

CITY OF SOMERTON, ARIZONA



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

WITH REPORT OF

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SOMERTON, ARIZONA
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CITY OF SOMERTON, ARIZONA

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FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Somerton, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Somerton, Arizona, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Somerton, Arizona's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Somerton, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the City of Somerton, 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.

Responsibilities of Management for the Financial Statements

The City of Somerton, Arizona's 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 of Somerton, Arizona's

ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 of Somerton, Arizona'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 of Somerton, Arizona's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison 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 of Somerton, Arizona's basic financial statements. The budgetary comparison information for the major funds, the combining and individual nonmajor fund financial statements, and the schedule of capital assets, as listed in the table of contents, 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for the major funds, the combining and individual nonmajor fund financial statements, the schedule of capital assets, statistical section and other supplementary schedules, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2026 on our consideration of the City of Somerton, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Somerton, Arizona's internal control over financial reporting and compliance.



Squire & Company, PC
Mesa, Arizona
May 5, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Somerton, 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. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows exceed total liabilities plus deferred inflows (net position) by \$45,031,766 at the close of the fiscal year.
- Total net position increased by \$1,800,216 in fiscal year 2025.
- Governmental activities revenues exceeded expenses by \$2,469,903.
- Business-type expenses exceeded total business-type revenues by \$669,687.
- Total revenues from all sources were \$26,450,955.
- The total cost of all City programs was \$24,650,739.
- The General Fund reported a net income of \$2,454,668.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,403,361 which is 39.21% of total General Fund expenditures, excluding transfers.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

- Government activities – All of the City’s basic services are considered to be governmental activities, including general government, public safety, judicial, public works, recreation, community support and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided.
- The government-wide financial statements include not only the City’s itself (known as the primary government), but also a legally separate Industrial Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Reporting the City’s Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets plus deferred outflows exceed liabilities plus deferred inflows by \$45,031,766 as of June 30, 2025 as shown in the following condensed statement of net position. The City has chosen to account for its water, sewer and sanitation operations in separate enterprise funds which are combined as Business Activities in this condensed statement.

City of Somerton Statements of Net Position

	Governmental activities		Business-type activities		Combined Total	
	06/30/25	(Restated) 06/30/24	06/30/25	06/30/24	06/30/25	(Restated) 06/30/24
Current and other assets	\$ 11,411,027	\$ 11,587,613	\$ 3,929,045	\$ 4,252,945	\$ 15,340,072	\$ 15,840,558
Capital assets	28,159,343	28,937,765	29,090,262	30,468,221	57,249,605	59,405,986
Total assets	39,570,370	40,525,378	33,019,307	34,721,166	72,589,677	75,246,544
Deferred outflows of resources	3,115,798	2,333,125	326,048	235,878	3,441,846	2,569,003
Long-term liabilities outstanding	18,504,626	18,331,108	9,092,465	9,451,648	27,597,091	27,782,756
Other liabilities	994,290	3,765,158	555,255	1,137,401	1,549,545	4,902,559
Total liabilities	19,498,916	22,096,266	9,647,720	10,589,049	29,146,636	32,685,315
Deferred inflows of resources	1,704,420	1,749,308	148,701	149,374	1,853,121	1,898,682
Net position:						
Net investment in capital assets	20,505,711	20,073,083	21,572,052	22,571,296	42,077,763	42,644,379
Restricted	1,478,032	1,232,432	3,164,245	2,825,436	4,642,277	4,057,868
Unrestricted	(500,911)	(2,292,586)	(1,187,363)	(1,178,111)	(1,688,274)	(3,470,697)
Total net position	\$ 21,482,832	\$ 19,012,929	\$ 23,548,934	\$ 24,218,621	\$ 45,031,766	\$ 43,231,550

Governmental Activities

The cost of all Governmental activities this year was \$18,324,797 an increase of \$1,527,080 over last fiscal year. This is primarily due to an increase in public safety. As shown on the Statement of Changes in Net Position on the following page, \$3,163,501 of this cost was paid for by those who directly benefited from the programs; \$5,075,076 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$8,238,577. General revenues including taxes and investment earnings totaled \$12,556,123.

