	379,747			
Due from other governments	599,825			3,698,980
Inventories	34,395			
Prepaid items	292,625			
Restricted cash - fiscal agent				541,260
Total assets	<u>\$ 146,237,093</u>	<u>\$ 26,025,886</u>	<u>\$ 7,838,405</u>	<u>\$ 6,875,522</u>
Liabilities				
Accounts payable	3,387,794	1,510,512	55,883	693,172
Accrued payroll and employee benefits	1,907,180		347,287	35,449
Bond interest payable				
Deposits held for others	231,899			
Due to other governments	230,061			
Bonds payable				
Due to other funds				7,029
Unearned revenue				1,763,833
Total liabilities	<u>5,756,934</u>	<u>1,510,512</u>	<u>403,170</u>	<u>2,499,483</u>
Deferred inflows of resources				
Unavailable revenues - property taxes	52,655			
Unavailable revenues - intergovernmental	7,924			716,300
Unavailable revenues - other	56,538			2,182,968
Leases	3,960,496			
Total deferred inflows of resources	<u>4,077,613</u>			<u>2,899,268</u>
Fund balances				
Nonspendable	327,020			
Restricted		24,515,374	7,435,235	1,476,771
Committed	33,314,085			
Assigned				
Unassigned	102,761,441			
Total fund balances	<u>136,402,546</u>	<u>24,515,374</u>	<u>7,435,235</u>	<u>1,476,771</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 146,237,093</u>	<u>\$ 26,025,886</u>	<u>\$ 7,838,405</u>	<u>\$ 6,875,522</u>

The notes to the basic financial statements are an integral part of this statement.

General Obligation Bonds Debt Service	Other Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 188,490	\$ 22,712,643	\$ 52,871,229	\$ 241,723,120
	105,000	33,408	373,126
149,122	4,714	707,520	10,883,977
1,078	71,634	154,256	1,353,775
			4,095,170
			379,747
		650,638	4,949,443
			34,395
		1,469,067	1,761,692
4,565,957		2,399,187	7,506,404
<u>\$ 4,904,647</u>	<u>\$ 22,893,991</u>	<u>\$ 58,285,305</u>	<u>\$ 273,060,849</u>
	6,086,757	1,702,553	13,436,671
		107,986	2,397,902
1,050,957		500,776	1,551,733
			231,899
	150,000		380,061
3,515,000		2,055,000	5,570,000
		372,718	379,747
	4,642,326	40,492	6,446,651
<u>4,565,957</u>	<u>10,879,083</u>	<u>4,779,525</u>	<u>30,394,664</u>
68,841		11,871	133,367
		66,071	790,295
		1,955	2,241,461
			3,960,496
<u>68,841</u>		<u>79,897</u>	<u>7,125,619</u>
		1,469,067	1,796,087
269,849	12,048,820	44,475,439	90,221,488
			33,314,085
		7,483,900	7,483,900
	(33,912)	(2,523)	102,725,006
<u>269,849</u>	<u>12,014,908</u>	<u>53,425,883</u>	<u>235,540,566</u>
<u>\$ 4,904,647</u>	<u>\$ 22,893,991</u>	<u>\$ 58,285,305</u>	<u>\$ 273,060,849</u>

Avondale

City of Avondale, Arizona
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2025

Total fund balances - governmental funds **\$ 235,540,566**

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	\$ 1,230,453,951	
Less accumulated depreciation/amortization	<u>(380,757,859)</u>	
		849,696,092

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.

Property taxes	133,367	
Intergovernmental	790,295	
Other	<u>2,241,461</u>	
		3,165,123

Deferred items related to the refunding of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.

600,326

Equity in joint venture assets are not current financials resources and, therefore, are not reported in the funds.

735,633

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	27,036,883	
Deferred inflows of resources related to pensions	<u>(5,145,855)</u>	
		21,891,028

The Internal Service Funds are used by management to charge the cost of insurance and fleet services to the individual funds. The assets and liabilities of the Internal Service Funds are included in the Statement of Net Position.

6,293,471

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(13,646,896)	
Financed purchases payable	(2,509,494)	
Leases payable	(813,260)	
Bonds payable and associated premium/discount	(79,124,419)	
Net pension liability	<u>(74,598,382)</u>	
		<u>(170,692,451)</u>

Net position of governmental activities **\$ 947,229,788**

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	<u>General</u>	<u>Dedicated Sales Tax Revenue</u>	<u>Public Safety Sales Tax Revenue</u>	<u>Grants In Aid</u>
Revenues				
Taxes	\$ 63,360,912	\$ 14,705,601	\$ 14,705,601	\$
Licenses and permits	6,352,661			
Intergovernmental	43,415,520			6,028,177
Charges for services	7,993,221			828
Fines, forfeitures, and penalties	1,911,239			569,351
Investment income	11,467,221	917		15,407
Contributions	24,131			358,176
Miscellaneous	1,010,621			95,314
Total revenues	<u>135,535,526</u>	<u>14,706,518</u>	<u>14,705,601</u>	<u>7,067,253</u>
Expenditures				
Current:				
General government	30,741,187			112,552
Public safety	50,344,138		13,884,515	891,379
Streets and transportation	3,346,605			1,867
Community and economic development	5,444,135			97,600
Community services	11,729,561			3,261,418
Capital outlay	799,291	11,543,569	6,933,012	3,243,838
Debt service:				
Principal retirement	266,342			
Interest and fiscal charges	77,813			
Bond issuance costs				
Total expenditures	<u>102,749,072</u>	<u>11,543,569</u>	<u>20,817,527</u>	<u>7,608,654</u>
Excess (deficiency) of revenues over expenditures	<u>32,786,454</u>	<u>3,162,949</u>	<u>(6,111,926)</u>	<u>(541,401)</u>
Other financing sources (uses)				
Sale of capital assets	34,110			
Transfers in	1,029,000	567,916		100,000
Transfers out	(32,672,213)	(2,494,323)		
Issuance of bonds				
Premium on sale of bonds				
Total other financing sources (uses)	<u>(31,609,103)</u>	<u>(1,926,407)</u>		<u>100,000</u>
Changes in fund balances	<u>1,177,351</u>	<u>1,236,542</u>	<u>(6,111,926)</u>	<u>(441,401)</u>
Fund balances, beginning of year	<u>135,225,195</u>	<u>23,278,832</u>	<u>13,547,161</u>	<u>1,918,172</u>
Fund balances, end of year	<u>\$ 136,402,546</u>	<u>\$ 24,515,374</u>	<u>\$ 7,435,235</u>	<u>\$ 1,476,771</u>

The notes to the basic financial statements are an integral part of this statement.

General Obligation Bonds Debt Service	Other Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,425,712	\$ 126,964	\$ 672,049	\$ 98,996,839
		9,410,639	15,763,300
		9,970,967	59,414,664
		1,933	7,995,982
		134,913	2,615,503
69,098	441,793	1,301,643	13,296,079
	71,325	45,890	499,522
		191,602	1,297,537
<u>5,494,810</u>	<u>640,082</u>	<u>21,729,636</u>	<u>199,879,426</u>
		329,622	31,183,361
		1,136,611	66,256,643
		8,812,491	12,160,963
			5,541,735
		457,916	15,448,895
	30,010,306	4,723,319	57,253,335
3,515,000		2,619,737	6,401,079
1,890,692		1,023,905	2,992,410
	250,903	377,878	628,781
<u>5,405,692</u>	<u>30,261,209</u>	<u>19,481,479</u>	<u>197,867,202</u>
<u>89,118</u>	<u>(29,621,127)</u>	<u>2,248,157</u>	<u>2,012,224</u>
		37,355	71,465
	27,847,294	7,609,069	37,153,279
		(567,916)	(35,734,452)
	11,205,000	5,725,000	16,930,000
	927,809	73,978	1,001,787
	<u>39,980,103</u>	<u>12,877,486</u>	<u>19,422,079</u>
<u>89,118</u>	<u>10,358,976</u>	<u>15,125,643</u>	<u>21,434,303</u>
<u>180,731</u>	<u>1,655,932</u>	<u>38,300,240</u>	<u>214,106,263</u>
<u>\$ 269,849</u>	<u>\$ 12,014,908</u>	<u>\$ 53,425,883</u>	<u>\$ 235,540,566</u>

City of Avondale, Arizona
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Changes in fund balances - total governmental funds **\$ 21,434,303**

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

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation/amortization expense.

Expenditures for capitalized assets	\$ 52,596,039	
Less current year depreciation/amortization	<u>(28,947,985)</u>	
		23,648,054

The net effect of miscellaneous capital asset transactions (e.g. sales, contributions, transfers, and disposals) not recorded in the governmental funds. 9,530,317

Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.

Issuance of general obligation bonds	(16,930,000)	
Premium on issuance of bonds	<u>(1,001,787)</u>	
		(17,931,787)

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Financed purchase principal retirement	365,245	
Lease principal retirement	465,834	
Bond principal retirement	<u>5,570,000</u>	
		6,401,079

Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.

Current year pension contributions	12,077,640	
Pension expense	<u>(11,920,603)</u>	
		157,037

Some revenues and expenses reported in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

Property tax revenues	(603)	
Intergovernmental revenues	299,304	
Other revenues	(1,385,351)	
Equity in joint venture expenses	(17,517)	
Deferred bond items on issuance of refunding debt expenses	(150,082)	
Amortization of deferred bond items	895,527	
Compensated absences expenses	<u>(759,023)</u>	
		(1,117,745)

The Internal Service Funds are used by management to charge the cost of insurance and fleet services to the individual funds. The changes in net position of the Internal Service Funds is reported with governmental activities in the Statement of Activities.

1,658,577

Changes in net position in governmental activities **\$ 43,779,835**

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 59,386,500	\$ 59,386,500	\$ 63,360,912	\$ 3,974,412
Licenses and permits	2,672,000	2,672,000	6,352,661	3,680,661
Intergovernmental	41,639,700	41,639,700	43,415,520	1,775,820
Charges for services	3,144,500	3,144,500	7,993,221	4,848,721
Fines, forfeitures, and penalties	875,000	875,000	1,911,239	1,036,239
Investment income	4,129,000	4,129,000	11,467,221	7,338,221
Contributions	1,000	1,000	24,131	23,131
Miscellaneous	1,156,900	1,156,900	1,010,621	(146,279)
Total revenues	<u>113,004,600</u>	<u>113,004,600</u>	<u>135,535,526</u>	<u>22,530,926</u>
Expenditures				
Current:				
City Council	402,800	379,699	306,599	73,100
City Administration	7,234,500	7,281,500	7,168,359	113,141
City Attorney	2,322,300	2,522,300	2,216,598	305,702
City Clerk	1,024,000	1,024,000	904,859	119,141
Finance and Budget	6,568,900	6,568,900	6,156,661	412,239
City Auditor	369,000	369,000	349,055	19,945
Human Resources	2,183,400	2,183,400	1,990,782	192,618
Information Technology	10,447,300	10,995,200	10,418,034	577,166
Marketing and Public Relations	1,332,500	1,332,500	1,325,800	6,700
Facilities	5,720,500	5,720,500	5,379,540	340,960
Public Works	343,000	453,000	310,851	142,149
Indirect Costs	(5,475,100)	(5,475,100)	(5,475,100)	
Contingency	23,000,000	17,318,600		17,318,600
Police	27,734,100	27,732,100	27,357,290	374,810
Fire and Medical	16,242,600	17,529,147	17,516,539	12,608
City Court	1,598,400	1,598,400	1,567,911	30,489
Office of Public Safety	3,907,000	3,907,000	3,902,398	4,602
Development Services	3,292,300	3,292,300	3,009,933	282,367
Engineering Services	3,742,300	3,742,300	3,587,877	154,423
Economic Development	2,311,600	2,311,600	1,882,079	429,521
Neighborhood and Family Services	3,670,900	3,102,000	2,253,955	848,045
Parks and Recreation	10,643,100	10,577,744	9,475,606	1,102,138
Capital outlay	1,321,300	1,290,856	799,291	491,565
Debt service:				
Principal retirement	267,000	267,000	266,342	658
Interest and fiscal charges	78,200	78,200	77,813	387
Total expenditures	<u>130,281,900</u>	<u>126,102,146</u>	<u>102,749,072</u>	<u>23,353,074</u>
Excess (deficiency) of revenues over expendit	<u>(17,277,300)</u>	<u>(13,097,546)</u>	<u>32,786,454</u>	<u>45,884,000</u>
Other financing sources (uses)				
Sale of capital assets	5,000	5,000	34,110	29,110
Transfers in	1,629,000	1,629,000	1,029,000	(600,000)
Transfers out	(76,024,800)	(76,024,800)	(32,672,213)	43,352,587
Total other financing sources (uses)	<u>(74,390,800)</u>	<u>(74,390,800)</u>	<u>(31,609,103)</u>	<u>42,781,697</u>
Changes in fund balances	<u>(91,668,100)</u>	<u>(87,488,346)</u>	<u>1,177,351</u>	<u>88,665,697</u>
Fund balances, beginning of year	<u>135,225,195</u>	<u>135,225,195</u>	<u>135,225,195</u>	
Fund balances, end of year	<u>\$ 43,557,095</u>	<u>\$ 47,736,849</u>	<u>\$ 136,402,546</u>	<u>\$ 88,665,697</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Dedicated Sales Tax Revenue
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 13,465,000	\$ 13,465,000	\$ 14,705,601	\$ 1,240,601
Investment income			917	917
Total revenues	<u>13,465,000</u>	<u>13,465,000</u>	<u>14,706,518</u>	<u>1,241,518</u>
Expenditures				
Capital outlay	<u>22,730,000</u>	<u>18,884,414</u>	<u>11,543,569</u>	<u>7,340,845</u>
Total expenditures	<u>22,730,000</u>	<u>18,884,414</u>	<u>11,543,569</u>	<u>7,340,845</u>
Excess (deficiency) of revenues over expendit	<u>(9,265,000)</u>	<u>(5,419,414)</u>	<u>3,162,949</u>	<u>8,582,363</u>
Other financing sources (uses)				
Transfers in			567,916	567,916
Transfers out	<u>(2,496,000)</u>	<u>(2,496,000)</u>	<u>(2,494,323)</u>	<u>1,677</u>
Total other financing sources (uses)	<u>(2,496,000)</u>	<u>(2,496,000)</u>	<u>(1,926,407)</u>	<u>569,593</u>
Changes in fund balances	<u>(11,761,000)</u>	<u>(7,915,414)</u>	<u>1,236,542</u>	<u>9,151,956</u>
Fund balances, beginning of year	<u>23,278,832</u>	<u>23,278,832</u>	<u>23,278,832</u>	
Fund balances, end of year	<u>\$ 11,517,832</u>	<u>\$ 15,363,418</u>	<u>\$ 24,515,374</u>	<u>\$ 9,151,956</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Public Safety Sales Tax Revenue
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 13,465,000	\$ 13,465,000	\$ 14,705,601	\$ 1,240,601
Total revenues	<u>13,465,000</u>	<u>13,465,000</u>	<u>14,705,601</u>	<u>1,240,601</u>
Expenditures				
Current:				
Public safety	15,076,100	15,075,800	13,884,515	1,191,285
Capital outlay	13,056,000	8,000,514	6,933,012	1,067,502
Total expenditures	<u>28,132,100</u>	<u>23,076,314</u>	<u>20,817,527</u>	<u>2,258,787</u>
Changes in fund balances	<u>(14,667,100)</u>	<u>(9,611,314)</u>	<u>(6,111,926)</u>	<u>3,499,388</u>
Fund balances, beginning of year	<u>13,547,161</u>	<u>13,547,161</u>	<u>13,547,161</u>	<u>_____</u>
Fund balances, end of year	<u>\$ (1,119,939)</u>	<u>\$ 3,935,847</u>	<u>\$ 7,435,235</u>	<u>\$ 3,499,388</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Grants In Aid
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 11,500,000	\$ 14,870,189	\$ 6,028,177	\$ (8,842,012)
Charges for services			828	828
Fines, forfeitures, and penalties	50,000	435,700	569,351	133,651
Investment income	11,000	11,000	15,407	4,407
Contributions	361,200	439,000	358,176	(80,824)
Miscellaneous	15,844,300	11,608,611	95,314	(11,513,297)
Total revenues	<u>27,766,500</u>	<u>27,364,500</u>	<u>7,067,253</u>	<u>(20,297,247)</u>
Expenditures				
Current:				
General government	14,950,000	30,563,446	112,552	30,450,894
Public safety	2,686,300	2,525,090	891,379	1,633,711
Streets and transportation	1,900	1,900	1,867	33
Community and economic development	120,000	120,000	97,600	22,400
Community services	3,955,600	7,975,700	3,261,418	4,714,282
Capital outlay	9,970,300	10,249,530	3,243,838	7,005,692
Total expenditures	<u>31,684,100</u>	<u>51,435,666</u>	<u>7,608,654</u>	<u>43,827,012</u>
Excess (deficiency) of revenues over expenditures	<u>(3,917,600)</u>	<u>(24,071,166)</u>	<u>(541,401)</u>	<u>23,529,765</u>
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	
Changes in fund balances	<u>(3,817,600)</u>	<u>(23,971,166)</u>	<u>(441,401)</u>	<u>23,529,765</u>
Fund balances, beginning of year	<u>1,918,172</u>	<u>1,918,172</u>	<u>1,918,172</u>	
Fund balances, end of year	<u>\$ (1,899,428)</u>	<u>\$ (22,052,994)</u>	<u>\$ 1,476,771</u>	<u>\$ 23,529,765</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Fund Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities			Governmental Activities	
	Water	Wastewater	Sanitation	Total	Internal
				Enterprise Funds	Service Funds
Assets					
Current assets:					
Cash and investments	\$ 60,929,821	\$ 51,661,192	\$ 7,767,968	\$ 120,358,981	15,487,963
Receivables					
Accounts	947,909	810,533	478,083	2,236,525	
Interest	348,509	295,444	44,424	688,377	84,726
Inventories	1,008,677	122,561	46,902	1,178,140	389,559
Prepaid items					5,520
Restricted cash - fiscal agents		485,743		485,743	
Total current assets	<u>63,234,916</u>	<u>53,375,473</u>	<u>8,337,377</u>	<u>124,947,766</u>	<u>15,967,768</u>
Noncurrent assets:					
Water storage credit inventory	18,400,923			18,400,923	
Capital assets not being depreciated	30,402,494	3,055,473		33,457,967	
Capital assets, net accumulated depreciation	223,179,989	215,254,765	4,909,464	443,344,218	212,896
Total noncurrent assets	<u>271,983,406</u>	<u>218,310,238</u>	<u>4,909,464</u>	<u>495,203,108</u>	<u>212,896</u>
Total assets	<u>335,218,322</u>	<u>271,685,711</u>	<u>13,246,841</u>	<u>620,150,874</u>	<u>16,180,664</u>
Deferred outflows of resources					
Pension plan items	741,452	441,303	486,238	1,668,993	286,661
Total deferred outflows of resources	<u>741,452</u>	<u>441,303</u>	<u>486,238</u>	<u>1,668,993</u>	<u>286,661</u>
Liabilities					
Current liabilities:					
Accounts payable	2,588,606	504,518	218,012	3,311,136	457,044
Accrued payroll and employee benefits	109,354	70,600	70,835	250,789	124,063
Accrued interest payable		110,600		110,600	
Deposits held for others	1,906,594		5,000	1,911,594	
Due to other governments	220,139			220,139	
Bonds payable		370,000		370,000	
Claims payable					4,342,654
Compensated absences	300,993	132,227	192,966	626,186	124,963
Total current liabilities	<u>5,125,686</u>	<u>1,187,945</u>	<u>486,813</u>	<u>6,800,444</u>	<u>5,048,724</u>
Noncurrent liabilities:					
Non-current portion of long-term obligations	3,829,727	7,967,912	2,513,137	14,310,776	4,388,615
Total noncurrent liabilities	<u>3,829,727</u>	<u>7,967,912</u>	<u>2,513,137</u>	<u>14,310,776</u>	<u>4,388,615</u>
Total liabilities	<u>8,955,413</u>	<u>9,155,857</u>	<u>2,999,950</u>	<u>21,111,220</u>	<u>9,437,339</u>
Deferred inflows of resources					
Pension plan items	229,925	136,848	150,783	517,556	88,893
Total deferred inflows of resources	<u>229,925</u>	<u>136,848</u>	<u>150,783</u>	<u>517,556</u>	<u>88,893</u>
Net position					
Net investment in capital assets	252,199,033	212,042,620	4,909,464	469,151,117	212,896
Restricted for:					
Capital projects	19,631,532	26,426,716		46,058,248	
Unrestricted	54,943,871	24,364,973	5,672,882	84,981,726	6,728,197
Total net position	<u>\$ 326,774,436</u>	<u>\$ 262,834,309</u>	<u>\$ 10,582,346</u>	<u>600,191,091</u>	<u>\$ 6,941,093</u>