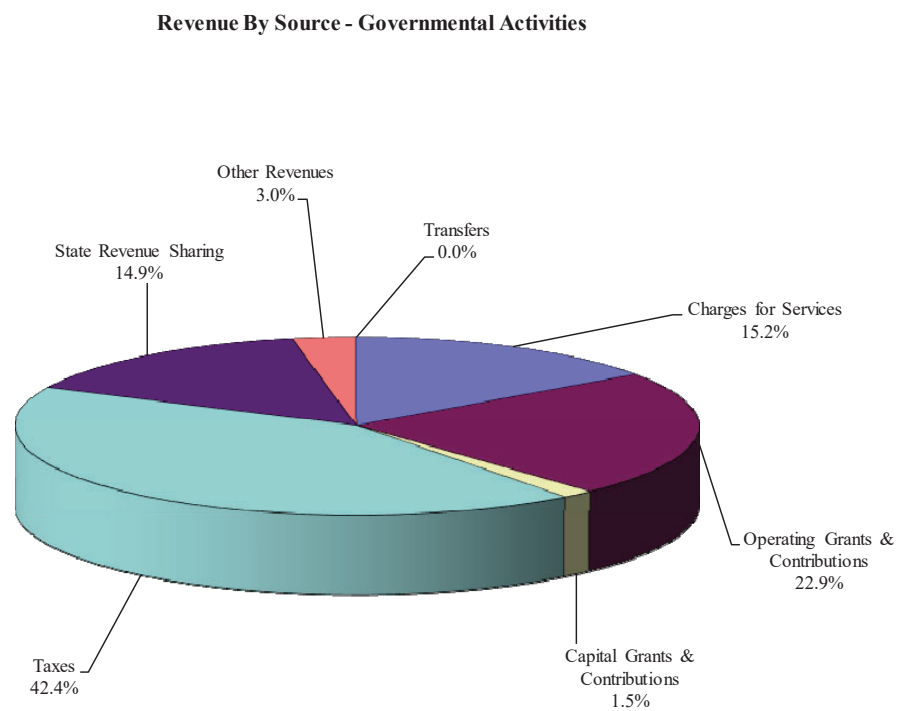
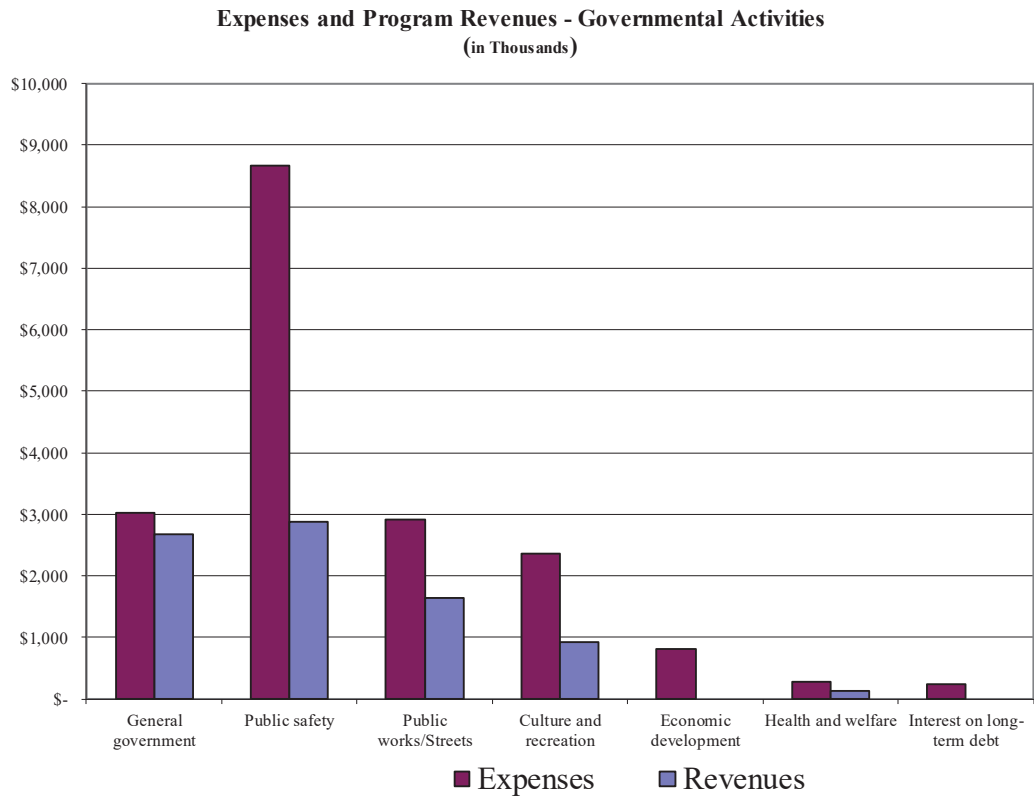
The City's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, Economic Development, Health and Welfare, and Water, Sewer and Sanitation Services. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost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

City of Somerton
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	06/30/25	(Restated) 06/30/24	06/30/25	06/30/24	06/30/25	(Restated) 06/30/24
Revenues:						
Program revenues:						
Charges for services	\$ 3,163,501	\$ 3,534,691	\$ 5,285,434	\$ 5,059,774	\$ 8,448,935	\$ 8,594,465
Operating grants and contributions	4,761,592	5,153,836	-	-	4,761,592	5,153,836
Capital grants and contributions	313,484	952,062	304,168	433,070	617,652	1,385,132
General revenues:						
Taxes	8,824,433	7,979,883	-	-	8,824,433	7,979,883
State revenue sharing	3,104,551	3,846,087	-	-	3,104,551	3,846,087
Other revenue/(expense)	627,139	151,562	66,653	68,703	693,792	220,265
Total revenues	<u>20,794,700</u>	<u>21,618,121</u>	<u>5,656,255</u>	<u>5,561,547</u>	<u>26,450,955</u>	<u>27,179,668</u>
Expenses:						
General government	3,034,129	2,661,787	-	-	3,034,129	2,661,787
Public safety	8,674,764	7,221,779	-	-	8,674,764	7,221,779
Public works/Streets	2,923,311	3,155,339	-	-	2,923,311	3,155,339
Culture and recreation	2,355,411	2,388,973	-	-	2,355,411	2,388,973
Economic development	804,820	796,683	-	-	804,820	796,683
Health and welfare	286,468	289,006	-	-	286,468	289,006
Interest on long-term debt	245,894	284,150	-	-	245,894	284,150
Water	-	-	2,365,303	2,266,118	2,365,303	2,266,118
Sewer	-	-	2,965,693	2,862,238	2,965,693	2,862,238
Sanitation	-	-	994,946	979,722	994,946	979,722
Total expenses	<u>18,324,797</u>	<u>16,797,717</u>	<u>6,325,942</u>	<u>6,108,078</u>	<u>24,650,739</u>	<u>22,905,795</u>
(Decrease) / Increase in net position before transfers	2,469,903	4,820,404	(669,687)	(546,531)	1,800,216	4,273,873
Transfers	-	(2,393,526)	-	2,393,526	-	-
(Decrease) / Increase in net position	2,469,903	2,426,878	(669,687)	1,846,995	1,800,216	4,273,873
Net position, beginning	19,012,929	16,586,051	24,218,621	22,371,626	43,231,550	38,957,677
Net position, ending	<u>\$ 21,482,832</u>	<u>\$ 19,012,929</u>	<u>\$ 23,548,934</u>	<u>\$ 24,218,621</u>	<u>\$ 45,031,766</u>	<u>\$ 43,231,550</u>

Total resources available during the year to finance governmental operations were \$39,807,629 consisting of net position at July 1, 2024 of \$19,012,929 program revenues of \$8,238,577 and general revenues of \$12,556,123. Total governmental activities expended during the year were \$18,324,797, thus governmental net position increased by \$2,469,903 to \$21,482,832.

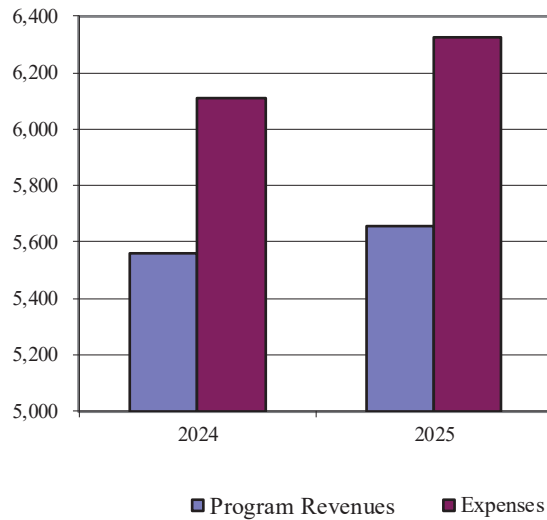
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.



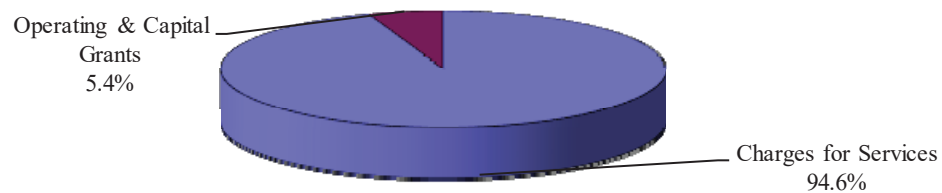
Business Type Activities

Net position of the business type activities at June 30, 2025, as reflected in the Statement of Net Position was \$23,548,934. The cost of providing all Proprietary (Business Type) activities this year was \$6,325,942. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$5,285,434 and there was \$304,168 subsidized by capital grants and contributions. Interest earnings were \$66,653. The net position decreased by \$669,687.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Somerton's governmental funds reported combined ending fund balances of \$8,610,005, an increase of \$2,454,668 in comparison with the prior year. Approximately, 62.8% of this total amount or \$5,403,361 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned to be used 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Somerton. At the end of the current fiscal year, unassigned fund balance in the general fund was \$5,403,361, while total fund balance is \$6,787,932. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39.21% of total general fund expenditures, while total fund balance represents 49.26% of the same amount.