Adjustment to report the cumulative internal balance for the net effect of the activity
between the internal service funds and the enterprise funds over time 647,622

Net Position of Business-Type Activities \$ 600,838,713

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities				Governmental Activities
	Water	Wastewater	Sanitation	Total	Internal Service Funds
				Enterprise Funds	
Operating revenues					
Charges for services	\$ 20,388,379	\$ 13,567,111	\$ 8,390,803	\$ 42,346,293	\$ 21,325,000
Miscellaneous	1,477,128	4,401	348	1,481,877	651,909
Total operating revenues	<u>21,865,507</u>	<u>13,571,512</u>	<u>8,391,151</u>	<u>43,828,170</u>	<u>21,976,909</u>
Operating expenses					
Salaries, wages, and benefits	4,573,750	2,864,820	2,825,293	10,263,863	1,735,559
Contractual services, materials, and supplies	12,224,661	7,072,350	4,869,358	24,166,369	3,144,833
Insurance claims and expenses					16,165,002
Depreciation and amortization	8,562,360	8,479,559	757,401	17,799,320	37,869
Total operating expenses	<u>25,360,771</u>	<u>18,416,729</u>	<u>8,452,052</u>	<u>52,229,552</u>	<u>21,083,263</u>
Operating income (loss)	<u>(3,495,264)</u>	<u>(4,845,217)</u>	<u>(60,901)</u>	<u>(8,401,382)</u>	<u>893,646</u>
Nonoperating revenues (expenses)					
Investment income	3,208,566	2,766,034	480,063	6,454,663	834,146
Gain (loss) on disposal of capital assets	21,595	258	123,980	145,833	1,025
Interest and fiscal charges		(177,836)		(177,836)	
Total nonoperating revenue (expenses)	<u>3,230,161</u>	<u>2,588,456</u>	<u>604,043</u>	<u>6,422,660</u>	<u>835,171</u>
Income (loss) before transfers and capital contributions	<u>(65,103)</u>	<u>(2,256,761)</u>	<u>543,142</u>	<u>(1,978,722)</u>	<u>1,728,817</u>
Transfers out	<u>(987,827)</u>	<u>(431,000)</u>		<u>(1,418,827)</u>	
Capital contributions	<u>1,423,630</u>	<u>1,996,235</u>		<u>3,419,865</u>	
Development fees	<u>3,284,982</u>	<u>2,688,746</u>		<u>5,973,728</u>	
Changes in net position	<u>3,455,682</u>	<u>1,997,220</u>	<u>543,142</u>	<u>5,996,044</u>	<u>1,728,817</u>
Net position, beginning of year, previously reported	323,523,903	260,913,887	10,224,365	594,662,155	5,292,036
Adjustments to beginning net position	(205,149)	(76,798)	(185,161)	(467,108)	(79,760)
Net position, beginning of year, as restated	<u>323,318,754</u>	<u>260,837,089</u>	<u>10,039,204</u>	<u>594,195,047</u>	<u>5,212,276</u>
Total net position, end of year	<u>\$ 326,774,436</u>	<u>\$ 262,834,309</u>	<u>\$ 10,582,346</u>	<u>600,191,091</u>	<u>\$ 6,941,093</u>
				Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	<u>70,240</u>
				Change in Net Position of Business-Type Activities	<u>\$ 6,066,284</u>

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities			Governmental Activities	
	Water	Wastewater	Sanitation	Total	Internal
				Enterprise Funds	Service Funds
<u>Increase/Decrease in Cash and Cash Equivalents</u>					
Cash flows from operating activities					
Cash received from customers	\$ 20,482,106	\$ 13,477,909	\$ 8,382,435	\$ 42,342,450	\$ 22,052,985
Cash payments to suppliers for goods and services	(12,023,861)	(7,168,062)	(5,314,945)	(24,506,868)	(20,735,638)
Cash payments to employees for services	(4,564,333)	(2,746,861)	(3,043,569)	(10,354,763)	(1,794,322)
Miscellaneous	1,477,128	4,401	348	1,481,877	651,909
Net cash provided by/used for operating activities	5,371,040	3,567,387	24,269	8,962,696	174,934
Cash flows from noncapital financing activities					
Transfers out	(987,827)	(431,000)		(1,418,827)	
Net cash provided by/used for noncapital financing activities	(987,827)	(431,000)		(1,418,827)	
Cash flows from investing activities					
Investment income	3,331,278	2,810,522	443,915	6,585,715	824,187
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(8,253,929)	(4,537,639)	(1,512,363)	(14,303,931)	(9,188)
Principal payments on capital debt		(384,270)		(384,270)	
Interest payments on capital debt		(236,841)		(236,841)	
Development fees received	3,284,982	2,688,746		5,973,728	
Proceeds from sale of capital assets	127,799	38,170	457,184	623,153	1,025
Net cash provided by/used for operating activities	(4,841,148)	(2,431,834)	(1,055,179)	(8,328,161)	(8,163)
Net increase/decrease in cash and cash equivalents	2,873,343	3,515,075	(586,995)	5,801,423	990,958
Cash and cash equivalents, beginning of year	58,056,478	48,631,860	8,354,963	115,043,301	14,497,005
Cash and cash equivalents, end of year	\$ 60,929,821	\$ 52,146,935	\$ 7,767,968	\$ 120,844,724	\$ 15,487,963
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>					
Operating income/loss	\$ (3,495,264)	\$ (4,845,217)	\$ (60,901)	\$ (8,401,382)	\$ 893,646
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:					
Depreciation and amortization	8,562,360	8,479,559	757,401	17,799,320	37,869
Difference between pension expense and contributions	(118,577)	67,057	(221,261)	(272,781)	(26,556)
Changes in assets and liabilities:					
Increase/decrease in accounts receivable	31,436	(89,202)	(8,368)	(66,134)	727,985
Increase/decrease in inventories	144,414	183,917	(41,794)	286,537	(13,733)
Increase/decrease in prepaid items					28,520
Increase/decrease in accounts payable	56,386	(279,629)	(403,793)	(627,036)	251,996
Increase/decrease in accrued payroll and employee benefits	26,888	22,113	10,826	59,827	(72,851)
Increase/decrease in compensated absences	101,106	28,789	(7,841)	122,054	40,644
Increase/decrease in claims payable					(1,692,586)
Increase/decrease in deposits held for others	62,291			62,291	
Total adjustments	8,866,304	8,412,604	85,170	17,364,078	(718,712)
Net cash provided by/used for operating activities	\$ 5,371,040	\$ 3,567,387	\$ 24,269	\$ 8,962,696	\$ 174,934
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>					
Cash and investments	\$ 60,929,821	\$ 51,661,192	\$ 7,767,968	\$ 120,358,981	\$ 15,487,963
Restricted cash - fiscal agents		485,743		485,743	
Total cash and cash equivalents	\$ 60,929,821	\$ 52,146,935	\$ 7,767,968	\$ 120,844,724	\$ 15,487,963
<u>Noncash Capital, Financing, and Investing Activities</u>					
Amortization of bond premium	\$	\$ 55,330	\$	\$ 55,330	\$
Capital contributions	1,423,630	1,996,235		3,419,865	

The notes to the basic financial statements are an integral part of this statement.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements 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). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

During the year ended June 30, 2025, the City implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This Statement updates the recognition and measurement guidance for compensated absences. Liabilities are recognized for leave that has not been used, as well as leave that has been used but not yet paid in cash or settled through noncash means. Beginning balances of compensated absences reported in the governmental activities, business-type activities, and each enterprise fund have been restated accordingly.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Avondale, Arizona (the City) was incorporated in 1946 under the provisions of the Constitution of Arizona and Arizona Revised Statutes (A.R.S.). Avondale operates under the Council-Manager form of government in accordance with its Charter. Legislative authority is vested in a seven-member City Council consisting of a mayor and six councilmembers elected at large for a term of four years. The City Council appoints the City Manager and such other officers deemed necessary and proper for the orderly administration of the City's affairs. The City provides a full range of municipal services including police and fire protection, planning and development, parks and recreation, library, transportation, certain human services, and general administration. The City also owns and operates an enterprise whose activities include water, wastewater and sanitation services.

The accompanying financial statements present the activities of the City (the primary government) and its blended component units collectively referred to as "the financial reporting entity." The component units referred to below and the following page has been included in the City's reporting entity because of the significance of its operational and financial relationship with the City. The City has no discretely presented component units.

The City of Avondale Employee Benefit Trust (EBT) was formed in 2021 for the purpose of managing the health insurance for City employees and their covered beneficiaries. The EBT is governed by five Trustees appointed by the City Manager. No more than one of the Trustees may be a member of the City Council, and no more than one of the Trustees may be a City employee. Although it is legally separate from the City, the EBT is reported as if it were part of the City government, because its sole purpose is to provide services exclusively to City employees through a self-insured health plan. The EBT's activity is reported in an internal service fund.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The Avondale Risk Management Trust (RMT) was formed for the purpose of managing the City's property and liability self-insurance program. The RMT is governed by five Board members. The Board consists of three non-staff citizen members, one member of City Council and one employee. Although it is legally separate from the City, the RMT is reported as if it were part of the City government, because its sole purpose is to provide services exclusively to the City departments, employees, and council members in their official capacities. The RMT's activity is reported in an internal service fund.

The City of Avondale Workers' Compensation Trust (WCT) was formed for the purpose of managing the City's workers' compensation obligations. The WCT is governed by five Board members. The Board consists of three non-staff citizen members, one member of City Council, and one employee. Although it is legally separate from the City, the WCT is reported as if it were part of the City government, because its sole purpose is to provide services exclusively to the City departments, employees, and council members in their official capacities. The WCT's activity is reported in an internal service fund.

The Alamar Community Facilities District was formed by petition to the City Council in 2018. Alamar's purpose is to acquire or construct public infrastructure in a specified area of the City. As a special purpose district and separate political subdivision under the Arizona Constitution, Alamar can levy taxes and issue bonds independently of the City. Property owned in the designated areas is assessed for Alamar's property taxes, and thus for the costs of operating the district and debt service for any issued bonds. The Alamar Community Facilities District is governed by a board of directors that consists of the members of the Avondale City Council. The City has no liability for the district's debt once issued. Alamar's activities are reported in a special revenue fund, capital projects fund, and debt service fund.

Separately issued financial statements are only prepared for the Alamar Community Facilities District. These financial statements can be obtained by please visiting our website at <http://www.avondaleaz.gov> or contacting:

Finance and Budget Department
11465 W. Civic Center Drive, Suite 250
Avondale, Arizona 85323
(623) 333-2000

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-Wide Financial Statements: The government-wide financial statements (the statement of net position and the statement of activities), which exclude fiduciary funds, provide information about the City as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The government-wide focus emphasizes the sustainability of the City and aggregate change in financial position resulting from the activities of the fiscal period.

The statement of net position presents all financial and capital resources of the City. It is presented in a format that displays assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, with assets and liabilities presented in order of their relative liquidity. Net position is presented in three components—net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by outstanding balances of bonds, leases, financed purchases notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources related to the acquisition, construction, or improvement of those assets or related debt also are included in net investment in capital assets. Restricted net position consists of restricted assets with constraints placed on their use externally either by creditors (such as bond covenants), grantors, contributors, laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position equals that portion of assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, which are not otherwise classified as part of net investment in capital assets or restricted net position.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Interest on long-term debt is not allocated to various functions in the governmental activities so it is reported separately. Program revenues include 1) charges to customers or users who purchase, use or directly benefit from the goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the City levies or imposes, are reported as general revenues. General revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. Net interfund activity and balances between governmental activities and business-type activities are presented in the government-wide financial statements. Certain charges for interfund services provided and used, such as charges between the Enterprise Fund utility segments and various functional activities, were not eliminated if the charges approximated their exchange values. The General Fund charges administrative service fees to other operating funds to support general services (e.g., purchasing, accounting, and administration) used by the other operating funds. These administrative fees were not eliminated from the government-wide or fund financial statements.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. Separate statements are presented for the governmental and proprietary fund categories. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All nonmajor governmental funds, as well as the internal service funds, are summarized into a single column on the fund financial statements and detailed in combining statements included as supplementary information after the basic financial statements. Capital asset acquisitions are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements: The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flows occur. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental Fund Financial Statements: The governmental fund financial statements are presented 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 to finance the City's operations. 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 principal revenue sources that are susceptible to accrual are sales taxes, property taxes, intergovernmental, and investment income.

City sales taxes collected and held by merchants at year-end on behalf of the City are recognized as revenue. State-shared revenues, including sales and income taxes, highway user and auto lieu taxes, and lottery distributions for transportation assistance, which are collected and held by the State at year-end on behalf of the City, are also recognized as revenue. Licenses and permits, charges for services, fines, forfeitures and penalties, contributions, and miscellaneous revenues are recorded as revenue when received because they are generally not available until actually received. Changes in the fair value of investments are recognized as part of revenue at year-end.

In applying the susceptible to accrual concept to intergovernmental revenues and receivables, revenues are recognized when all the applicable eligibility requirements, including time requirements, have been met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources. Revenue for reimbursement grants is recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met, provided that the available criterion is met.

Expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Long-term debt issuances and proceeds and acquisitions under lease and financed purchase agreements are reported as other financing sources.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements. Therefore, a reconciliation is presented on the page following each governmental fund financial statement that briefly explains the adjustments necessary to transform the governmental fund financial statements into the governmental activities column of the government-wide financial statements.

Proprietary Fund Financial Statements: The financial statements of the proprietary funds are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements described above.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues that result from transactions in which the parties do not exchange equal values are considered nonoperating revenues, along with investment earnings and revenues generated from ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The internal service funds, which provide services to the other funds of the City, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the internal service funds are consolidated into the governmental column of the government-wide Statement of Net Position. The costs of the internal service funds services are spread to the appropriate function or segment on the governmental and business-type activities columns of government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling-up effect of these revenues and expenses.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City has elected to present some additional governmental funds as major funds because of community focus. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining fund financial section.

D. Fund Accounting

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 those required to be accounted for in another fund.

The *Dedicated Sales Tax Revenue Fund*, a special revenue fund, accounts for the voter-approved 0.5-cent dedicated sales tax revenues. The use of these revenues is restricted to maintaining, improving, renovating, and constructing water and wastewater systems, streets, and transportation projects and services that serve city neighborhoods. The tax was approved by the voters and became effective in July 2001. In September 2008, voters approved the expanded use of tax revenue to include transportation projects and services.

The *Public Safety Sales Tax Revenue Fund*, a special revenue fund, accounts for the voter-approved 0.5-cent public safety sales tax revenues. The use of these revenues is restricted to providing increased public safety services for city neighborhoods. The tax was approved by the voters and became effective in January 2004.

The *Grants In Aid Fund*, a special revenue fund, accounts for grant funding and private donations/contributions for specific purposes not accounted for in other special revenue funds or otherwise committed or restricted to capital projects.

The *General Obligation Bonds Debt Service Fund*, a debt service fund, accounts for the accumulation resources and payment of principal and interest on the City's general obligation bonds. The principal and interest on general obligation bonds is normally paid with revenues generated from the secondary property tax levy sufficient to make the required debt service payments.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The *Other Capital Projects Fund*, a capital projects fund, accounts for capital resources and activities not accounted for in other capital project funds.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the operation, maintenance, and financing of the City's water system, which provides for the production, treatment, storage, and distribution of potable water supplies to city customers.

The *Wastewater Fund* accounts for the operation, maintenance, and financing of the City's wastewater system, which ensures the effective operation of the wastewater collection system and the water reclamation facility in compliance with applicable laws and regulations.

The *Sanitation Fund* accounts for the operation, maintenance, and financing of the City's refuse collection and disposal program, which includes solid waste and recycling.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the operations that provide services to other city departments on a cost-reimbursement basis. The services include self-insurance and fleet management.

E. Budgets and Budgetary Accounting

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. Avondale voters approved Home Rule options as an alternative expenditure limitation for fiscal years 1981 through 2025. The City does not have an alternative expenditure limitation for fiscal year 2026. An alternative expenditure limitation is not needed due voters approving a permanent adjustment of \$10,408,000 to the 1980 base on August 2, 2022.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The following provides a brief budgetary overview of the City.

1. The City's fiscal year is established by state law and runs from July 1 through June 30 of each year.
2. A structurally balanced operating and capital budget are presented annually for Council review and adoption no later than July 1st of the fiscal year and in accordance with the requirements of state law.
3. The budget is adopted by the City Council by department and by fund (excluding the Alamar CFD). Budget transfers may be executed throughout the year when the adopted purpose varies from operational needs identified during the fiscal year pursuant to the following guidelines. Transfers must be fully executed before the authorization of or expenditure of funds.
4. Operating Budget Transfer Guidelines:
 - a. Use of contingency fund appropriation requires City Council approval.
 - b. Transfers of appropriation between funds require City Council approval. Administrative funds shall be treated as belonging to their parent funds for the purpose of this provision.
 - c. Transfers of appropriation between departments require City Council approval.
 - d. Transfers needed to appropriate previously accepted grants or private donations may be approved by Finance and Budget.
 - e. Transfers of appropriation to / from personal services (salaries, wages, and benefits) line items within the same department and fund require City Manager approval and must be one-time in nature so as not to impact the department's authorized FTE counts. Savings in personal services will not be used to offset deficits in department operating budgets without written authorization from the City Manager.
 - f. Finance and Budget staff may transfer realized vacancy savings from department budgets to the non-departmental budget to satisfy the budgeted vacancy savings.
 - g. Department heads are authorized for all other transfer types between divisions and category of expenditures within the same fund.
5. Staff monitor the budget and communicate potential over expenditures of fund and department budgets to Council.
6. A Capital Improvement Plan (CIP) is developed for a five-year period to allow for appropriate planning. The CIP shall be considered balanced when all sources of funds (revenue, transfers in, and fund balances) are greater than or equal to all uses of funds (expenditures, transfers out, and contingencies) by year for each fund in the capital program.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

7. Projects are only approved with funding from designated sources that are known – or considered reasonably likely during the project’s plan – and meet the project’s estimated development costs and costs to support.
8. Changes to the approved CIP in terms of material individual project changes in scope, proposed transfer of funds between approved projects require City Council review and authorization.
9. Transfers of available appropriation in the CIP of under \$50,000 within projects of the same department and fund may be approved by the City Manager or designee. Such amendments are communicated quarterly to the Council. Transfers of available appropriation in the CIP greater than \$50,000 require City Council review and authorization.
10. GAAP serves as the basis of budgeting.

F. Cash and Investments

For the statement of cash flows, the City’s cash and cash equivalents are considered to be all pooled cash and investments, cash on hand, demand deposits, and restricted cash with fiscal agents.

Investment income includes interest and dividend earnings and changes in fair value of applicable investments during the fiscal year. The City maintains one pool of cash and investments for most funds with a separate pool for the Alamar CFD funds (operating, debt service, and capital projects). All pooled investments are considered cash equivalents. Interest income from pooled cash and investments is allocated to the individual funds based on the fund’s interest earnings requirements and its month-end cash balance in relation to the total pooled investments. Each fund’s equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end. In the event that the Alamar CFD Debt Service or Alamar CFD Capital Projects Funds overdraw their share of pooled cash and investments. The overdraft is reported as a due to the Alamar CFD Operating Fund at year end. Investments are stated at fair value.