During the year, the City of Somerton's general fund balance increased by \$2,454,668.

During the year the City of Somerton's highway user revenue fund balance decreased by \$160,765.

General Fund Budgetary Highlights

The final appropriations for the General Fund expenditures at year-end were \$2,011,565 greater than actual expenditures. The budget to actual variance in appropriations was principally due to estimates of anticipated expenditures for general government, public safety, culture and recreation, and economic development more than what was actually expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2025, net capital assets of the government activities totaled \$28,159,343 and the net capital assets of the business-type activities totaled \$29,090,262. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

Long Term Obligations

At year-end, the City had \$18,504,626 in governmental type obligations, and \$9,092,464 in proprietary obligations. The obligation is a liability of the government and amounts to \$1,932 per capita (2010 census: 14,287). During the current fiscal year, the City's total obligations decreased by \$185,666. (See note 8 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2025/2026, the City Council and management remained cautious as to the growth of revenues and expenditures due to anticipated variances with the City of Somerton's Tax Revenue. Overall General fund operating expenditures were budgeted conservatively.

This will be the 16th fiscal year that the City of Somerton will receive a "voter" approved property tax and keeping with the voter's desires these additional funds will be utilized in support of the debt service for city infrastructure and street improvements.

In June 2024, the City of Somerton electorate passed Resolution 2024-013 extending the alternative expenditure limitation through 2029.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Somerton, PO Box 638, 110 N. State Avenue, Somerton, AZ 85350-0638.

BASIC FINANCIAL STATEMENTS

CITY OF SOMERTON, ARIZONA
Statement of Net Position
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Assets				
Cash and cash equivalents	\$ 3,602,259	\$ 888,264	\$ 4,490,523	\$ 55,769
Receivables (net of allowance)	2,211,536	526,175	2,737,711	-
Leases receivable	906,316	-	906,316	342,159
Due from component unit	88,413	-	88,413	-
Prepaid items/inventory/refundable deposits	120,602	-	120,602	-
Internal balances	1,164,820	(1,164,820)	-	-
Temporarily restricted assets:				
Cash and cash equivalents	2,752,543	3,622,548	6,375,091	-
Net OPEB asset	564,538	56,878	621,416	-
Capital assets (net of accumulated depreciation):				
Land	3,514,428	400,662	3,915,090	80,048
Buildings	5,672,880	-	5,672,880	670,337
Improvements	1,042,109	796,685	1,838,794	55,035
System improvements	-	26,341,756	26,341,756	-
Machinery and equipment	377,051	374,618	751,669	-
Vehicles	1,500,945	1,115,591	2,616,536	-
Infrastructure/Roads	15,540,899	-	15,540,899	-
Right-to-use equipment	102,335	-	102,335	-
Construction in progress	408,696	60,950	469,646	-
Total assets	39,570,370	33,019,307	72,589,677	1,203,348
Deferred Outflows of Resources				
Deferred charge on refunding	54,410	-	54,410	-
Deferred outflows related to pensions	3,039,553	318,868	3,358,421	-
Deferred outflows related to OPEB	21,835	7,180	29,015	-
Total deferred outflows	3,115,798	326,048	3,441,846	-
Liabilities				
Accounts payable and other current liabilities	890,501	510,134	1,400,635	-
Due to primary government	-	-	-	88,413
Interest payable	103,789	45,121	148,910	-
Noncurrent liabilities:				
Due within one year	1,583,988	910,098	2,494,086	-
Due in more than one year	6,587,086	6,682,273	13,269,359	-
Net pension liability	10,333,006	1,499,849	11,832,855	-
Net OPEB liability	546	245	791	-
Total liabilities	19,498,916	9,647,720	29,146,636	88,413
Deferred Inflows of Resources				
Deferred inflows related to pensions	710,857	125,985	836,842	-
Deferred inflows related to OPEB	151,303	22,716	174,019	-
Deferred inflows related to leases	842,260	-	842,260	331,964
Total deferred inflows of resources	1,704,420	148,701	1,853,121	331,964
Net Position				
Net investment in capital assets	20,505,711	21,572,052	42,077,763	750,385
Restricted for:				
Highways and streets	110,076	-	110,076	-
Debt service	-	1,703,976	1,703,976	-
Capital projects and other	1,367,956	1,460,269	2,828,225	-
Unrestricted	(500,911)	(1,187,363)	(1,688,274)	32,586
Total net position	\$ 21,482,832	\$ 23,548,934	\$ 45,031,766	\$ 782,971