G. Restricted Assets

The City has executed trust indentures for all bond series issued that require all cash and investments of each bond series to be held on deposit by fiscal agents. These assets are restricted to retirement of principal balances, payment of interest, trustee fees associated with the bond issues, and to finance various capital projects. Accordingly, these assets are classified as restricted on the Balance Sheet, Statement of Net Position, and Statement of Fund Net Position – Proprietary Funds.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Inventories

Supplies inventories are accounted for in the governmental fund and government-wide financial statements using the consumption method. These inventories consist of items that are held for sale in the ordinary course of operations. Amounts on hand at year-end are shown as assets on the Balance Sheet and Statement of Net Position. In the governmental fund financial statements, inventories are shown as nonspendable fund balance to indicate that they do not constitute "available spendable resources".

Water Fund inventories include long-term storage water credits credited to the City's long-term storage account by the Arizona Department of Water Resources. Effluent water credits are stated at cost based on the City's cost of treating the wastewater and recharging the resulting effluent water into the Phoenix Active Management Area. All other water credits are valued using the applicable Central Arizona Project water rate in effect at the time the water credit was credited to the City's long-term storage account. Inventories are valued using the first-in, first-out inventory flow assumption.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund and government-wide financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In the governmental fund financial statements, prepaid items are shown as nonspendable fund balance to indicate that they do not constitute "available spendable resources".

J. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at fiscal year-end are reported as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Trade and other receivables in the General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds are considered to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established in these funds. The allowances for doubtful accounts for receivables in the Water, Wastewater, and Sanitation Funds at June 30, 2025, are \$48,453, \$67,027, and \$55,949, respectively.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets

Capital assets, including public domain infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, water and wastewater systems, lighting systems, and other assets that are immovable and of value only to the City, and intangible right-to-use assets such as water rights, which lack physical substance, are defined as assets with an initial, individual cost in excess of \$10,000 or groups of assets with an aggregate value in excess of \$1.0 million with an estimated useful life more than one year. The City values these assets at cost or estimated historical cost if purchased or constructed; acquisition value for donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement; and estimated fair value at the grant or allotment date for water rights. The City's water rights have indefinite useful lives and, therefore, the City does not amortize these intangible assets. Capital assets are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund financial statements. No capital assets, depreciation, or amortization are presented in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not significantly extend the useful lives of assets or increase their capacity are not capitalized. Major improvements are capitalized and depreciated over the remaining useful life of the improved capital assets. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The City has chosen not to apply the modified approach to any infrastructure networks, systems, or subsystems. Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. Intangible right-to-use assets are amortized over the shorter of the lease/subscription term or the underlying asset's useful life. Amortization of right-to-use assets is included with depreciation expense. The estimated useful lives and amortization periods are as follows:

Intangible right-to-use assets	5 years
Building and improvements	40 years
Improvements other than buildings	20 years
Water, wastewater, and storm drain systems improvements	50 years
Street systems	20 to 40 years
Park facilities, streetscape, and artwork	20 years
Furniture	7 years
Machinery and equipment	3 to 15 years
Depreciable user rights	5-30 years
Depreciable water rights	40 years

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows and 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 in future periods (i.e. deferred charges on the refunding and deferred outflows related to pensions). Deferred inflows of resources represent the acquisition of net assets that applies to future periods that will be recognized as revenue and amortized in future periods (deferred inflows on pensions).

Deferred inflows in the governmental funds represent revenues received more than 60 days after fiscal year end. These revenues will be recognized in the governmental fund financial statements in the next fiscal year, when available, and represent a reconciling item between the governmental fund financial statements and the governmental activities in the government-wide financial statements.

M. Compensated Absences

Compensated absences payable consist of vacation leave and a calculated amount of sick leave employees earned based on services already rendered. Vacation benefits vest with the employees when it is earned. The amount of sick leave benefits that vest with employees depends on the employees' number of years of continuous service and accumulated sick leave hours upon terminating employment. Regular full-time employees may accumulate up to 320 hours of vacation and Firefighters including Fire Battalion Chiefs assigned to a 24-hour shift schedule may accumulate up to 448 hours of vacation on a calendar year basis. Employees forfeit vacation hours in excess of these limits if not used by December 31 of each calendar year. All regular full-time employees may accumulate an unlimited number of sick leave hours.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Upon resignation, the City compensates employees for 33.3 percent of their accumulated sick leave at the employees' current hourly rate. Upon retirement, the City compensates employees as follows:

- Employees with 10 years of continuous service with the City will receive 100 percent of accrued sick leave up to 250 hours at the employees' current hourly rate, or 33.3 percent of the total balance of accrued sick leave, whichever is greater.
- Employees with 15 years of continuous service with the City will receive 100 percent of accrued sick leave up to 375 hours at the employees' current hourly rate, or 33.3 percent of the total balance of accrued sick leave, whichever is greater.
- Employees with 20 years of continuous service with the City will receive 100 percent of accrued sick leave up to 500 hours at the employees' current hourly rate, or 33.3 percent of the total balance of accrued sick leave, whichever is greater.

Compensated absences payable is accrued as a liability in the government-wide and proprietary fund financial statements. Liabilities for these amounts are reported in the governmental fund financial statements only as they become due (e.g., as a result of employee resignations and retirements by fiscal year-end).

N. Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of \$100,000 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 interest rate from recent debt issuances.

As lessor, the City recognizes lease receivables with an initial, individual value of \$100,000 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 an interest rate based on the applicable rate on federal securities as the discount rate to measure lease receivables.

O. Subscription-Based Information Technology Arrangements (SBITAs)

As an end user of subscription-based technology, the City recognizes SBITA obligations with an initial, individual value of \$100,000 or more. The City uses its estimated incremental borrowing rate to measure SBITA obligations unless it can readily determine the interest rate implicit in the SBITA contract. The City's estimated incremental borrowing rate is based on describe how the City determined its estimated incremental borrowing rate.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Long-Term Obligations

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

In the government-wide and proprietary fund financial statements, long-term debt and other obligations are reported as liabilities on the Statement of Net Position. Bond discounts and premiums and deferred charges or credits on debt refunding are amortized over the life of the bonds using the straight-line method.

Q. Pension

For purposes of measuring the net pension assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

R. Interfund Activity

Transactions that would be treated as revenue or expenditures/expenses if they involved organizations external to the governmental unit are accounted for as revenue or expenditures/expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures/expenses initially made from that fund that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditures/expense in the fund that is reimbursed.

Cash flows from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental activities and business type activities are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as "other financing sources (uses)" in governmental funds and after nonoperating revenues and expenses in proprietary funds.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Fund Balance Classifications

The governmental funds' fund balances are reported within classifications based on a hierarchy of constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balance classifications.

Nonspendable fund balances include amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations that the City Council approved, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on the committed fund balances. Commitments must be made prior to fiscal year-end to be reported as a commitment. Committed fund balances also include resources that have been specifically committed to satisfy contractual requirements.

Assigned fund balances are spendable resources constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable resources not reported in other classifications. Also, deficits in fund balances of other governmental funds are reported as unassigned.

On June 2, 2025, the City Council approved a resolution adopting a formal City fund balance policy and stabilization arrangement. The significant components of the policy and arrangement follow:

The City Council delegated authority to the Finance and Budget Director to assign fund balances for specific purposes. Any fund balance assignments must be reported to the City Manager in writing and such assignments will be identified and incorporated in the City's annual budget planning process.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

The City Council established a two-tier fiscal stabilization arrangement as committed fund balance in the General Fund of no less than 35 percent of budgeted General Fund expenditures from the prior fiscal year to provide a comfortable margin of safety to address potential natural disasters, unexpected economic events, revenue shortfalls, or other budget contingencies. The two tiers include an emergency reserve of 25 percent and a rainy day reserve of 10 percent.

The first-tier commitment consists of a 25 percent Emergency Reserve that may only be used for the following reasons:

- Mitigate damage and expenditures caused by natural disasters or declared public emergency for which no reasonable budget adjustments are available to continue or restore essential services.
- Address emergency events that jeopardize the public safety.
- Provide and maintain essential services to the public during natural disasters or emergency events.

The second-tier commitment consists of a 10 percent rainy-day reserve that may only be used under the following circumstances:

- The City experiences sudden and/or unexpected declines in ongoing revenues (taxes or shared revenues) or charges for service that is greater than 10 percent of General Fund operating revenues from the prior year.
- The City experiences sudden and/or unexpected declines in state-shared revenues that is greater than 10 percent of General Fund operating expenditures from the prior year.
- Provide and maintain essential services to the public during natural disasters or emergency events.

Once the City Manager, or their designee, has determined that it is necessary to spend down stabilization reserves, the City Manager shall provide written communication to the Council explaining the nature of the event/occurrence necessitating their use for Council approval. If the reserves are reduced below the minimum required levels, the City staff shall develop a plan for Council approval to restore the reserves to the appropriate balances. The City shall replenish the emergency and rainy-day reserves within two (2) fiscal years and five (5) fiscal years following the fiscal year of the event, respectively. If the depletion occurs during an ongoing economic downturn, the City shall restore the funds within two (2) years of revenue stabilization, as applicable. The progress of replenishment shall be reported in the City's Annual Budget.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

T. Resource Flow Assumptions

When an expenditure/expense is incurred that can be paid from either restricted or unrestricted fund balances/net position, the City will generally use restricted fund balances/net position first. When disbursing unrestricted fund balances, the City will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

U. 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. These estimates and assumptions affect the reported amount of assets and liabilities, deferred outflows and inflows of resources, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from these estimates.

Note 2 – Stewardship, Compliance and Accountability

Deficit Fund Balances/Net Positions – At June 30, 2025, the Family Advocacy Center and Fleet Management Funds, both non-major and other governmental funds, report deficits of \$2,523 and \$81,014 in fund balance, respectively. The deficit in the Family Advocacy Center Fund was due to operational requirements exceeding available resources in the fund. Future monies under the intergovernmental agreement between other West Valley cities are expected to eliminate the deficit.

The deficit in the Fleet Management Fund was mainly due to net pension liability of \$976,350. Fleet management has made incremental changes to the markup on parts and labor rates to begin fully recovering the cost of providing fleet management services to city departments. City management plans to eliminate the remaining net position deficit by recovering prior years' cumulative fleet management undercharges from user departments.

Note 3 – Cash and Investments

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 7) with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments (Continued)

Total City cash and investments as of June 30, 2025, are reported as follows:

Governmental activities	\$ 264,717,487
Business-type activities	<u>120,844,724</u>
Total	<u>\$ 385,562,211</u>
Cash on hand	\$ 11,457
Cash in bank	17,918,941
Investments	359,639,666
Restricted cash – fiscal agents	<u>7,992,147</u>
Total	<u>\$ 385,562,211</u>

Fair Value Measurement/Application for Investments and 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 period of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.

The City's formal investment policy manages its exposure to interest rate risk by requiring investments to match the anticipated cash flow requirements. Unless matched to a specific cash flow, the maturity of investments are limited to less than five years. Additionally, the City maintains a sufficient cash balance in its operating bank account to preclude the necessity of liquidating any investments at a loss. The City's investments at June 30, 2025, categorized within the fair value hierarchy established by accounting principles generally accepted in the United States of America, and accounting for credit and interest rate risk were as follows:

Investment Type	Category	Fair Value	Investment Maturities (in years)		Moody's Investor Services	Standard & Poor's
			Less than 1	1-5		
US Agency Mortgage Backed Securities	Level 2	\$ 40,651,541	\$ 6,283,590	\$ 34,367,951	Aa1 to Aaa	AA+ to AAA
U.S. Treasury Securities	Level 1	137,685,436	39,661,720	98,023,716	Aa1 to Aaa	N/A
Corporate Bonds	Level 2	117,743,261	4,366,209	113,377,052	Baaa1 to Aaa	BBB+ to AAA
Money Market	Level 1	26,587,556	<u>26,587,556</u>	<u> </u>	Aaa-mf	AAAm
			<u>\$ 76,899,075</u>	<u>\$ 245,768,719</u>		
State Treasurer's investment pool 7	Not Applicable	<u>36,971,872</u>	172 days average maturities		Unrated	Unrated
Total		<u>\$ 359,639,666</u>				

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments (Continued)

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using institutional bond quotes and evaluations based on various market and industry inputs. Investments in the State Treasurer’s Investment Pool 7 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 Pool 7.

Investment income is comprised of the following for the year ended June 30, 2025:

	Governmental Activities	Business-type Activities
Interest earned	\$ 8,419,478	\$ 3,811,236
Change in the fair value of investments	5,710,747	2,643,427
Investment income	\$ 14,130,225	\$ 6,454,663

During the year, the investments balance increased \$29.4 million due to the City investing excess cash balances. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on these investments held at June 30, 2025, was \$997,903. The calculation of realized gains and losses on investments is independent of the calculation of the change in fair value of investments. In addition, gains and losses of the current period include unrealized amounts from the prior period.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City’s formal investment policy manages its exposure to credit risk by requiring high grade investments. Additionally, the City maintains a sufficient cash balance in its operating bank account to preclude the necessity of liquidating any investments at a loss. The following describe the City’s policy:

- Certificates of deposit in eligible depositories-50 percent sector limit, must be insured or fully collateralized.
- Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association; that are rated “A” (long-term) or A-1 (short-term) or the equivalent or better by a NRSRO-50 percent sector limit, five percent issuer limit.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments (Continued)

- Commercial paper, of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States-50 percent sector limit, five percent issuer limit.
- Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry. Deposits in excess of the insured amount are secured by collateral as outlined in A.R.S. §35-323.
- The pooled investment funds established by the state treasurer pursuant to A.R.S. §35-326.
- Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
- Bonds or other evidence of indebtedness of this state or any of its counties, incorporated cities or school districts-40 percent sector limit, five percent issuer limit.
- Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district-40 percent sector limit, five percent issuer limit. An investment shall not be made if:
 - The face value of all such obligations, and similar obligations outstanding, exceeds 50 percent of the fair value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.
 - A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
- Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies-50 percent sector limit, five percent issuer limit.
- Repurchase agreements with a maximum maturity of one hundred eighty days-40 percent sector limit, 20 percent issuer limit.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's formal investment policy requires deposits to be in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry. Deposits in excess of the insured amount must be secured by collateral as outlined in A.R.S. §35-323.

Cash in bank – The carrying amount of City's bank account deposits at June 30, 2025 was \$17,918,941 and the bank balance was \$18,328,942. The difference between the carrying amount and bank balance was due to outstanding checks and deposits, and other reconciling items. These balances were either covered by the Federal Depository Insurance Corporation (FDIC) or collateralized at 102 percent of deposits not covered by FDIC. In addition, the City holds \$11,457 in cash on hand.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributable to the magnitude of deposits or investments in a single depository institution or issuer. The City's formal investment policy limits the concentration of investments by investment type, sector, and issuer to manage credit risk. Additionally, minimum credit ratings are required for the various investments.

At June 30, 2025, the following issuers represents more than five percent of the City's total investments: 38.3 percent in U.S. Treasury securities, 11.3 in U.S. Agency Mortgage-Backed Securities and 10.28 percent invested in the State Treasurer's Investment Pool 7.

Note 4 – Property Tax Calendar

The City levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S. a lien assessed against real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law an enforceable legal claim to the asset doesn't arise.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 5 – Leases Receivable

The City leases a multipurpose recreational sports facility and building office space under the provisions of contracts classified as leases. The related receivables under the lease agreements have been recorded at the present value of their future minimum lease payments as of the inception date. Lease revenue of \$491,315 and related interest revenue of \$57,720 are recorded as miscellaneous revenue in the General Fund.

Note 6 – Capital Assets

A summary of capital asset activity for governmental activities on the government-wide financial statements for the year ended June 30, 2025, follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 316,254,212	\$ 9,927,426	\$	\$ 326,181,638
Construction in progress	36,491,252	30,583,813	34,132,991	32,942,074
Total capital assets, not being depreciated	<u>352,745,464</u>	<u>40,511,239</u>	<u>34,132,991</u>	<u>359,123,712</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	175,219,643	15,004,231	1,799,425	188,424,449
Improvements other than buildings	69,871,257	9,727,269		79,598,526
Vehicles, furniture and equipment	59,434,977	10,491,328	1,082,269	68,844,036
Infrastructure	509,295,987	19,219,460		528,515,447
Depreciable user rights	2,852,648			2,852,648
Intangible right-to-use building and land improvements	1,687,403			1,687,403
Intangible right-to-use equipment	1,265,610	1,511,742	706,891	2,070,461
Total capital assets being depreciated	<u>819,627,525</u>	<u>55,954,030</u>	<u>3,588,585</u>	<u>871,992,970</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(45,578,362)	(4,618,719)	(1,628,690)	(48,568,391)
Improvements other than buildings	(16,777,769)	(3,897,700)		(20,675,469)
Vehicles, furniture and equipment	(40,533,787)	(6,546,310)	(1,056,273)	(46,023,824)
Infrastructure	(249,858,961)	(13,133,087)		(262,992,048)
Depreciable user rights	(1,089,476)	(127,611)		(1,217,087)
Intangible right-to-use building and land improvements	(1,047,354)	(349,118)		(1,396,472)
Intangible right-to-use equipment	(21,094)	(313,309)		(334,403)
Total accumulated depreciation/ amortization	<u>(354,906,803)</u>	<u>(28,985,854)</u>	<u>(2,684,963)</u>	<u>(381,207,694)</u>
Total capital assets, being depreciated/amortized, net	<u>464,720,722</u>	<u>26,968,176</u>	<u>903,622</u>	<u>490,785,276</u>
Governmental activities capital assets, net	<u>\$ 817,466,186</u>	<u>\$ 67,479,415</u>	<u>\$ 35,036,613</u>	<u>\$ 849,908,988</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 6 – Capital Assets (Continued)

A summary of capital asset activity for business-type activities on the government-wide financial statements for the year ended June 30, 2025 as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 16,549,328	\$ 10,000	\$	\$ 16,559,328
Nondepreciable water rights	7,276,993			7,276,993
Construction in progress	23,146,351	12,123,373	25,648,078	9,621,646
Total capital assets, not being depreciated	<u>46,972,672</u>	<u>12,133,373</u>	<u>25,648,078</u>	<u>33,457,967</u>
Capital assets, being depreciated:				
Infrastructure	704,653,648	29,326,052	258,108	733,721,592
Vehicles, furniture, & equipment	42,945,143			42,945,143
Depreciable water rights	2,980,551	1,915,161	2,444,115	2,451,597
Improvements other than buildings	868,867			868,867
Total capital assets being depreciated	<u>751,448,209</u>	<u>31,241,213</u>	<u>2,702,223</u>	<u>779,987,199</u>
Less accumulated depreciation for:				
Infrastructure	(285,823,430)	(15,306,421)		(301,129,851)
Vehicles, furniture, & equipment	(33,659,237)	(2,377,945)	(2,217,742)	(33,819,440)
Depreciable water rights	(968,680)	(74,514)		(1,043,194)
Improvements other than buildings	(610,056)	(40,440)		(650,496)
Total accumulated depreciation	<u>(321,061,403)</u>	<u>(17,799,320)</u>	<u>(2,217,742)</u>	<u>(336,642,981)</u>
Total capital assets, being depreciated, net	430,386,806	13,441,893	484,481	443,344,218
Business-type activities capital assets, net	<u>\$ 477,359,478</u>	<u>\$ 25,575,266</u>	<u>\$26,132,559</u>	<u>\$ 476,802,185</u>

Depreciation expense was charged to governmental and business-type functions as follows:

Governmental Activities:	
General government	\$ 2,263,852
Public safety	4,522,287
Streets and transportation	15,205,694
Community and economic development	1,630,479
Community services	5,325,673
Internal Services	37,869
Total depreciation expense – governmental activities	<u>\$28,985,854</u>
Business-type Activities:	
Water	\$ 8,562,360
Wastewater	8,479,559
Sanitation	757,401
Total depreciation expense – business-type activities	<u>\$17,799,320</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 7 – Interfund Balances and Activity

At year end, interfund balances and activity were as follows:

Due to/from other funds.

The Family Advocacy Center Fund, a non-major governmental fund, had a deficit cash balance of \$368,945, which was eliminated by interfund borrowing with the General Fund. The Grants In Aid Fund received a short-term advance of \$7,029 from the General Fund for tourism-related projects that will be reimbursed with a state grant. All interfund balances are expected to be repaid within one year.

Interfund transfers:

Transfers out	Transfers in					Total
	General	Dedicated Sales Tax Revenue	Grants In Aid	Other Capital Projects	Non-Major Governmental and other Funds	
General	\$	\$	\$ 100,000	\$27,847,294	\$ 4,724,919	\$32,672,213
Dedicated Sales Tax Revenue					2,494,323	2,494,323
Water	598,000				389,827	987,827
Wastewater	431,000					431,000
Non-Major Governmental and Other Funds		567,916				567,916
Total	\$ 1,029,000	\$ 567,916	\$ 100,000	\$27,847,294	\$ 7,609,069	\$37,153,279

Transfers out of the General Fund include \$27.8 million to the Other Capital Projects Fund to fund construction projects. Transfers out of the General Fund into the nonmajor governmental funds include \$2.7 million to finance vehicle replacement purchases, \$1.5 million to service debt payment requirements, and \$251,464 to support transit operations. The Dedicated Sales Tax Revenue Fund transferred \$567,916 to service debt payment requirements and \$1.9 million to support transit operations in the nonmajor governmental funds.

Water and Wastewater Funds transferred \$598,000 and \$431,000 to the General Fund for operating activities. In addition, the Water Fund transferred \$389,827 to the nonmajor governmental funds to service debt payment requirements.

Remaining transfers were in the normal course of business and were according to the adopted budget.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations

The City has issued general obligation bonds, pledged revenue obligations, and water and sewer revenue bonds to acquire and construct water and wastewater system improvements (including water production and distribution systems, wastewater collection and treatment systems, and a wastewater treatment plant), street and highway improvements, library facilities, recreation facilities and to refund prior outstanding bonds and obligations. The City also issued financed purchases and leases in the governmental activities and reports a liability for compensated absences in the governmental and business-type activities.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended June 30, 2025:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 41,550,000	\$ 11,205,000	\$ 3,080,000	\$ 49,675,000	\$ 3,515,000
Pledged revenue obligations	16,855,735		2,590,735	14,265,000	1,770,000
Community facilities district general obligation bonds	6,550,000	5,725,000	145,000	12,130,000	285,000
Discount	(5,823)		(243)	(5,580)	
Premium	8,523,982	1,001,787	895,770	8,629,999	
Total bonds payable	<u>73,473,894</u>	<u>17,931,787</u>	<u>6,711,262</u>	<u>84,694,419</u>	<u>5,570,000</u>
Financed purchases payable	2,874,739		365,245	2,509,494	389,272
Leases payable	1,985,985		1,172,725	813,260	471,962
Claims payable	8,940,791	12,854,476	14,547,062	7,248,205	4,342,654
Net pension liability	73,615,885	2,322,885		75,938,770	
Compensated absences payable	13,114,868	799,667		13,914,535	6,313,996
Governmental activities long-term liabilities	<u>\$174,006,162</u>	<u>\$ 33,908,815</u>	<u>\$ 22,796,294</u>	<u>\$ 185,118,683</u>	<u>\$17,087,884</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Pledged revenue obligations	\$ 29,270	\$	\$ 29,270	\$	\$
Water and sewer revenue bonds	5,885,000		355,000	5,530,000	370,000
Premium	663,957		55,330	608,627	
Total bonds payable	<u>6,578,227</u>		<u>439,600</u>	<u>6,138,627</u>	<u>370,000</u>
Net pension liability	7,760,642	43,353		7,803,995	
Compensated absences payable	<u>1,242,286</u>	<u>122,054</u>		<u>1,364,340</u>	<u>626,186</u>
Business-type activities long-term liabilities	<u>\$ 15,581,155</u>	<u>\$ 165,407</u>	<u>\$ 439,600</u>	<u>\$15,306,962</u>	<u>\$ 996,186</u>

A. Governmental Activities Long-Term Debt

Financed Purchases. The City has acquired streetlights and HVAC equipment under the provisions of contracts classified as financed purchases payables. Revenues from the Highway Users Revenue Fund, a non-major governmental fund, and the General Fund are used to pay the debt obligations.

Annual debt service requirements to maturity on financed purchases payable at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 389,272	\$ 62,955
2027	414,425	52,834
2028	440,753	42,059
2029	210,799	32,083
2030	196,249	26,614
2031-34	<u>857,996</u>	<u>48,204</u>
Total	<u>\$ 2,509,494</u>	<u>\$ 264,749</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

Leases. The City has acquired office space and public safety equipment under the provisions of contracts classified as leases. The related obligation under the lease agreement has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the Family Advocacy Center Fund, a non-major governmental fund, are used to pay the office space lease obligation while revenues from the General Fund are used to repay the public safety equipment obligation. Amortization of intangible right-to-use assets recorded under leases is included with depreciation expense.

The net present value and future minimum lease payments at year end were as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2026	\$ 471,962	\$ 29,170
2027	111,466	14,534
2028	117,168	8,831
2029	112,664	2,836
Total	\$ 813,260	\$ 55,371

The intangible right-to-use assets recorded under leases that meet the City's capitalization threshold are as follows:

	Governmental Activities
Asset:	
Buildings and improvements	\$ 1,687,403
Equipment	2,070,461
Less: Accumulated amortization	1,730,875
Total	\$ 2,026,989

General Obligation Bonds. The general obligations bonds were issued for the purpose of constructing capital assets and related improvements, including a resource center, park improvements, police station expansion, new fire station, new detention center, a conference center, or refunding outstanding general obligation debt. The general obligation bonds are secured by property taxes (ad valorem taxes) levied by the City on all taxable property within the City sufficient to pay all principal and interest on the bonds as they come due. The bonds are backed by the taxing authority of the City and are approved by the voters. Principal payments are due annually and interest payments are due semiannually.

The City has \$16.7 million authorized but unissued general obligations bonds that could be used for water, wastewater, and streets projects.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

The following issues are currently outstanding:

Series	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2025	Due Within One Year
Governmental activities:					
2017A Series Refunding Bonds	\$ 14,740,000	4.0-5.0%	7/1/25-29	\$ 8,675,000	\$ 1,910,000
2019 Series Bonds	21,390,000	3.0-5.0%	7/1/25-39	17,080,000	815,000
2021 Series Bonds	13,670,000	4.0-5.0%	7/1/25-41	12,715,000	510,000
2025 Series Bonds	11,205,000	3.25-5.0%	7/1/25-44	11,205,000	280,000
Total				<u>\$ 49,675,000</u>	<u>\$ 3,515,000</u>

Pledged Revenue Obligations. These obligations were issued to refund outstanding pledged revenue obligations and are backed by the City’s general excise taxes, and in 2021, fund construction of an aquatic center. Principal payments are due annually and interest payments are due semiannually.

The following issues are currently outstanding:

Series	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2025	Due Within One Year
Governmental activities:					
2021 Series Obligations	\$ 11,770,000	5.0%	7/1/25-31	\$ 8,615,000	\$1,060,000
2021 Series Refunding Obligations	7,765,000	1.5-5.0%	7/1/25-31	5,650,000	710,000
Total				<u>\$ 14,265,000</u>	<u>\$1,770,000</u>

Community Facilities District General Obligation Bonds. These obligations were issued to fund the construction of public infrastructure within the Alamar Community Facilities District. The general obligation bonds are secured by property taxes (ad valorem taxes) levied by the District on all taxable property within the District sufficient to pay all principal and interest on the bonds as they come due. The bonds are backed by the taxing authority of the District and are approved by the voters. Principal payments are due annually and interest payments are due semiannually. As previously stated in note 1, the City has no liability for the community facilities district’s debt.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

It is anticipated that general obligation bonds will continue to be issued in series over time when the secondary assessed value of the property within the District is sufficient to support the bond debt service at the target tax rate of \$3.85 per \$100 of net assessed limited property valuation.

The District has \$57.6 million authorized but unissued general obligations bonds that could be used for constructing public infrastructure.

The following issues are currently outstanding:

Series	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2025	Due Within One Year
Governmental activities:					
2022 Series GO Bonds	\$ 3,675,000	4.25-5.0%	7/15/25-47	\$ 3,510,000	\$ 90,000
2023 Series GO Bonds	2,955,000	4.0-5.0%	7/15/25-48	2,895,000	60,000
2025 Series Bonds	5,725,000	5.0%	7/1/25-50	5,725,000	135,000
				<u>\$ 12,130,000</u>	<u>\$ 285,000</u>

Annual debt service requirements to maturity on governmental activities bonds at June 30, 2025, are summarized as follows:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Pledged Revenue Obligation Bonds		General Obligation Bonds – Alamar CFD	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 3,515,000	\$ 2,086,220	\$ 1,770,000	\$ 630,750	\$ 285,000	\$ 447,390
2027	4,375,000	1,961,151	1,840,000	547,600	255,000	554,751
2028	3,820,000	1,749,776	1,935,000	453,225	270,000	541,626
2029	4,045,000	1,548,520	2,030,000	354,100	285,000	527,751
2030	2,275,000	1,396,457	2,130,000	250,100	295,000	513,251
2031-35	10,855,000	5,545,775	4,560,000	214,425	1,720,000	2,325,598
2036-40	13,355,000	2,999,625			2,155,000	1,880,543
2041-45	7,435,000	1,129,451			2,700,000	1,326,625
2046-50					4,165,000	632,484
Total	<u>\$ 49,675,000</u>	<u>\$ 18,416,975</u>	<u>\$ 14,265,000</u>	<u>\$ 2,450,200</u>	<u>\$ 12,130,000</u>	<u>\$ 8,750,019</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

B. Business-Type Activities Long-Term Debt

Water and Sewer Revenue Bonds. The revenue produced by the water and wastewater facilities secures water and sewer revenue bonds. The voters must approve these bonds. Principal payments are due annually and interest payments are due semiannually.

The following issue is currently outstanding:

<u>Issue</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2025</u>	<u>Due Within One Year</u>
Business-type activities:					
2016 Series Obligations	\$ 8,110,000	4.0%	7/1/25 – 7/1/36	\$ 5,530,000	\$ 370,000

Annual debt service requirements to maturity on business-type activities bonds at June 30, 2025, are summarized as follows:

<u>Year ending June 30:</u>	<u>Business-Type Activities</u>	
	<u>Pledged Revenue</u>	
	<u>Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 370,000	\$ 213,800
2027	380,000	198,800
2028	400,000	183,200
2029	415,000	166,900
2030	430,000	150,000
2031-35	2,425,000	472,500
2036-37	1,110,000	44,800
Total	<u>\$ 5,530,000</u>	<u>\$ 1,430,000</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 8 – Long-Term Obligations (Continued)

The City has pledged certain future revenues to repay specific revenue bonded debt as follows:

- The City has pledged future excise tax revenues, including local sales taxes and state-shared sales and income taxes, to repay \$19.5 million of Pledged Revenue Refunding Obligations, Series 2021 and Pledged Revenue Obligations, Series 2021. At year-end, \$14.3 million in bonds remains outstanding to be repaid with future excise tax revenues over the next seven years. For the year ended June 30, 2025, the excise taxes available to service debt was \$103.3 million, and the principal and interest on this debt was \$2.4 million resulting in a coverage of 42.35 times. This exceeds the minimum coverage of 3.0 times required in the bond indenture.
- The City has pledged future water and wastewater utility revenues to repay \$8.1 million of Water and Sewer System Revenue Obligations, Series 2016. At year-end, \$5.5 million in bonds remains outstanding to be repaid with future water and wastewater revenues over the next 12 years. For the year ended June 30, 2025, the net water and wastewater utility net revenues available to service debt was \$20.7 million and the principal and interest on this debt was \$576,200 resulting in a coverage of 35.88 times. This exceeds the minimum coverage of 1.2 times required in the bond indenture.

Note 9 – Self-Insurance

The City is exposed to various risks of loss and administers and accounts for these risks in the Risk Management, Workers' Compensation, and Employee Benefits Funds, which are all internal service funds. In fiscal year 2005, the City established a self-insurance fund to manage losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for the first \$1,000,000 of any general liability with an annual aggregate of \$2,000,000 and automobile liability occurrence and purchases commercial insurance to protect from losses in excess of \$100,000.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Self-Insurance (Continued)

The City maintains excess commercial insurance including but not limited to the following coverages and limits:

<u>Coverage</u>	<u>Limit</u>
Property damage	\$ 1,000,000,000
Breakdown of equipment	500,000,000
Flood – low hazard	50,000,000
Cyber	5,000,000
Mobile equipment	535,000

Beginning July 1, 2018, the City is self-insured against workers' compensation claims. The City is self-insured for the first \$750,000 for firefighters, police, and emergency medical technicians and \$500,000 for all other employees. The excess commercial insurance coverage limits are \$1.0 million per occurrence and aggregate and \$1.0 million for the liability period.

Beginning July 1, 2021, the City is self-insured against employee health and dental benefit claims for its employees and their dependents. The City is self-insured for the first \$150,000 of each claim not to exceed an annual aggregate of 125 percent of expected claims.

The City retains all risks not covered by commercial insurance carriers and has effectively managed risk through various employee education and prevention programs. There have not been any losses in excess of the coverages provided by the self-insurance funds since their inception.

Funds receiving insurance coverage pay monthly premiums to the Risk Management, Workers' Compensation, and Employee Benefits Funds based upon a budget model taking into consideration actuarial analysis and projections, prior loss experience, staffing, and operating budget. Premium payments to insurance carriers, loss control, and self-insurance expenses are made directly from the self-insurance funds.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 9 – Self-Insurance (Continued)

Based on information provided by the actuary, claims liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claims liabilities include case reserves, the development of known claims, claims that have been incurred but not reported, and allocated loss adjustment expenses. The claims liabilities consider the effects of inflation, claims settlement trends, such as frequency and severity, and other factors.

These liabilities are limited to the self-funded retention and deductibles.

	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable at End of Year
<u>Risk Management</u>				
2024-25	\$ 5,624,589	\$ 2,637,225	\$ 3,967,292	\$ 4,294,492
2023-24	4,618,421	1,615,068	608,900	5,624,589
<u>Workers' Compensation</u>				
2024-25	822,476	471,968	483,482	810,962
2023-24	598,605	520,788	296,917	822,476
<u>Employee Benefits</u>				
2024-25	2,493,726	9,745,283	10,096,288	2,142,751
2023-24	953,554	11,390,522	9,850,350	2,493,726
<u>Total</u>				
2024-25	8,940,791	12,854,476	14,547,062	7,248,205
2023-24	6,170,580	13,526,378	10,756,167	8,940,791

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions

The City contributes to the plans described below. The plans are component units of the State of Arizona. At June 30, 2025, the City reported the following aggregate amounts related to pension plans to which it contributes. The CORP and EORP plans are not further disclosed because of their relative insignificance to the City's financial statements.

	Governmental Activities	Business-type Activities	Total
Assets and liabilities			
Net pension liabilities			
ASRS	\$ 37,416,259	\$ 7,803,995	\$ 45,220,254
PSPRS	37,323,601		37,323,601
CORP	556,116		556,116
EORP	642,794		642,794
Total	<u>\$ 75,938,770</u>	<u>\$ 7,803,995</u>	<u>\$ 83,742,765</u>
Deferred outflows of resources			
Pension			
ASRS	\$ 8,001,987	\$ 1,668,993	\$ 9,670,980
PSPRS	18,977,102		18,977,102
CORP	289,387		289,387
EORP	55,068		55,068
Total	<u>\$ 27,323,544</u>	<u>\$ 1,668,993</u>	<u>\$ 28,992,537</u>
Deferred inflows of resources			
Pension			
ASRS	\$ 2,481,421	\$ 517,556	\$ 2,998,977
PSPRS	2,604,599		2,604,599
CORP	141,951		141,951
EORP	6,777		6,777
Total	<u>\$ 5,234,748</u>	<u>\$ 517,556</u>	<u>\$ 5,752,304</u>
Expenses			
Pension			
ASRS	\$ 4,887,537	\$ 642,485	\$ 5,530,022
PSPRS	6,807,318		6,807,318
CORP	135,791		135,791
EORP	220,609		220,609
Total	<u>\$ 12,051,255</u>	<u>\$ 642,485</u>	<u>\$ 12,693,740</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

The City reported \$13.2 million of pension contributions as expenditures in the governmental funds or as deferred outflows of resources in the proprietary funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description. City employees 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. ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on the ASRS website at www.azasrs.gov.

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

	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 months of last 120 months	Highest 60 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

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

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 earnings. 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 current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2025 were \$5,303,510.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The City was required by statute to contribute at the actuarially determined rate of 10.19 percent (10.14 for retirement and 0.05 percent for long-term disability). ACR contributions are included in employer contributions presented above.

During fiscal year 2025, the City paid for ASRS contributions as follows: 68 percent from the General Fund, 23 percent from other major funds, and nine percent from nonmajor and other funds.

Pension Liability. The net pension liability was measured as of June 30, 2024. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The City's proportion of the net liability was based on the City's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 2024.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

At June 30, 2024, the City reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2024, the City's percentage proportion for the plan and the related change from its proportion measured as of June 30, 2023 was:

<u>Net Liability</u>	<u>City % Proportion</u>	<u>Increase (Decrease)</u>
\$ 45,220,254	0.283	0.017

Pension Expense and Deferred Outflows/Inflows of Resources. The City has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The City's pension expense for the year ended June 30, 2025 was \$5,530,022.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,524,152	\$
Net difference between projected and actual		2,887,808
Changes in proportion and differences between contributions and proportionate share of contributions	1,843,318	111,169
Contributions subsequent to the measurement date	5,303,510	
Total	<u>\$ 9,670,980</u>	<u>\$ 2,998,977</u>

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2026	\$	(455,771)
2027		3,085,210
2028		(730,999)
2029		(529,947)

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

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

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, excluding any expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Public equity	44%	4.48%
Credit	23 %	4.40
Interest rate sensitive	6 %	(0.45)
Private equity	10 %	6.11
Real estate	17 %	6.05
Total	<u>100%</u>	

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.0 percent. 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 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.0%	7.0%	8.0%
Net liability	\$ 69,241,455	\$ 45,220,254	\$ 25,200,680

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

B. Public Safety Personnel Retirement System

Plan Descriptions. City public safety 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 (PSDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans, and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. 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 were PSPRS members before July 1, 2017, participate in the agent plans, and employees who became PSPRS members on or after July 1, 2017, participate in either agent plans or cost-sharing plans (PSPRS Tier 3 Risk Pool).

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

The PSPRS Tier 3 Risk Pool plans are not further disclosed because of their relative insignificance to the City's financial statements.

Benefits Provided. The PSPRS provides retirement, 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.

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and disability:		
Years of service and age required to receive benefit	20 years of service, at any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit:		
Retired members	80% to 100% 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 percent of the member's compensation for up to 12 months.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Employees Covered by Benefit Terms. At June 30, 2025, the following employees were covered by the agent pension plan’s benefit terms:

	PSPRS - Police	PSPRS - Fire
Retirees and beneficiaries	41	22
Inactive, non-retired members	39	7
Active members	71	51
Total	151	80

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. Contributions rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS - Police	PSPRS - Fire
Active members – pension	7.65% to 11.65%	7.65% to 11.65%
City: Pension	31.89%	31.54%

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to PSPRS. The City was required by statute to contribute at the actuarially determined rate of 17.65 percent for police retirees and 13.66 percent for fire retirees to the PSPRS. ACR contributions are included in employer contributions presented below.

The City’s contributions to the pension plans for the year ended June 30, 2025, were:

	PSPRS - Police	PSPRS - Fire
Pension contributions	\$ 4,036,333	\$ 3,578,933

The City’s pension contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Pension Assets/Liabilities. At June 30, 2025, the City reported the following pension assets and liabilities.

	PSPRS - Police	PSPRS - Fire
Net Pension (Assets)		
Liabilities	\$ 23,806,161	\$ 13,517,440

The net pension assets/liabilities were measured as of June 30, 2024. The total pension liability used to calculate the net pension asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	2.75-15.0%
Price inflation	2.5%
Cost-of-living adjustment	1.85%
Mortality rates	PubS-2010 tables

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022, actuarial evaluation.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. public equity	24%	3.62%
International public equity	16	4.47
Global private equity	27	7.05
Core bonds	6	2.44
Private credit	20	6.24
Diversifying strategies	5	3.15
Cash – Mellon	2	0.89
Total	<u>100%</u>	

Discount Rate. At June 30, 2024, the discount rate used to measure the total pension liability was 7.2 percent.

The projection of cash flows used to determine the discount rate assumed that pension 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Changes in the Net Pension (Assets)/Liabilities

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
PSPRS - Police			
Balances at June 30, 2024	\$ 76,464,021	\$ 51,818,228	\$ 24,645,793
Service cost	1,955,893		1,955,893
Interest on the total pension liability	5,570,269		5,570,269
Differences between expected and actual experience in the measurement of the pension liability	2,081,756		2,081,756
Contributions – employer		4,303,304	(4,303,304)
Contributions – employee		674,293	(674,293)
Net investment income		5,531,631	(5,531,631)
Benefit payments, including refunds of employee contributions	(2,110,135)	(2,110,135)	
Administrative expense		(44,675)	44,675
Other changes		(17,003)	17,003
Net changes	7,497,783	8,337,415	(839,632)
Balances at June 30, 2025	<u>\$ 83,961,804</u>	<u>\$ 60,155,643</u>	<u>\$ 23,806,161</u>

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
PSPRS - Fire			
Balances at June 30, 2024	\$ 54,104,584	\$ 41,360,994	\$ 12,743,590
Service cost	1,594,719		1,594,719
Interest on the total pension liability	3,950,130		3,950,130
Differences between expected and actual experience in the measurement of the pension liability	3,046,339		3,046,339
Contributions – employer		2,941,907	(2,941,907)
Contributions – employee		503,765	(503,765)
Net investment income		4,395,100	(4,395,100)
Benefit payments, including refunds of employee contributions	(1,672,771)	(1,672,771)	
Administrative expense		(23,434)	23,434
Other changes			
Net changes	6,918,417	6,144,567	773,850
Balances at June 30, 2025	<u>\$ 61,023,001</u>	<u>\$ 47,505,561</u>	<u>\$ 13,517,440</u>

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Sensitivity of the Net Pension (Assets) Liabilities to Changes in the Discount Rate. The following presents the City’s net pension (assets) liabilities calculated using the discount rate noted above, as well as what the City’s net pension (assets) liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.20%	7.20%	8.20%
Net pension (assets) liability	\$ 36,865,229	\$ 23,806,161	\$ 13,304,639
 PSPRS - Fire			
Rate	6.20%	7.20%	8.20%
Net pension (assets) liability	\$ 22,829,973	\$ 13,517,440	\$ 5,955,386

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PSPRS financial report. The report is available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2025, the City recognized the following as pension expense:

	PSPRS - Police	PSPRS - Fire
Pension expense	\$ 4,730,581	\$ 2,076,737

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 10 – Pensions (Continued)

Pension Deferred Outflows/Inflows of Resources. At June 30, 2025, 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	\$ 5,398,927	\$ 240,816
Changes of assumptions or other inputs	836,403	
Net difference between projected and actual earnings on pension plan investments		914,900
Contributions subsequent to the measurement date	4,036,333	
Total	<u>\$ 10,271,663</u>	<u>\$ 1,155,716</u>
PSPRS - Fire		
Differences between expected and actual experience	\$ 4,373,925	\$ 740,564
Changes of assumptions or other inputs	752,581	
Net difference between projected and actual earnings on pension plan investments		708,319
Contributions subsequent to the measurement date	3,578,933	
Total	<u>\$ 8,705,439</u>	<u>\$ 1,448,883</u>

The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an increase in the net pension assets or a reduction of the net pension liabilities in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expenses as follows:

Year Ending June 30:	<u>PSPRS - Police</u>	<u>PSPRS - Fire</u>
2026	\$ 894,308	\$ 375,989
2027	2,357,778	1,445,481
2028	1,275,428	570,260
2029	552,100	575,589
2030		710,304

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 11 – Fund Balances

The fund balance classifications of the governmental funds as of June 30, 2025 were as follows:

	General	Dedicated Sales Tax Revenue	Public Safety Sales Tax Revenue	Grants in Aid	General Obligation Bonds Debt Service	Other Capital Projects	Non-Major Governmental Funds
Fund Balances:							
Nonspendable:							
Inventory	\$ 34,395	\$	\$	\$	\$	\$	\$
Prepaid items	292,625						1,469,067
Restricted:							
Streets and transportation							9,661,825
Grantor and contributor purposes				1,476,771			232,905
Public safety			7,435,235				726,070
Debt service					269,849		30,119
Capital projects						12,048,820	33,824,520
Water, sewer, streets and transportation		24,515,374					
Committed:							
Budgetary stabilization	33,314,085						
Assigned:							
Vehicle replacement							7,483,900
Unassigned	102,761,441					(33,912)	(2,523)
Total fund balances	<u>\$ 136,402,546</u>	<u>\$ 24,515,374</u>	<u>\$ 7,435,235</u>	<u>\$ 1,476,771</u>	<u>\$ 269,849</u>	<u>\$ 12,014,908</u>	<u>\$ 53,425,883</u>

Note 12 – Contingencies, Commitments and Other Claims

Litigation. The City is in litigation arising in the ordinary course of its operations. The City believes that the liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity.

Federal and State Grants. The City received grants from both the federal and state governments during the year ended June 30, 2025, and some grants have been audited as of June 30, 2025. The City expects no material disallowance of expenditures.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 12 – Contingencies, Commitments and Other Claims (Continued)

Contractual Commitments. The City had major contractual commitments related to various capital projects at June 30, 2025. As of June 30, 2025, the City had spent \$42.6 million on these projects and had remaining contractual commitments with contractors of \$268.9 million. These projects are being financed from development fees, bond proceeds, intergovernmental revenues, operating and capital grants, and general operating fund balances. The project categories and remaining commitments at June 30, 2025 are as follows:

	Balance
General government construction and improvements	\$ 289,773
Street construction and improvements	24,205,998
Community services construction and improvements	15,667,384
Public safety construction and improvements	45,488,148
Water system construction and improvements	21,853,920
Wastewater system construction and improvements	15,542,139
Total	\$ 123,047,362

Note 13 – Joint Ventures

The City participates in the Regional Wireless Cooperative (RWC), an Arizona joint venture, multi-jurisdictional organization formed in 2008 to oversee the construction, operation, and maintenance of a regional communications network. The regional communications network was built to seamlessly serve the interoperable communication needs of first responders and other municipal radio users in and around the Phoenix Metropolitan Region. All members share ongoing financial responsibilities based on their relative size, which is measured by the number of subscriber units (radios) on the network. Currently, the City of Phoenix is responsible for the day-to-day operations and maintenance of the network, as well as the management of the RWC’s organization and finances.

The City records its share of equity in the joint venture in the government-wide financial statements. The City’s equity balance as of June 30, 2025, was \$735,633 or 0.9 percent of the RWC’s total net position. The RWC Annual Comprehensive Financial Report is available from the Regional Wireless Cooperative, 200 West Washington Street, 12th Floor, Phoenix, Arizona, 85003.

City of Avondale, Arizona
Notes to Financial Statements
June 30, 2025

Note 14 – Restatements of Beginning Balances

Change in Accounting Principle – As described in Note 1, the City implemented the provisions of GASB Statement No. 101, which resulted in a change in net position of the governmental activities, business-type activities, and the Water, Wastewater, and Sanitation Funds.

	June 30, 2024, As Previously Reported	Change in Accounting Principle	June 30, 2024, As Restated
	<u> </u>	<u> </u>	<u> </u>
Government-Wide			
Governmental activities	\$ 907,169,485	\$ (3,719,532)	\$ 903,449,953
Business-type activities	595,239,537	(467,108)	594,772,429
Total primary government	<u>\$1,502,409,022</u>	<u>\$ (4,186,640)</u>	<u>\$ 1,498,222,382</u>
Proprietary Funds			
Major Funds:			
Water Fund	\$ 323,523,903	\$ (205,149)	\$ 323,318,754
Wastewater Fund	260,913,887	(76,798)	260,837,089
Sanitation Fund	10,224,365	(185,161)	10,039,204
Total Proprietary Funds	<u>\$ 594,662,155</u>	<u>\$ (467,108)</u>	<u>\$ 594,195,047</u>

Note 15 – Tax Abatements

For the fiscal year ended June 30, 2025, no tax abatement agreements meeting the criteria of GASB Statement No. 77 were noted.

Avondale

Required Supplementary Information

Avondale

City of Avondale, Arizona
Schedule Of The Proportionate Share Of The Net Pension Liability
Arizona State Retirement System
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's proportion of the net pension (assets) liability	0.28%	0.27%	0.27%	0.25%	0.23%
City's proportionate share of the net pension (assets) liability	\$45,220,254	\$42,943,937	\$43,717,437	\$33,011,820	\$40,436,632
City's covered payroll	\$38,486,999	\$34,259,388	\$31,881,107	\$28,133,798	\$25,518,191
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	117.49%	125.35%	137.13%	117.34%	158.46%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's proportion of the net pension (assets) liability	0.23%	0.22%	0.21%	0.21%	0.20%
City's proportionate share of the net pension (assets) liability	\$33,554,983	\$30,846,826	\$32,841,652	\$33,876,740	\$31,729,753
City's covered payroll	\$24,271,500	\$22,151,275	\$20,721,364	\$19,651,484	\$18,779,494
City's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	138.25%	139.26%	158.49%	172.39%	168.96%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%

See accompanying notes to this schedule.

City of Avondale, Arizona
Schedule Of Changes In The Net Pension Liability And Related Ratios
Public Safety Personnel Retirement System - Police
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total pension liability				
Service cost	\$ 1,955,893	\$ 1,736,386	\$ 1,781,605	\$ 1,881,975
Interest	5,570,269	5,013,157	4,609,302	4,353,594
Changes of benefit terms				
Differences between expected and actual	2,081,756	2,853,414	1,758,428	(400,269)
Changes of assumptions or other inputs			522,917	
Benefit payments, including refunds of employee contributions	<u>(2,110,135)</u>	<u>(2,059,462)</u>	<u>(2,222,498)</u>	<u>(2,241,662)</u>
Net change in total pension liability	7,497,783	7,543,495	6,449,754	3,593,638
Total pension liability—beginning	<u>76,464,021</u>	<u>68,920,526</u>	<u>62,470,772</u>	<u>58,877,134</u>
Total pension liability—ending	<u><u>\$ 83,961,804</u></u>	<u><u>\$ 76,464,021</u></u>	<u><u>\$ 68,920,526</u></u>	<u><u>\$ 62,470,772</u></u>
Plan fiduciary net position				
Contributions—employer	\$ 4,303,304	\$ 3,992,043	\$ 3,762,970	\$ 3,294,964
Contributions—employee	674,293	832,759	848,410	753,573
Net investment income	5,531,631	3,686,690	(1,878,591)	9,844,974
Benefit payments, including refunds of employee contributions	(2,110,135)	(2,059,462)	(2,222,498)	(2,241,662)
Hall/Parker settlement				
Administrative expense	(44,675)	(34,220)	(33,847)	(45,554)
Other changes	<u>(17,003)</u>	<u>(95,518)</u>	<u>19,766</u>	<u>(51,880)</u>
Net change in plan fiduciary net position	8,337,415	6,322,292	496,210	11,554,415
Plan fiduciary net position—beginning	<u>51,818,228</u>	<u>45,495,936</u>	<u>44,999,726</u>	<u>33,445,311</u>
Plan fiduciary net position—ending	<u><u>\$ 60,155,643</u></u>	<u><u>\$ 51,818,228</u></u>	<u><u>\$ 45,495,936</u></u>	<u><u>\$ 44,999,726</u></u>
Net pension (assets) liability—ending	<u><u>\$ 23,806,161</u></u>	<u><u>\$ 24,645,793</u></u>	<u><u>\$ 23,424,590</u></u>	<u><u>\$ 17,471,046</u></u>
Plan fiduciary net position as a percentage of the total pension	71.65%	67.77%	66.01%	72.03%
Covered payroll	\$ 15,541,802	\$ 13,500,125	\$ 11,122,884	\$ 10,471,894
Net pension (assets) liability as a percentage of covered payroll	153.18%	182.56%	210.60%	166.84%

See accompanying notes to this schedule.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
\$ 1,883,469	\$ 2,082,977	\$ 1,946,106	\$ 1,976,541	\$ 1,525,046	\$ 1,415,787
3,900,492	3,552,659	3,186,313	2,821,376	2,457,622	2,231,813
			381,272	2,654,715	
2,354,080	(207,819)	326,924	966,425	(894,754)	367,549
	1,724,828		771,117	1,538,022	
<u>(1,617,666)</u>	<u>(1,443,623)</u>	<u>(1,793,686)</u>	<u>(1,129,451)</u>	<u>(1,261,226)</u>	<u>(1,125,230)</u>
6,520,375	5,709,022	3,665,657	5,787,280	6,019,425	2,889,919
52,356,759	46,647,737	42,982,080	37,194,800	31,175,375	28,285,456
<u>\$ 58,877,134</u>	<u>\$ 52,356,759</u>	<u>\$ 46,647,737</u>	<u>\$ 42,982,080</u>	<u>\$ 37,194,800</u>	<u>\$ 31,175,375</u>
\$ 2,781,031	\$ 2,793,143	\$ 2,451,734	\$ 1,823,389	\$ 1,683,672	\$ 1,318,663
786,026	802,184	825,215	976,415	932,789	861,574
421,649	1,545,862	1,759,091	2,570,277	118,764	689,299
(1,617,666)	(1,443,623)	(1,793,686)	(1,129,451)	(1,261,226)	(1,125,230)
		(981,953)			
(34,374)	(27,850)	(27,473)	(23,143)	(17,489)	(17,204)
<u>(57,998)</u>	<u>(16,823)</u>	<u>(5,262)</u>	<u>21,812</u>	<u>(380,099)</u>	<u>1,164</u>
2,278,668	3,652,893	2,227,666	4,239,299	1,076,411	1,728,266
31,166,643	27,513,750	25,286,084	21,046,785	19,970,374	18,242,108
<u>\$ 33,445,311</u>	<u>\$ 31,166,643</u>	<u>\$ 27,513,750</u>	<u>\$ 25,286,084</u>	<u>\$ 21,046,785</u>	<u>\$ 19,970,374</u>
<u>\$ 25,431,823</u>	<u>\$ 21,190,116</u>	<u>\$ 19,133,987</u>	<u>\$ 17,695,996</u>	<u>\$ 16,148,015</u>	<u>\$ 11,205,001</u>
56.81%	59.53%	58.98%	58.83%	56.59%	64.06%
\$ 8,395,893	\$ 8,403,967	\$ 8,742,614	\$ 8,903,336	\$ 8,099,025	\$ 7,704,528
302.91%	252.14%	218.86%	198.76%	199.38%	145.43%

City of Avondale, Arizona
Schedule Of Changes In The Net Pension Liability And Related Ratios
Public Safety Personnel Retirement System - Fire
Last Ten Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Measurement date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total pension liability				
Service cost	\$ 1,594,719	\$ 1,569,156	\$ 1,537,021	\$ 1,374,881
Interest	3,950,130	3,608,676	3,416,472	3,090,479
Changes of benefit terms				
Differences between expected and actual	3,046,339	1,021,437	(913,931)	1,066,550
Changes of assumptions or other inputs			419,168	
Benefit payments, including refunds of employee contributions	(1,672,771)	(1,292,052)	(1,050,667)	(1,406,105)
Net change in total pension liability	<u>6,918,417</u>	<u>4,907,217</u>	<u>3,408,063</u>	<u>4,125,805</u>
Total pension liability—beginning	<u>54,104,584</u>	<u>49,197,367</u>	<u>45,789,304</u>	<u>41,663,499</u>
Total pension liability—ending	<u><u>\$ 61,023,001</u></u>	<u><u>\$ 54,104,584</u></u>	<u><u>\$ 49,197,367</u></u>	<u><u>\$ 45,789,304</u></u>
Plan fiduciary net position				
Contributions—employer	\$ 2,941,907	\$ 2,246,167	\$ 2,280,197	\$ 1,951,256
Contributions—employee	503,765	545,698	527,871	559,214
Net investment income	4,395,100	2,959,415	(1,524,837)	8,010,490
Benefit payments, including refunds of employee contributions	(1,672,771)	(1,292,052)	(1,050,667)	(1,406,105)
Hall/Parker settlement				
Administrative expense	(23,434)	(18,549)	(27,484)	(37,301)
Other changes		(82,769)		
Net change in plan fiduciary net position	<u>6,144,567</u>	<u>4,357,910</u>	<u>205,080</u>	<u>9,077,554</u>
Plan fiduciary net position—beginning	<u>41,360,994</u>	<u>37,003,084</u>	<u>36,798,004</u>	<u>27,720,450</u>
Plan fiduciary net position—ending	<u><u>\$ 47,505,561</u></u>	<u><u>\$ 41,360,994</u></u>	<u><u>\$ 37,003,084</u></u>	<u><u>\$ 36,798,004</u></u>
Net pension (assets) liability—ending	<u><u>\$ 13,517,440</u></u>	<u><u>\$ 12,743,590</u></u>	<u><u>\$ 12,194,283</u></u>	<u><u>\$ 8,991,300</u></u>
Plan fiduciary net position as a percentage of the total pension	77.85%	76.45%	75.21%	80.36%
Covered payroll	\$ 9,195,804	\$ 8,149,631	\$ 7,461,345	\$ 6,745,865
Net pension (assets) liability as a percentage of covered payroll	147.00%	156.37%	163.43%	133.29%

See accompanying notes to this schedule.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
\$ 1,323,149	\$ 1,441,304	\$ 1,418,344	\$ 1,296,498	\$ 1,059,427	\$ 980,484
2,818,243	2,606,870	2,309,854	2,098,727	1,702,937	1,544,325
			170,572	2,475,378	
702,714	(392,200)	574,991	(55,836)	216,529	(131,687)
	841,106		303,190	1,109,853	
<u>(927,059)</u>	<u>(1,074,604)</u>	<u>(968,557)</u>	<u>(317,165)</u>	<u>(469,042)</u>	<u>(355,057)</u>
3,917,047	3,422,476	3,334,632	3,495,986	6,095,082	2,038,065
37,746,452	34,323,976	30,989,344	27,493,358	21,398,276	19,360,211
<u>\$ 41,663,499</u>	<u>\$ 37,746,452</u>	<u>\$ 34,323,976</u>	<u>\$ 30,989,344</u>	<u>\$ 27,493,358</u>	<u>\$ 21,398,276</u>
\$ 1,682,468	\$ 1,584,692	\$ 1,682,744	\$ 955,224	\$ 940,588	\$ 851,284
591,599	497,947	512,464	642,054	729,183	597,484
352,659	1,315,049	1,520,488	2,229,110	102,392	585,392
(927,059)	(1,074,604)	(968,557)	(317,165)	(469,042)	(355,057)
		(824,447)			
(28,754)	(23,850)	(23,842)	(20,124)	(15,135)	(14,673)
	(10,545)	250	2,937	(84,529)	(8,867)
<u>1,670,913</u>	<u>2,288,689</u>	<u>1,899,100</u>	<u>3,492,036</u>	<u>1,203,457</u>	<u>1,655,563</u>
<u>26,049,537</u>	<u>23,760,848</u>	<u>21,861,748</u>	<u>18,369,712</u>	<u>17,166,255</u>	<u>15,510,692</u>
<u>\$ 27,720,450</u>	<u>\$ 26,049,537</u>	<u>\$ 23,760,848</u>	<u>\$ 21,861,748</u>	<u>\$ 18,369,712</u>	<u>\$ 17,166,255</u>
<u>\$ 13,943,049</u>	<u>\$ 11,696,915</u>	<u>\$ 10,563,128</u>	<u>\$ 9,127,596</u>	<u>\$ 9,123,646</u>	<u>\$ 4,232,021</u>
66.53%	69.01%	69.23%	70.55%	66.82%	80.22%
\$ 6,422,114	\$ 5,733,847	\$ 6,012,478	\$ 5,659,091	\$ 5,500,657	\$ 5,207,816
217.11%	204.00%	175.69%	161.29%	165.86%	81.26%

**City of Avondale, Arizona
Schedule Of Pension Contributions
All Pension Plans
Last Ten Fiscal Years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Arizona State Retirement System:				
Actuarially determined contribution	\$ 5,303,510	\$ 4,629,986	\$ 4,083,719	\$ 3,828,921
Contributions in relation to the actuarially determined contribution	<u>5,303,510</u>	<u>4,629,986</u>	<u>4,083,719</u>	<u>3,828,921</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 44,012,531	\$ 38,486,999	\$ 34,259,388	\$ 31,881,107
Contributions as a percentage of covered payroll	12.05%	12.03%	11.92%	12.01%
 Public Safety Personnel Retirement System - Police:				
Actuarially determined contribution	\$ 3,033,268	\$ 4,574,027	\$ 4,052,949	\$ 4,084,982
Contributions in relation to the actuarially determined contribution	<u>4,036,333</u>	<u>4,574,027</u>	<u>4,052,949</u>	<u>4,084,982</u>
Contribution deficiency (excess)	<u>\$ (1,003,065)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 8,825,269	\$ 15,541,802	\$ 13,500,125	\$ 11,122,884
Contributions as a percentage of covered payroll	45.74%	29.43%	30.02%	36.73%
 Public Safety Personnel Retirement System - Fire:				
Actuarially determined contribution	\$ 2,569,402	\$ 2,249,669	\$ 2,262,891	\$ 2,398,322
Contributions in relation to the actuarially determined contribution	<u>3,578,933</u>	<u>2,249,669</u>	<u>2,262,891</u>	<u>2,398,322</u>
Contribution deficiency (excess)	<u>\$ (1,009,531)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's covered payroll	\$ 7,357,863	\$ 9,195,804	\$ 8,149,631	\$ 7,461,345
Contributions as a percentage of covered payroll	48.64%	24.46%	27.77%	32.14%

See accompanying notes to this schedule.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 3,314,660	\$ 2,922,778	\$ 2,718,912	\$ 2,414,489	\$ 2,233,763	\$ 2,132,186
<u>3,314,660</u>	<u>2,922,778</u>	<u>2,718,912</u>	<u>2,414,489</u>	<u>2,233,763</u>	<u>2,132,186</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 28,133,798	\$ 25,518,191	\$ 24,271,500	\$ 22,151,275	\$ 20,721,364	\$ 19,651,484
11.78%	11.45%	11.20%	10.90%	10.78%	10.85%
\$ 3,511,743	\$ 2,781,031	\$ 2,832,186	\$ 2,452,912	\$ 1,823,389	\$ 1,683,672
<u>3,511,743</u>	<u>2,781,031</u>	<u>2,832,186</u>	<u>1,485,625</u>	<u>1,823,389</u>	<u>1,683,672</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 967,287</u>	<u>\$</u>	<u>\$</u>
\$ 10,471,894	\$ 8,395,893	\$ 8,403,967	\$ 8,742,614	\$ 8,903,336	\$ 8,099,025
33.53%	33.12%	33.70%	16.99%	20.48%	20.79%
\$ 1,984,099	\$ 1,682,468	\$ 1,858,991	\$ 1,391,519	\$ 955,224	\$ 940,588
<u>1,984,099</u>	<u>1,682,468</u>	<u>1,858,991</u>	<u>581,486</u>	<u>955,224</u>	<u>940,588</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 810,033</u>	<u>\$</u>	<u>\$</u>
\$ 6,745,865	\$ 6,422,114	\$ 5,733,847	\$ 6,012,478	\$ 5,659,091	\$ 5,500,657
29.41%	26.20%	32.42%	9.67%	16.88%	17.10%

City of Avondale, Arizona
Notes to Required Supplementary Information
June 30, 2025

Note 1 – Pension Plan Schedules

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

The actuarial assumptions used in the June 30, 2024 valuation for PSPRS were based on the results of an actuarial experience study for the five-year period ended June 30, 2021. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The PSPRS Board adopted the experience study recommended changes which were applied to the June 30, 2022 actuarial valuation.

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 OR plans' 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.

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 contributions for 2018 and 2019.

**Combining and Individual
Fund Financial Statements and Schedules**

Nonmajor Governmental Funds Combining Fund Statements

Special Revenue Funds

Highway User Revenue Fund accounts for excise fuel taxes and other fees and charges relating to the registration and operation of motor vehicles on the public highways of the State. These revenues are distributed to cities and towns based on a formula. A constitutional provision requires that these revenues be used for highway and street purposes.

Local Transportation Assistance Fund accounts for transit grants that provide resources to support public transportation services. This fund also accounts for special distributions of state lottery monies that are restricted for transit-related projects and programs.

Senior Programs Fund accounts for senior services provided to senior citizens within the community. These services are funded mainly by federal and state programs that provide resources to preserve and promote nutrition and health, prevent and reduce the risk of chronic diseases, and to promote and maintain independence and independent living.

Judicial Funds accounts for resources required to improve, maintain, and enhance the ability to collect and manage monies assessed or received by the City Court including restitution, child support, fines and civil penalties, as well as to improve court automation projects likely to improve case processing or the administration of justice.

Family Advocacy Center Fund accounts for resources to operate the Southwest Family Advocacy Center which provides services to victims of domestic violence and other crimes. The City jointly funds and administers the Center with the municipalities and police departments of Avondale, Buckeye, Goodyear, and the Maricopa County Sheriff's Office through the County of Maricopa.

Environmental Fees Fund accounts for environment fees collected and spent by the City to administer and enforce environmental programs such as the National Pollutant Discharge Elimination System Program and Particulate Matter Program.

Alamar CFD Operating Fund accounts for resources required to operate and maintain public infrastructures in the Alamar Community Facilities District within the City.

Debt Service Funds

Dedicated Sales Tax Revenue Bonds Debt Service Fund accounts for the accumulation of resources and payment of principal and interest on MDC revenue bonds and pledged revenue refunding obligations issued by the City. The City has pledged the voter-approved 0.5-cent sales tax revenues and general excise taxes to make the required debt services payments.

Other Debt Service Fund accounts for the accumulation of resources and payment of principal and interest on the City's general long-term bond indebtedness not accounted for in the other debt service funds. The City has pledged its general excise taxes to make the required debt service payments.

Alamar CFD Debt Service Fund accounts for the accumulation resources and payment of principal and interest on the Alamar Community Facility District's general obligation bonds. The principal and interest on general obligation bonds is normally paid with revenues generated from the secondary property tax levy on property within the District sufficient to make the required debt service payments.

Capital Projects Funds

Development Fees Fund accounts for developer fees collected to finance growth-related development and construction, bond proceeds, sales tax and grant revenues, and fund transfers that are restricted, committed, or assigned to capital development and maintenance.

Vehicle Replacement Fund accounts for reserves set aside for the replacement of city vehicles other than those vehicles used in the City's enterprise activities. A consistent methodology is used to accumulate replacement reserves for operating department vehicle replacement needs. Vehicles are assigned replacement values and estimated useful lives. Operating departments are then charged annual replacement charges such that the replacement reserves are available upon retirement of the vehicles.

Equipment Replacement Fund accounts for reserves set aside for the replacement of city technology equipment other than equipment used in the City's enterprise activities. A consistent methodology is used to accumulate replacement reserves for operating department replacement needs. Equipment is assigned replacement values and estimated useful lives. Operating departments are then charged annual replacement charges such that the replacement reserves are available upon retirement of the equipment.

Alamar CFD Capital Projects Fund accounts general obligation proceeds issued to construct public infrastructures in the Alamar Community Facilities District within the City.

**City of Avondale, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025**

	Special Revenue Funds			
	Highway User	Local Transportation	Senior	Judicial Funds
	Revenue	Assistance	Programs	Judicial Funds
Assets				
Cash and investments	\$ 9,944,372	\$ 514,456	\$ 62,404	\$ 726,070
Receivables, net				
Accounts		3	1,988	
Taxes	695,033			
Interest				
Due from other governments		65,579	129,687	
Prepaid items	1,469,067			
Restricted cash - fiscal agent				
Total assets	\$ 12,108,472	\$ 580,038	\$ 194,079	\$ 726,070
Liabilities				
Accounts payable	\$ 907,016	\$ 508,262	\$ 5,983	\$
Accrued payroll and employee benefits	70,564	6,197	8,925	
Bond interest payable				
Bonds payable				
Due to other funds				
Unearned revenue				
Total liabilities	977,580	514,459	14,908	
Deferred inflows of resources				
Unavailable revenues - property taxes				
Unavailable revenues - intergovernmental		65,579		
Unavailable revenues - other				
Total deferred inflows of resources		65,579		
Fund balances				
Nonspendable	1,469,067			
Restricted	9,661,825		179,171	726,070
Assigned				
Unassigned				
Total fund balances	11,130,892		179,171	726,070
Total liabilities, deferred inflows of resources and fund balances	\$ 12,108,472	\$ 580,038	\$ 194,079	\$ 726,070

Special Revenue Funds			Debt Service Funds			Capital Projects Funds
Family Advocacy Center	Environmental Fees	Alamar CFD Operating	Dedicated Sales Tax Revenue Bonds Debt Service	Other Debt Service	Alamar CFD Debt Service	Development Fees
\$	\$ 1,337,318	\$ 57,462	\$ 1,376	\$ 7,533	\$ 177,172	\$ 26,953,216
	31,417	903		56	11,584	154,200
455,372			675	2,103,950	294,562	
<u>\$ 455,372</u>	<u>\$ 1,368,735</u>	<u>\$ 58,365</u>	<u>\$ 2,051</u>	<u>\$ 2,111,539</u>	<u>\$ 483,318</u>	<u>\$ 27,107,416</u>
\$ 27,455	\$ 36,569	\$	\$	\$	\$	\$ 32,768
18,556	3,744					
				333,950	166,826	
				1,770,000	285,000	
368,945		3,773				
40,492						
<u>455,448</u>	<u>40,313</u>	<u>3,773</u>		<u>2,103,950</u>	<u>451,826</u>	<u>32,768</u>
		858			11,013	
492						
1,955						
<u>2,447</u>		<u>858</u>			<u>11,013</u>	
	1,328,422	53,734	2,051	7,589	20,479	27,074,648
(2,523)						
<u>(2,523)</u>	<u>1,328,422</u>	<u>53,734</u>	<u>2,051</u>	<u>7,589</u>	<u>20,479</u>	<u>27,074,648</u>
<u>\$ 455,372</u>	<u>\$ 1,368,735</u>	<u>\$ 58,365</u>	<u>\$ 2,051</u>	<u>\$ 2,111,539</u>	<u>\$ 483,318</u>	<u>\$ 27,107,416</u>

**City of Avondale, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025**

	Capital Projects Funds			
	Vehicle Replacement	Equipment Replacement	Alamar CFD Capital Projects	Total Non- Major Governmental Funds
Assets				
Cash and investments	\$ 7,666,287	\$ 2,113	\$ 5,421,450	\$ 52,871,229
Receivables, net				
Accounts				33,408
Taxes				707,520
Interest				154,256
Due from other governments				650,638
Prepaid items				1,469,067
Restricted cash - fiscal agent				2,399,187
Total assets	\$ 7,666,287	\$ 2,113	\$ 5,421,450	\$ 58,285,305
Liabilities				
Accounts payable	\$ 182,387	\$ 2,113	\$	\$ 1,702,553
Accrued payroll and employee benefits				107,986
Bond interest payable				500,776
Bonds payable				2,055,000
Due to other funds				372,718
Unearned revenue				40,492
Total liabilities	182,387	2,113	\$	4,779,525
Deferred inflows of resources				
Unavailable revenues - property taxes				11,871
Unavailable revenues - intergovernmental				66,071
Unavailable revenues - other				1,955
Total deferred inflows of resources	\$	\$	\$	79,897
Fund balances				
Nonspendable				1,469,067
Restricted			5,421,450	44,475,439
Assigned	7,483,900			7,483,900
Unassigned				(2,523)
Total fund balances	7,483,900	\$	5,421,450	53,425,883
Total liabilities, deferred inflows of resources and fund balances	\$ 7,666,287	\$ 2,113	\$ 5,421,450	\$ 58,285,305

Avondale

City of Avondale, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

	<u>Special Revenue Funds</u>			
	<u>Highway User Revenue</u>	<u>Local</u>		<u>Judicial Funds</u>
		<u>Transportation Assistance</u>	<u>Senior Programs</u>	
Revenues				
Taxes	\$	\$	\$	\$
Licenses and permits				
Intergovernmental	7,081,687	1,225,881	439,714	
Charges for services	1,933			
Fines, forfeitures, and penalties				134,913
Investment income				
Contributions			32,905	
Miscellaneous	139	191,463		
Total revenues	<u>7,083,759</u>	<u>1,417,344</u>	<u>472,619</u>	<u>134,913</u>
Expenditures				
Current:				
General government				
Public safety				23,715
Streets and transportation	5,356,534	3,455,957		
Community services			457,916	
Capital outlay	2,277,124	150,000		
Debt service:				
Principal retirement	199,783			
Interest and fiscal charges	19,756			
Bond issuance costs				
Total expenditures	<u>7,853,197</u>	<u>3,605,957</u>	<u>457,916</u>	<u>23,715</u>
Excess (deficiency) of revenues over expenditures	<u>(769,438)</u>	<u>(2,188,613)</u>	<u>14,703</u>	<u>111,198</u>
Other financing sources (uses)				
Sale of capital assets	7,880			
Transfers in		2,188,494		
Transfers out				
Issuance of bonds				
Premium on sale of bonds				
Total other financing sources (uses)	<u>7,880</u>	<u>2,188,494</u>		
Changes in fund balances	<u>(761,558)</u>	<u>(119)</u>	<u>14,703</u>	<u>111,198</u>
Fund balances, beginning of year	<u>11,892,450</u>	<u>119</u>	<u>164,468</u>	<u>614,872</u>
Fund balances, end of year	<u>\$ 11,130,892</u>	<u>\$</u>	<u>\$ 179,171</u>	<u>\$ 726,070</u>

Special Revenue Funds			Debt Service Funds			Capital Projects Funds
Family Advocacy Center	Environmental Fees	Alamar CFD Operating	Dedicated Sales Tax Revenue Bonds Debt Service	Other Debt Service	Alamar CFD Debt Service	Development Fees
\$	\$	\$	\$	\$	\$	\$
1,223,685	335,496	48,583			623,466	9,075,143
			31	22,507		1,279,105
12,985						
<u>1,236,670</u>	<u>335,496</u>	<u>48,583</u>	<u>31</u>	<u>22,507</u>	<u>623,466</u>	<u>10,354,248</u>
	320,223	9,399				
1,112,896						
11,472						888,384
364,954				1,770,000	285,000	
28,322				663,738	312,089	
<u>1,517,644</u>	<u>320,223</u>	<u>9,399</u>		<u>2,433,738</u>	<u>597,089</u>	<u>888,384</u>
(280,974)	15,273	39,184	31	(2,411,231)	26,377	9,465,864
286,675				2,437,900		
				(567,916)		
<u>286,675</u>				<u>1,869,984</u>		
5,701	15,273	39,184	31	(541,247)	26,377	9,465,864
(8,224)	1,313,149	14,550	2,020	548,836	(5,898)	17,608,784
<u>\$ (2,523)</u>	<u>\$ 1,328,422</u>	<u>\$ 53,734</u>	<u>\$ 2,051</u>	<u>\$ 7,589</u>	<u>\$ 20,479</u>	<u>\$ 27,074,648</u>

City of Avondale, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects Funds		
	Vehicle	Alamar CFD	Total Non-
	Replacement	Capital	Major
	Projects	Projects	Governmental
			Funds
Revenues			
Taxes	\$	\$	\$ 672,049
Licenses and permits			9,410,639
Intergovernmental			9,970,967
Charges for services			1,933
Fines, forfeitures, and penalties			134,913
Investment income			1,301,643
Contributions			45,890
Miscellaneous			191,602
Total revenues			21,729,636
Expenditures			
Current:			
General government			329,622
Public safety			1,136,611
Streets and transportation			8,812,491
Community services			457,916
Capital outlay	1,396,339		4,723,319
Debt service:			
Principal retirement			2,619,737
Interest and fiscal charges			1,023,905
Bond issuance costs		377,878	377,878
Total expenditures	1,396,339	377,878	19,481,479
Excess (deficiency) of revenues over expenditures	(1,396,339)	(377,878)	2,248,157
Other financing sources (uses)			
Sale of capital assets	29,475		37,355
Transfers in	2,696,000		7,609,069
Transfers out			(567,916)
Issuance of bonds		5,725,000	5,725,000
Premium on sale of bonds		73,978	73,978
Total other financing sources (uses)	2,725,475	5,798,978	12,877,486
Changes in fund balances	1,329,136	5,421,100	15,125,643
Fund balances, beginning of year	6,154,764	350	38,300,240
Fund balances, end of year	\$ 7,483,900	\$ 5,421,450	\$ 53,425,883

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Highway User Revenue
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 7,061,000	\$ 7,061,000	\$ 7,081,687	\$ 20,687
Charges for services			1,933	1,933
Miscellaneous			139	139
Total revenues	<u>7,061,000</u>	<u>7,061,000</u>	<u>7,083,759</u>	<u>22,759</u>
Expenditures				
Current:				
Streets and transportation	5,984,000	5,984,000	5,356,534	627,466
Capital outlay	7,302,300	7,172,508	2,277,124	4,895,384
Debt service:				
Principal retirement	200,000	200,000	199,783	217
Interest and fiscal charges	20,000	20,000	19,756	244
Total expenditures	<u>13,506,300</u>	<u>13,376,508</u>	<u>7,853,197</u>	<u>5,523,311</u>
Excess (deficiency) of revenues over expenditu	<u>(6,445,300)</u>	<u>(6,315,508)</u>	<u>(769,438)</u>	<u>5,546,070</u>
Other financing sources (uses)				
Sale of capital assets			7,880	7,880
Total other financing sources (uses)			<u>7,880</u>	<u>7,880</u>
Changes in fund balances	<u>(6,445,300)</u>	<u>(6,315,508)</u>	<u>(761,558)</u>	<u>5,553,950</u>
Fund balances, beginning of year	<u>11,892,450</u>	<u>11,892,450</u>	<u>11,892,450</u>	
Fund balances, end of year	<u>\$ 5,447,150</u>	<u>\$ 5,576,942</u>	<u>\$ 11,130,892</u>	<u>\$ 5,553,950</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Local Transportation Assistance
For the Year Ended June 30, 2025

	<u>Budget</u>		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	1,225,800	1,225,800	\$ 1,225,881	\$ 81
Miscellaneous			191,463	191,463
Total revenues	<u>1,225,800</u>	<u>1,225,800</u>	<u>1,417,344</u>	<u>191,544</u>
Expenditures				
Current:				
Streets and transportation	3,498,700	3,570,700	3,455,957	114,743
Capital outlay	164,000	164,000	150,000	14,000
Total expenditures	<u>3,662,700</u>	<u>3,734,700</u>	<u>3,605,957</u>	<u>128,743</u>
Excess (deficiency) of revenues over expenditures	<u>(2,436,900)</u>	<u>(2,508,900)</u>	<u>(2,188,613)</u>	<u>320,287</u>
Other financing sources (uses)				
Transfers in	2,437,000	2,437,000	2,188,494	(248,506)
Total other financing sources (uses)	<u>2,437,000</u>	<u>2,437,000</u>	<u>2,188,494</u>	<u>(248,506)</u>
Changes in fund balances	<u>100</u>	<u>(71,900)</u>	<u>(119)</u>	<u>71,781</u>
Fund balances, beginning of year	<u>119</u>	<u>119</u>	<u>119</u>	
Fund balances, end of year	<u>\$ 219</u>	<u>\$ (71,781)</u>	<u>\$</u>	<u>\$ 71,781</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Senior Programs
For the Year Ended June 30, 2025

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 432,700	\$ 434,700	\$ 439,714	\$ 5,014
Contributions	18,200	18,200	32,905	14,705
Total revenues	450,900	452,900	472,619	19,719
Expenditures				
Current:				
Community services	450,900	452,900	457,916	(5,016)
Total expenditures	450,900	452,900	457,916	(5,016)
Changes in fund balances			14,703	14,703
Fund balances, beginning of year	164,468	164,468	164,468	
Fund balances, end of year	\$ 164,468	\$ 164,468	\$ 179,171	\$ 14,703

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Judicial Funds
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Fines, forfeitures, and penalties	\$ 57,000	\$ 134,913	\$ 77,913
Total revenues	57,000	134,913	77,913
Expenditures			
Current:			
Public safety	108,700	23,715	84,985
Total expenditures	108,700	23,715	84,985
Changes in fund balances	(51,700)	111,198	162,898
Fund balances, beginning of year	614,872	614,872	
Fund balances, end of year	\$ 563,172	\$ 726,070	\$ 162,898

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Family Advocacy Center
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,245,200	\$ 1,645,200	\$ 1,223,685	\$ (421,515)
Contributions	<u>200,000</u>	<u>200,000</u>	<u>12,985</u>	<u>(187,015)</u>
Total revenues	<u>1,445,200</u>	<u>1,845,200</u>	<u>1,236,670</u>	<u>(608,530)</u>
Expenditures				
Current:				
Public safety	1,469,600	1,869,600	1,112,896	756,704
Capital outlay	11,500	11,500	11,472	28
Debt service:				
Principal retirement	365,000	365,000	364,954	46
Interest and fiscal charges	<u>28,400</u>	<u>28,400</u>	<u>28,322</u>	<u>78</u>
Total expenditures	<u>1,874,500</u>	<u>2,274,500</u>	<u>1,517,644</u>	<u>756,856</u>
Excess (deficiency) of revenues over expenditures	<u>(429,300)</u>	<u>(429,300)</u>	<u>(280,974)</u>	<u>148,326</u>
Other financing sources (uses)				
Transfers in	<u>426,800</u>	<u>426,800</u>	<u>286,675</u>	<u>(140,125)</u>
Total other financing sources (uses)	<u>426,800</u>	<u>426,800</u>	<u>286,675</u>	<u>(140,125)</u>
Changes in fund balances	<u>(2,500)</u>	<u>(2,500)</u>	<u>5,701</u>	<u>8,201</u>
Fund balances, beginning of year	<u>(8,224)</u>	<u>(8,224)</u>	<u>(8,224)</u>	<u></u>
Fund balances, end of year	<u>\$ (10,724)</u>	<u>\$ (10,724)</u>	<u>\$ (2,523)</u>	<u>\$ 8,201</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Environmental Fees
For the Year Ended June 30, 2025

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Licenses and permits	\$ 305,000	\$ 305,000	\$ 335,496	\$ 30,496
Total revenues	305,000	305,000	335,496	30,496
Expenditures				
Current:				
General government	297,200	305,745	320,223	(14,478)
Capital outlay	20,000	11,455		11,455
Total expenditures	317,200	317,200	320,223	(3,023)
Changes in fund balances	(12,200)	(12,200)	15,273	27,473
Fund balances, beginning of year	1,313,149	1,313,149	1,313,149	
Fund balances, end of year	\$ 1,300,949	\$ 1,300,949	\$ 1,328,422	\$ 27,473

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Alamar CFD Operating
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 49,555	\$ 48,583	\$ (972)
Total revenues	49,555	48,583	(972)
Expenditures			
Current:			
General government	149,555	9,399	140,156
Total expenditures	149,555	9,399	140,156
Changes in fund balances	(100,000)	39,184	139,184
Fund balances, beginning of year	14,550	14,550	
Fund balances, end of year	\$ (85,450)	\$ 53,734	\$ 139,184

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
General Obligation Bonds Debt Service
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 5,367,200	\$ 5,425,712	\$ 58,512
Investment income	1,000	69,098	68,098
Total revenues	5,368,200	5,494,810	126,610
Expenditures			
Debt service:			
Principal retirement	3,515,000	3,515,000	
Interest and fiscal charges	1,909,000	1,890,692	18,308
Total expenditures	5,424,000	5,405,692	18,308
Changes in fund balances	(55,800)	89,118	144,918
Fund balances, beginning of year	180,731	180,731	
Fund balances, end of year	\$ 124,931	\$ 269,849	\$ 144,918

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Dedicated Sales Tax Revenue Bonds Debt Service
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Investment income	\$ _____	\$ 31	\$ 31
Total revenues	_____	31	31
Changes in fund balances	_____	31	31
Fund balances, beginning of year	2,020	2,020	_____
Fund balances, end of year	\$ 2,020	\$ 2,051	\$ 31

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Other Debt Service
For the Year Ended June 30, 2025

	<u>Budget</u>		
	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Investment income	\$ 21,000	\$ 22,507	\$ 1,507
Total revenues	<u>21,000</u>	<u>22,507</u>	<u>1,507</u>
Expenditures			
Debt service:			
Principal retirement	1,770,000	1,770,000	
Interest and fiscal charges	674,000	663,738	10,262
Total expenditures	<u>2,444,000</u>	<u>2,433,738</u>	<u>10,262</u>
Excess (deficiency) of revenues over expenditu	<u>(2,423,000)</u>	<u>(2,411,231)</u>	<u>11,769</u>
Other financing sources (uses)			
Transfers in	2,444,000	2,437,900	(6,100)
Transfers out		(567,916)	(567,916)
Total other financing sources (uses)	<u>2,444,000</u>	<u>1,869,984</u>	<u>(574,016)</u>
Changes in fund balances	<u>21,000</u>	<u>(541,247)</u>	<u>(562,247)</u>
Fund balances, beginning of year	<u>548,836</u>	<u>548,836</u>	
Fund balances, end of year	<u>\$ 569,836</u>	<u>\$ 7,589</u>	<u>\$ (562,247)</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Alamar CFD Debt Service
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Revenues			
Taxes	\$ 635,956	\$ 623,466	\$ (12,490)
Total revenues	635,956	623,466	(12,490)
Expenditures			
Debt service:			
Principal retirement	\$ 285,000	\$ 285,000	\$
Interest and fiscal charges	350,956	312,089	38,867
Total expenditures	635,956	597,089	38,867
Changes in fund balances		26,377	26,377
Fund balances, beginning of year	(5,898)	(5,898)	
Fund balances, end of year	\$ (5,898)	\$ 20,479	\$ 26,377

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Development Fees
For the Year Ended June 30, 2025

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Licenses and permits	\$ 4,918,000	\$ 4,918,000	\$ 9,075,143	\$ 4,157,143
Investment income	805,000	805,000	1,279,105	474,105
Total revenues	<u>5,723,000</u>	<u>5,723,000</u>	<u>10,354,248</u>	<u>4,631,248</u>
Expenditures				
Capital outlay	<u>4,351,000</u>	<u>3,110,385</u>	<u>888,384</u>	<u>2,222,001</u>
Total expenditures	<u>4,351,000</u>	<u>3,110,385</u>	<u>888,384</u>	<u>2,222,001</u>
Changes in fund balances	<u>1,372,000</u>	<u>2,612,615</u>	<u>9,465,864</u>	<u>6,853,249</u>
Fund balances, beginning of year	<u>17,608,784</u>	<u>17,608,784</u>	<u>17,608,784</u>	<u> </u>
Fund balances, end of year	<u>\$ 18,980,784</u>	<u>\$ 20,221,399</u>	<u>\$ 27,074,648</u>	<u>\$ 6,853,249</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Vehicle Replacement
For the Year Ended June 30, 2025

	<u>Budget</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures				
Capital outlay	\$ 5,906,000	\$ 2,516,381	\$ 1,396,339	\$ 1,120,042
Total expenditures	<u>5,906,000</u>	<u>2,516,381</u>	<u>1,396,339</u>	<u>1,120,042</u>
Excess (deficiency) of revenues over expenditures	<u>(5,906,000)</u>	<u>(2,516,381)</u>	<u>(1,396,339)</u>	<u>1,120,042</u>
Other financing sources (uses)				
Sale of capital assets	160,000	160,000	29,475	(130,525)
Transfers in	<u>2,696,000</u>	<u>2,696,000</u>	<u>2,696,000</u>	
Total other financing sources (uses)	<u>2,856,000</u>	<u>2,856,000</u>	<u>2,725,475</u>	<u>(130,525)</u>
Changes in fund balances	<u>(3,050,000)</u>	<u>339,619</u>	<u>1,329,136</u>	<u>989,517</u>
Fund balances, beginning of year	<u>6,154,764</u>	<u>6,154,764</u>	<u>6,154,764</u>	
Fund balances, end of year	<u>\$ 3,104,764</u>	<u>\$ 6,494,383</u>	<u>\$ 7,483,900</u>	<u>\$ 989,517</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Other Capital Projects
For the Year Ended June 30, 2025

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$	\$	\$ 126,964	\$ 126,964
Investment income	70,000	70,000	441,793	371,793
Contributions	1,094,000	1,094,000	71,325	(1,022,675)
Miscellaneous	65,000	65,000		(65,000)
Total revenues	<u>1,229,000</u>	<u>1,229,000</u>	<u>640,082</u>	<u>(588,918)</u>
Expenditures				
Capital outlay	83,362,000	79,188,360	30,010,306	49,178,054
Debt service:				
Bond issuance costs		251,000	250,903	97
Total expenditures	<u>83,362,000</u>	<u>79,439,360</u>	<u>30,261,209</u>	<u>49,178,151</u>
Excess (deficiency) of revenues over expenditures	<u>(82,133,000)</u>	<u>(78,210,360)</u>	<u>(29,621,127)</u>	<u>48,589,233</u>
Other financing sources (uses)				
Transfers in	70,208,000	70,208,000	27,847,294	(42,360,706)
Issuance of bonds	8,500,000	8,500,000	11,205,000	2,705,000
Premium on sale of bonds			927,809	927,809
Total other financing sources (uses)	<u>78,708,000</u>	<u>78,708,000</u>	<u>39,980,103</u>	<u>(38,727,897)</u>
Changes in fund balances	<u>(3,425,000)</u>	<u>497,640</u>	<u>10,358,976</u>	<u>9,861,336</u>
Fund balances, beginning of year	<u>1,655,932</u>	<u>1,655,932</u>	<u>1,655,932</u>	
Fund balances, end of year	<u>\$ (1,769,068)</u>	<u>\$ 2,153,572</u>	<u>\$ 12,014,908</u>	<u>\$ 9,861,336</u>

City of Avondale, Arizona
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Alamar CFD Capital Projects
For the Year Ended June 30, 2025

	Budget		
	Original and Final	Actual	Variance with Final Budget
Expenditures			
Capital outlay	\$ 2,122,100	\$	\$ 2,122,100
Debt service:			
Bond issuance costs	377,900	377,878	22
Total expenditures	2,500,000	377,878	2,122,122
Excess (deficiency) of revenues over expenditures	(2,500,000)	(377,878)	2,122,122
Other financing sources (uses)			
Issuance of bonds	2,500,000	5,725,000	3,225,000
Premium on sale of bonds	—	73,978	73,978
Total other financing sources (uses)	2,500,000	5,798,978	3,298,978
Changes in fund balances	—	5,421,100	5,421,100
Fund balances, beginning of year	350	350	—
Fund balances, end of year	\$ 350	\$ 5,421,450	\$ 5,421,100

Avondale

Internal Service Funds Combining Financial Statements

Risk Management Fund accounts for the City's property and liability self-insurance program. Coverage is provided using a combination of self-insurance and private carrier insurance. This fund provides liability insurance coverage for claims over the self-insurance limit; claims under the limit are charged directly to the fund. The fund charges city departments a premium. The premiums are intended to cover current claims, administration, and to establish and maintain a reserve to cover the risk that is being transferred to the fund.

Worker's Compensation Fund accounts for the City's self-insured worker's compensation program. The fund charges city departments a premium. The premiums are intended to cover current claims, administration, excess insurance coverage, and to establish and maintain a reserve to cover the risk that is being transferred to the fund.

Fleet Management Fund accounts for the operation, maintenance, and repair of city-owned fleet vehicles and equipment with costs supported by billing user departments for administrative costs, labor, parts, and fuel charges when fleet services are provided.

Employee Benefits Fund accounts for the City's self-insured health and dental programs for employees. The fund charges the city departments a set premium amount per participating employee. The premiums are intended to cover current claims, administration, excess insurance coverage, and to establish and maintain a reserve to cover the risk that is being transferred to the fund.

City of Avondale, Arizona
Combining Statement of Fund Net Position
Internal Service Funds
June 30, 2025

	<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Total Internal Service Funds</u>
Assets					
Current assets:					
Cash and investments	\$ 7,069,572	\$ 2,773,367	\$ 672,836	\$ 4,972,188	\$ 15,487,963
Receivables					
Interest	40,430	15,861		28,435	84,726
Inventories			389,559		389,559
Prepaid items	5,520				5,520
Total current assets	<u>7,115,522</u>	<u>2,789,228</u>	<u>1,062,395</u>	<u>5,000,623</u>	<u>15,967,768</u>
Noncurrent assets:					
Capital assets, net accumulated depreciatic			212,896		212,896
Total noncurrent assets			<u>212,896</u>		<u>212,896</u>
Total assets	<u>7,115,522</u>	<u>2,789,228</u>	<u>1,275,291</u>	<u>5,000,623</u>	<u>16,180,664</u>
Deferred outflows of resources					
Pension plan items	19,978	26,195	208,806	31,682	286,661
Total deferred outflows of resources	<u>19,978</u>	<u>26,195</u>	<u>208,806</u>	<u>31,682</u>	<u>286,661</u>
Liabilities					
Current liabilities:					
Accounts payable	49,723	19,566	256,902	130,853	457,044
Accrued payroll and employee benefits	2,586	3,775	32,169	85,533	124,063
Claims payable	1,762,542	437,361		2,142,751	4,342,654
Compensated absences	4,492	4,753	108,696	7,022	124,963
Total current liabilities	<u>1,819,343</u>	<u>465,455</u>	<u>397,767</u>	<u>2,366,159</u>	<u>5,048,724</u>
Noncurrent liabilities:					
Non-current portion of long-term obligations	2,630,132	501,009	1,102,593	154,881	4,388,615
Total noncurrent liabilities	<u>2,630,132</u>	<u>501,009</u>	<u>1,102,593</u>	<u>154,881</u>	<u>4,388,615</u>
Total liabilities	<u>4,449,475</u>	<u>966,464</u>	<u>1,500,360</u>	<u>2,521,040</u>	<u>9,437,339</u>
Deferred inflows of resources					
Pension plan items	6,195	8,123	64,751	9,824	88,893
Total deferred inflows of resources	<u>6,195</u>	<u>8,123</u>	<u>64,751</u>	<u>9,824</u>	<u>88,893</u>
Net position					
Net investment in capital assets			212,896		212,896
Unrestricted	2,679,830	1,840,836	(293,910)	2,501,441	6,728,197
Total net position	<u>\$ 2,679,830</u>	<u>\$ 1,840,836</u>	<u>\$ (81,014)</u>	<u>\$ 2,501,441</u>	<u>\$ 6,941,093</u>

City of Avondale, Arizona
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2025

	<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Total Internal Service Funds</u>
Operating revenues					
Charges for services	\$ 5,325,000	\$ 847,341	\$ 4,101,245	\$ 11,051,414	\$ 21,325,000
Miscellaneous	71,217		1,273	579,419	651,909
Total operating revenues	<u>5,396,217</u>	<u>847,341</u>	<u>4,102,518</u>	<u>11,630,833</u>	<u>21,976,909</u>
Operating expenses					
Salaries, wages, and benefits	113,656	160,014	1,279,108	182,781	1,735,559
Contractual services, materials, and supplies	214,428	57,933	2,748,578	123,894	3,144,833
Insurance claims and expenses	3,721,128	748,851		11,695,023	16,165,002
Depreciation and amortization	2,092		35,777		37,869
Total operating expenses	<u>4,051,304</u>	<u>966,798</u>	<u>4,063,463</u>	<u>12,001,698</u>	<u>21,083,263</u>
Operating income (loss)	<u>1,344,913</u>	<u>(119,457)</u>	<u>39,055</u>	<u>(370,865)</u>	<u>893,646</u>
Nonoperating revenues (expenses)					
Investment income	491,397	159,320	253	183,176	834,146
Gain (loss) on disposal of capital assets			1,025		1,025
Total nonoperating revenue (expenses)	<u>491,397</u>	<u>159,320</u>	<u>1,278</u>	<u>183,176</u>	<u>835,171</u>
Changes in net position	<u>1,836,310</u>	<u>39,863</u>	<u>40,333</u>	<u>(187,689)</u>	<u>1,728,817</u>
Net position, beginning of year, previously reported	843,520	1,800,973	(49,079)	2,696,622	5,292,036
Adjustments to beginning net position			(72,268)	(7,492)	(79,760)
Net position, beginning of year, as restated	<u>843,520</u>	<u>1,800,973</u>	<u>(121,347)</u>	<u>2,689,130</u>	<u>5,212,276</u>
Total net position, end of year	<u>\$ 2,679,830</u>	<u>\$ 1,840,836</u>	<u>\$ (81,014)</u>	<u>\$ 2,501,441</u>	<u>\$ 6,941,093</u>

City of Avondale, Arizona
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025

	<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Fleet Management</u>	<u>Employee Benefits</u>	<u>Total Internal Service Funds</u>
<u>Increase/Decrease in Cash and Cash Equivalents</u>					
Cash flows from operating activities					
Cash received from customers	\$ 5,325,000	\$ 847,341	\$ 4,101,245	\$ 11,779,399	\$ 22,052,985
Cash payments to suppliers for goods and services	(5,239,044)	(805,953)	(2,680,122)	(12,010,519)	(20,735,638)
Cash payments to employees for services	(113,187)	(138,053)	(1,264,425)	(278,657)	(1,794,322)
Miscellaneous	71,217		1,273	579,419	651,909
Net cash provided by/used for operating activities	<u>43,986</u>	<u>(96,665)</u>	<u>157,971</u>	<u>69,642</u>	<u>174,934</u>
Cash flows from investing activities					
Investment income	494,172	155,389	253	174,373	824,187
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets			(9,188)		(9,188)
Proceeds from sale of capital assets			1,025		1,025
Net cash provided by/used for operating activities			<u>(8,163)</u>		<u>(8,163)</u>
Net increase/decrease in cash and cash equivalents	<u>538,158</u>	<u>58,724</u>	<u>150,061</u>	<u>244,015</u>	<u>990,958</u>
Cash and cash equivalents, beginning of year	<u>6,531,414</u>	<u>2,714,643</u>	<u>522,775</u>	<u>4,728,173</u>	<u>14,497,005</u>
Cash and cash equivalents, end of year	<u>\$ 7,069,572</u>	<u>\$ 2,773,367</u>	<u>\$ 672,836</u>	<u>\$ 4,972,188</u>	<u>\$ 15,487,963</u>
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>					
Operating income/loss	\$ 1,344,913	\$ (119,457)	\$ 39,055	\$ (370,865)	\$ 893,646
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:					
Depreciation and amortization	2,092		35,777		37,869
Difference between pension expense and contributions	(9,728)	8,508	(18,724)	(6,612)	(26,556)
Changes in assets and liabilities:					
Increase/decrease in accounts receivable				727,985	727,985
Increase/decrease in inventories			(13,733)		(13,733)
Increase/decrease in prepaid items				28,520	28,520
Increase/decrease in accounts payable	26,609	12,345	82,189	130,853	251,996
Increase/decrease in accrued payroll and employee benefits	939	3,775	8,621	(86,186)	(72,851)
Increase/decrease in compensated absences	9,258	9,678	24,786	(3,078)	40,644
Increase/decrease in claims payable	(1,330,097)	(11,514)		(350,975)	(1,692,586)
Total adjustments	<u>(1,300,927)</u>	<u>22,792</u>	<u>118,916</u>	<u>440,507</u>	<u>(718,712)</u>
Net cash provided by/used for operating activities	<u>\$ 43,986</u>	<u>\$ (96,665)</u>	<u>\$ 157,971</u>	<u>\$ 69,642</u>	<u>\$ 174,934</u>

OBLIGATIONS DOCUMENTS SUMMARIES

The following summaries are supplemental to and should be read together with “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS” herein. These summaries are a brief description of certain provisions of the Purchase Agreement and the Indenture and certain definitions therein not defined elsewhere in this Official Statement, should not be considered a full statement thereof and are qualified in their entirety by reference to the Purchase Agreement and the Indenture, copies of which are available as set forth in this Official Statement under the heading “INTRODUCTORY STATEMENT.”

Definitions

For the purposes hereof and in addition to those defined prior to the Appendices hereof, the following words and phrases will have the following meanings:

“Additional Obligation Documents” means any contract (including an ordinance of the Mayor and Council of the City) or agreement of the City constituting or authorizing Additional Obligations.

“Additional Obligations” means obligations (including loans and bonds) or applicable interests therein which are incurred (i) by, or the payment of which is assumed by, the City subsequent to, and are to rank on a parity with, the payments of the Purchase Price and share *pro rata* in payments to be made by the City from the Pledged Revenues, without priority one over the other or over the Purchase Agreement, and (ii) for the purpose of acquiring, constructing or improving the Wastewater System or to refund the Obligations or any Additional Obligations.

“Administrative Expenses” means the reasonable cost or value of all services rendered by the City and its various departments with respect to the Wastewater System.

“Assumed Interest Rate” means an interest rate for a series of Variable Rate Obligations at the computation date computed to be the lesser of (i) the maximum rate which the Variable Rate Obligations of a series may bear under the terms of their incurrence, or (ii) the rate of interest established for long-term bonds by the 30-year revenue bond index published by The Bond Buyer of New York, New York, on the date that is nearest to 30 days prior to the computation date (or in the absence of such published index, some other index selected in good faith by the Finance and Budget Director after consultation with one or more reputable, experienced investment bankers as being equivalent thereto).

“Bond Year” means a 12-month period beginning July 2 of the calendar year and ending on the next succeeding July 1.

“Business Day” means a day on which banks located in the City of Phoenix, Arizona, and in the city or cities in which the principal office of the Trustee and the Paying Agents are not required or authorized by law or executive order to remain closed.

“City Representative” means the City Manager, the Finance and Budget Director of the City or any other person at any time designated to act on behalf of the City by written certificate furnished to the Trustee containing the specimen signature of such person and signed by the City Manager or his or her designee. Such certificate may designate one or more alternates.

“Consultant” means, in the sole discretion of the City, a firm of utility consultants experienced in the financing and operation of utility systems and having a recognized reputation for such work.

“Credit Facility” means a bank, financial institution, insurance company or indemnity company which is engaged by or on behalf of the City to perform one or more of the following tasks: (a) enhancing credit of the City securing the Obligations or Additional Obligations by assuring that principal of and interest on the Obligations or such Additional Obligations (or any interests therein) will be paid promptly when due (including the issuance of an insurance policy, letter of credit, surety bond or other form of security for a reserve), or (b) providing liquidity for

Additional Obligations (or any interests therein) through undertaking to cause such Additional Obligations to be bought from the holders thereof when submitted pursuant to an arrangement prescribed by the Additional Obligation Documents.

“Defeasance Obligations” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), or (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

“Depository Trustee” means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Indenture that may be designated by the City.

“Fiscal Year” means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“Holder” means the registered owner of any Obligation.

“Interest Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, and (ii) with respect to any Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“Improvements Fund” means the fund of that name created pursuant to Section 2.2 of the Purchase Agreement.

“Indenture Event of Default” means any one of those events set forth in Section 7.1 of the Indenture.

“Interest Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Fund” means the fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Payment Date” means each July 1 and January 1, commencing, January 1, 2027*, so long as any Obligations are Outstanding.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys who or which (except as otherwise expressly provided in the Indenture or in the Purchase Agreement) may be counsel for the City or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

“Outstanding” means when used with reference to the Obligations, as of any date of determination, all Obligations theretofore executed and delivered except:

- (i) Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Obligations that are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the City for redemption thereof;
- (iii) Obligations in lieu of which other Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Obligation is held by a bona fide purchaser; and

* *Subject to change.*

(iv) For purposes of any consent or other action to be taken under the Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Obligations, Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with any of them.

When used with reference to Additional Obligations, “Outstanding” shall have the meaning assigned to such term in the corresponding, applicable Additional Obligation Documents which shall be as similar as possible to such definition in the Indenture.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of all Outstanding Obligations and Additional Obligations to fall due and payable in the current or any future Bond Year.

“Principal Requirement” means (i) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (ii) with respect to any Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to the Additional Obligations. In computing the Principal Requirement for such Additional Obligations, an amount of such Additional Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Additional Obligations maturing on the scheduled maturity date. In the case of Additional Obligations supported by a Credit Facility, the Principal Requirement for such Additional Obligations shall be determined in accordance with the principal retirement schedule specified in the Additional Obligation Documents authorizing the incurrence of such Additional Obligations, rather than any amortization schedule set forth in such Credit Facility unless payments under such Additional Obligations shall be in default at the time of the determination, in which case the Principal Requirements for such Additional Obligations shall be determined in accordance with the amortization schedule set forth in such Credit Facility.

“Paying Agent” means the banks or trust companies and their successors designated as the paying agencies or places of payment for the Obligations. The Trustee is designated as the initial Paying Agent for the Obligations.

“Permitted Investments” means any investment permitted by Section 35-323, Arizona Revised Statutes, as amended, or any successor provision thereto.

“Person” shall include an individual, an association, unincorporated organization, a corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Principal Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Principal Installment” means, for any particular date, the aggregate of the principal amount of Obligations that are due on such date.

“Purchase Event of Default” means one of the events defined as such in Section 7.1 of the Purchase Agreement.

“Purchase Price” means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Indenture from amounts to be paid by or on behalf of the City as the purchase price for the Projects.

“Special Counsel” means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Counsel’s Opinion” means an opinion signed by Special Counsel.

“Variable Rate Obligations” means any Additional Obligations which may, in the future, bear interest at rates which cannot be determined with specificity on their original incurrence.

* * * * *

The Purchase Agreement

Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds to finance the costs of the acquisition, construction and improvement of the 2026 Projects and the refunding of the Obligations Being Refunded as a result of the acquisition of the Refinanced Projects, the Obligations shall be executed and delivered under the Indenture.

Section 2.2. Improvements Fund.

(a) The City shall establish and maintain a separate fund known as the “*Improvements Fund*,” which shall be funded from amounts transferred to the City by the Trustee pursuant to the Indenture. Moneys in the Improvements Fund shall be disbursed by the City for the following purposes and for no other purposes:

(i) to the extent not paid by the Trustee from the Costs of Issuance Fund established under the Indenture, the costs described in the Indenture;

(ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, improvement and construction of the 2026 Projects, and all real and personal property deemed necessary in connection with the 2026 Projects and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the 2026 Projects advanced prior to the execution and delivery of the Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the 2026A Obligations during the acquisition, construction and improvement of the 2026 Projects.

(b) Before any of the foregoing payments may be made, the City shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund; (ii) each item for which payment is proposed to be made is or was necessary in connection with the 2026 Projects; and (iii) each item for which payment is proposed to be made is for a purpose permitted by the Purchase Agreement.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4, the City may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The City shall notify the Trustee of the completion date of the 2026 Projects by delivery of a certificate signed by the City Representative stating that (i) acquisition, construction and improvement of the 2026 Projects has been completed, and (ii) all obligations and costs in connection with the 2026 Projects and payable out of the Improvements Fund have been paid and discharged, except for amounts retained by the City for payment of costs of the 2026 Projects not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the 2026 Projects shall be transferred by the City to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

* * * * *

Section 3.3. Amounts Payable After Execution and Delivery of Obligations. After providing for any amounts due pursuant to Section 2.4(c) of the Purchase Agreement, the Pledged Revenues received pursuant to Section 4.1 of the Purchase Agreement shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, during the preceding month in the account to which such payment is to be deposited:

(i) Fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) The payments on the dates and in the amounts set forth in the Schedules attached to the Purchase Agreement for deposit to the Interest Account and/or the Principal Account, as applicable.

In the event the City should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the City, payable solely from the Pledged Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Obligations, from the date said payment was to be made to the date of payment by the City until paid. The Purchase Agreement shall be deemed and construed to be a “net purchase agreement,” and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

* * * * *

Section 4.1. Limitation of Source of City Payments.

(a) The Purchase Agreement is a limited, special obligation of the City, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the City pursuant to Section 3.3 of the Purchase Agreement (or under any other section of the Purchase Agreement) shall be payable solely from the Pledged Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the Mayor and Council of the City, from paying such amounts from other moneys of the City. Under no circumstances shall amounts paid under the Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the City hereunder (except the Pledged Revenues) shall never constitute a general obligation of the City or a pledge of *ad valorem* property taxes by the City.

(c) Pursuant to the Purchase Agreement, the City pledges and shall raise and apply the Pledged Revenues in such amounts and in such manner as required in the Purchase Agreement to make the payments required to be made by the City under the Purchase Agreement and covenants to make said payments from the Pledged Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Obligations. All of the Pledged Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere herein to incur the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Pledged Revenues and other moneys and investments pledged under the Purchase Agreement or under the Indenture. After the application of the Pledged Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

* * * * *

Section 4.3. Prior Lien Obligations. The City shall not incur any obligations payable from the Pledged Revenues ranking prior to the obligations of the City under the Purchase Agreement.

* * * * *

Section 5.1. Utilities; Maintenance of the Wastewater System in Good Condition; Repair and Replacement Fund. All maintenance and repair of the Projects and utilities therefor shall be the responsibility of the City. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Projects.) The City shall (a) maintain the Wastewater System in good condition, (b) operate the same in a proper and economical manner and at reasonable cost, and (c) faithfully and punctually perform all duties with reference to the Wastewater System required by the Constitution and laws of the State.

Section 5.2. Insurance. The City shall maintain insurance on the Wastewater System (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, including repairing the Wastewater System. Self-insurance may be maintained for the Wastewater System either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) the City's risk manager or other appropriate officer of the City reviews any such program every five years to confirm that such program is adequate and actuarially sound. All proceeds of any condemnation awards with respect to the Wastewater System shall be deposited with the Trustee and applied to the *pro rata* payment of the Obligations.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The City shall not sell, lease, encumber or in any manner dispose of the Wastewater System as a whole until all of the Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a part of the Wastewater System in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the Wastewater System, (b) such property is not useful in the operation of the Wastewater System, (c) such property is not profitable in the operation of the Wastewater System or (d) the disposition of such property will be advantageous to the Wastewater System and will not adversely affect the security for the Holders of the Obligations. In addition, the City may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the Wastewater System if there is filed with the City Clerk a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Pledged Revenues to be received in the full Fiscal Year next succeeding such sale to an amount less 120% of Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale; and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Obligations then Outstanding.

(c) The City may sell or otherwise transfer the Wastewater System as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the Wastewater System on behalf of the public, and that undertakes in writing, filed with the City Clerk, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the City Clerk (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Obligations (which opinion may be based on the Consultant's report described in clause (2), below), and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee, and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Pledged Revenues to the extent that in the full Fiscal Year next succeeding such transfer the Pledged Revenues will be less than 120% of Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the Wastewater System in connection with the issuance of any Additional Obligations to finance additional improvements to the Wastewater System or refinance the Obligations or any Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the Wastewater System.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The City shall diligently enforce payment of all bills for services supplied by the Wastewater System. If a bill becomes delinquent and remains so for a period to be determined in accordance with City policy from time to time, the City shall discontinue service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for payment satisfactory to the City shall have been made. The City shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the Wastewater System.

(b) No free service shall be furnished by the Wastewater System to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the City and its various departments by the Wastewater System shall be charged against the City and will be paid for as the service occurs from the City's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the Wastewater System.

Section 5.7. No Competing Wastewater System. The City shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing system within, in whole or in part, the service areas of the Wastewater System.

* * * * *

Section 7.1. Purchase Events of Default. Any one or more of the following events ("Purchase Events of Default") shall constitute a default under the Purchase Agreement:

(a) The City shall fail to make any payment when due under Section 3.3(ii) of the Purchase Agreement; or

(b) The City shall fail to make any payment under Section 3.3(i) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the City by the Seller or by the Trustee; or

(c) The City shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the City by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the City diligently tries to remedy the same, which it shall certify in writing to the Trustee; or

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

Section 7.2. Remedies on Default by City. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, however under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee,

any court having jurisdiction of the action may appoint a receiver to administer the Wastewater System for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

* * * * *

Section 8.12. Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Purchase Agreement and that provides that the City may within three years after its execution cancel any contract (including the Purchase Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

The Indenture

Granting Clauses. Pursuant to the Indenture, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and

C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All Obligations Equally and Ratably Secured; Obligations Not General Obligations of the City. All of the Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Obligations, so that all Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture and shall all be equally and ratably secured by the Indenture. The Obligations shall be payable solely out of the revenues and other security pledged by the Indenture and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Principal Account.)

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

(i) Amounts in the Interest Account shall be used to pay interest on the Obligations as it becomes due.

(ii) Amounts in the Principal Account shall be used to retire Obligations by payment at their scheduled maturity date or redemption date.

* * * * *

Section 5.6. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the City Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall hold such funds uninvested in cash.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

* * * * *

Section 7.1. Events of Default. Each of the following is declared an “Indenture Event of Default” under the Indenture:

(a) If payment of any installment of interest on any Obligation is not made in full when the same becomes due and payable;

(b) If payment of the principal of any Obligation is not made in full when the same becomes due and payable;

(c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of all or any part of the interests pledged under the Indenture and such custody or control continues for more than 60 days;

(d) If the City defaults in the due and punctual performance of any other covenants, conditions, agreements or provisions on its part to be performed as provided in the Indenture or in the Obligations and such default

continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action, and certify as such to the Trustee and such failure does not continue for a period of more than 60 days; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Obligations then Outstanding; or

- (e) If any event of default provided by Section 7.1 of the Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Indenture and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than a majority in principal amount of the Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Indenture and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the Indenture or for damages for the breach of the Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, other than because of optional redemption pursuant to the Indenture and then only to the extent of the amount to be so redeemed amounts due under the Indenture.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Indenture Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the Obligation Fund, and all amounts held by the Trustee under the Indenture shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

- First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Obligations); and
- Second: To the payment of the unpaid Principal Installments or redemption price that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Obligations to be paid

on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

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Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Indenture except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Indenture upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture; and

(ii) Such Holders have offered to indemnify the Trustee as provided in Section 8.2(v) of the Indenture; and

(iii) The Trustee has failed or refused to exercise the duties or powers granted in the Indenture for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of Obligations then Outstanding.

(b) No one or more Holders of Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Holders of all Obligations Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Obligation (i) to receive payment of the principal of or interest on such Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of Obligations.

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Indenture Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) In case of any waiver by the Trustee of an Indenture Event of Default under the Indenture, the City, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Indenture Event of Default. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Indenture Event of Default in accordance with this Section.

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

(a) Except during the continuance of an Indenture Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture or the Purchase Agreement on their face.

(b) In case an Indenture Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence, willful misconduct or breach of trust by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any associate or senior associate, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture and

(iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the City for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 of the Indenture:

* * * * *

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture unless such Holders shall have offered to the Trustee satisfactory security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply, at the expense of the City, to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the City shall be entitled to appoint a successor Trustee acceptable to the City.

(d) If the Holders of a majority of the principal amount of Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

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Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and, together with the Trustee's officers, directors, agents and employees, to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of the trust or its duties under the Indenture.

* * * * *

Section 9.1. Supplements Not Requiring Consent of Holders. The City acting through the City Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Indenture for one or more of the following purposes:

- (i) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel, which may be counsel to the City, delivered to the Trustee, not materially adversely affect the interests of the Holders;
- (ii) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (iii) to secure additional revenues or provide additional security or reserves for payment of the Obligations and necessary, related provisions therefor;
- (iv) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;
- (v) to provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;
- (vi) to permit Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;
- (vii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to the Obligations) the interest on which is likewise exempt from federal and State income taxes;
- (viii) to adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the City; and
- (ix) to provide for additions or modifications to the Projects.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Indenture referred to in Section 9.1 of the Indenture and subject to the terms and provisions and limitations contained in the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, nothing in this Section or Section 9.1 of the Indenture shall permit or be construed as permitting a supplement to the Indenture that would:

- (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or rate of interest payable on any Obligation without the consent of the Holder of such Obligation;
- (ii) prefer or give a priority to any Obligation over any other Obligation without the consent of the Holder of such Obligation;

(iii) reduce the principal amount of Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all Obligations then Outstanding;

(iv) increase the principal amount of Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d) of the Indenture, without the consent of the Holders of all Obligations then Outstanding; or

(v) reduce the redemption price of any Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Indenture without the consent of the Holder of such Obligation.

(b) If at any time the City requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Obligations then Outstanding at their addresses as they appear on the registration books for the Obligations. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall be prepared by the City, briefly set forth the nature of the proposed supplement and state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; and (iii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel, which may be counsel to the City, stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement and, if applicable, will not materially adversely affect the interests of the Holders.

Section 9.5. Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms, provisions and limitations contained in the Indenture and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Obligations then Outstanding.

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the Obligations in accordance with their terms and as provided in the Indenture and in the Purchase Agreement is made, or is provided for in accordance with Article 10 of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Obligations, to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

(b) The City may at any time surrender to the Trustee for cancellation any Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate of an independent nationally recognized certified public accountant or firm of such accountants, to pay when due the principal or redemption price of and interest on such Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such Obligations solely for the purpose of paying the principal or redemption price of and interest on such Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of an Obligation so provided for.

(d) Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Indenture. The obligation in respect of such Obligations shall nevertheless continue but the Holders of those Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such Obligations.

(e) No Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of Obligation is made, the interest payable on any Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Indenture and which provides that the City may within three years after its execution cancel any contract (including the Indenture) without penalty or further obligation made by the City if any person significantly involved in initiating,

negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

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FORM OF CONTINUING DISCLOSURE UNDERTAKING

CITY OF AVONDALE, ARIZONA \$46,750,000* WASTEWATER SYSTEM REVENUE OBLIGATIONS, SERIES 2026A	\$4,435,000* WASTEWATER SYSTEM REVENUE REFUNDING OBLIGATIONS, SERIES 2026B
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CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Avondale, Arizona (the “*City*”), in connection with the execution and delivery of \$46,750,000* principal amount of Wastewater System Revenue Obligations, Series 2026A (the “*2026A Obligations*”) and \$4,435,000* principal amount of Wastewater System Revenue Refunding Obligations, Series 2026B (the “*2026B Obligations*”) and, collectively with the 2026A Obligations, the “*Obligations*”). The Obligations are being executed and delivered pursuant to the Series 2026 Wastewater Revenue Obligation Indenture, dated as of June 1, 2026* (the “*Indenture*”), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated _____, 2026.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

* *Subject to change.*

“GAAP” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“Listed Event” means the occurrence of events set forth in Exhibit II.

“Listed Events Disclosure” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

“Purchase Agreement” means the Series 2026 Wastewater Revenue Purchase Agreement, dated as of June 1, 2026*, by and between the City and the Trustee, in its separate capacity as “Seller.”

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. CUSIP Number. The CUSIP numbers of the Obligations are as follows:

CUSIP (Base No. _____)	Maturity Date (July 1)
----------------------------	---------------------------

2026A Obligations

2026B Obligations

4. Annual Financial Information Disclosure. The City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. The City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

* *Subject to change.*

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Indenture, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Indenture at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Indenture.

9. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the

Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

CITY OF AVONDALE, ARIZONA

By.....
Mayor

ATTEST:

.....
Clerk

APPROVED AS TO FORM:

.....
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement in “HISTORICAL AND PROJECTED PLEDGED REVENUES AND DEBT SERVICE COVERAGE” and TABLES A-3 “Schedule of Wastewater Sales Revenue – Wastewater System,” A-4 “Other Fees and Charges – Wastewater System,” A-5 “Schedule of Wastewater System Customers – Wastewater System” and A-6 “Schedule of Ten Largest Customers for Fiscal Year 2025/26 – Wastewater System” (in each case, actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2027. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the

alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to a remarketing agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to a remarketing agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to a remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Municipal Advisor, the Underwriter or their agents and counsel take responsibility for the accuracy thereof.

Avondale

Aspiring. Achieving. Accelerating.



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