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

CITY OF SOMERTON, ARIZONA
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Industrial Development Authority
Primary government:								
Governmental activities:								
General government	\$ 3,034,129	\$ 448,096	\$ 2,222,226	\$ -	\$ (363,807)	\$ -	\$ (363,807)	\$ -
Public safety	8,674,764	1,989,495	889,057	-	(5,796,212)	-	(5,796,212)	-
Public works/Streets	2,923,311	116,175	1,523,083	-	(1,284,053)	-	(1,284,053)	-
Culture and recreation	2,355,411	609,735	-	313,484	(1,432,192)	-	(1,432,192)	-
Economic development	804,820	-	-	-	(804,820)	-	(804,820)	-
Health and welfare	286,468	-	127,226	-	(159,242)	-	(159,242)	-
Interest on long-term debt	245,894	-	-	-	(245,894)	-	(245,894)	-
Total governmental activities	18,324,797	3,163,501	4,761,592	313,484	(10,086,220)	-	(10,086,220)	-
Business-type activities:								
Water	2,365,303	1,718,968	-	107,981	-	(538,354)	(538,354)	-
Sewer	2,965,693	2,682,028	-	196,187	-	(87,478)	(87,478)	-
Sanitation	994,946	884,438	-	-	-	(110,508)	(110,508)	-
Total business-type activities	6,325,942	5,285,434	-	304,168	-	(736,340)	(736,340)	-
Total primary government	\$ 24,650,739	\$ 8,448,935	\$ 4,761,592	\$ 617,652	(10,086,220)	(736,340)	(10,822,560)	-
Component unit:								
Industrial Development Authority	\$ 118,635	\$ 161,720	\$ -	\$ -	-	-	-	43,085
Total component unit	\$ 118,635	\$ 161,720	\$ -	\$ -	-	-	-	43,085
General Revenues:								
Taxes:								
City sales tax					4,526,544	-	4,526,544	-
State sales tax					2,242,419	-	2,242,419	-
Property tax					914,201	-	914,201	-
Auto lieu tax					886,470	-	886,470	-
Franchise tax					254,799	-	254,799	-
State income taxes - revenue sharing (unrestricted)					3,104,551	-	3,104,551	-
Unrestricted investment earnings					136,929	66,653	203,582	-
Gain on the sale of capital assets					490,210	-	490,210	-
Total general revenues & transfers					12,556,123	66,653	12,622,776	-
Change in net position					2,469,903	(669,687)	1,800,216	43,085
Net position - beginning, as previously reported					18,713,093	24,218,621	42,931,714	739,886
Restatement adjustment for error correction					299,836	-	299,836	-
Net position - beginning, as adjusted					19,012,929	24,218,621	43,231,550	739,886
Net position - ending					\$ 21,482,832	\$ 23,548,934	\$ 45,031,766	\$ 782,971

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

CITY OF SOMERTON, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2025

Assets	General	Non-major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 3,120,133	\$ 482,126	\$ 3,602,259
Receivables:			
Other	914	119	1,033
Ambulance	657,865	-	657,865
Intergovernmental	1,286,884	265,754	1,552,638
Lease receivable	906,316	-	906,316
Due from other funds	1,226,708	-	1,226,708
Due from component unit	-	88,413	88,413
Inventories	-	4,281	4,281
Prepaid items	116,321	-	116,321
Restricted cash and investments	1,310,165	1,442,378	2,752,543
Total assets	\$ 8,625,306	\$ 2,283,071	\$ 10,908,377
Liabilities, Deferred Inflows, and Fund Balances			
Liabilities:			
Accounts payable	\$ 262,734	\$ 397,414	\$ 660,148
Accrued wages and benefits	17,922	1,696	19,618
Accrued liabilities	200,735	-	200,735
Customer deposits	10,000	-	10,000
Due to other funds	-	61,888	61,888
Total liabilities	491,391	460,998	952,389
Deferred Inflows of Resources:			
Unavailable revenue - grants	50	-	50
Unavailable revenue - ambulance	503,673	-	503,673
Deferred inflows related to leases	842,260	-	842,260
Total deferred inflows	1,345,983	-	1,345,983
Fund Balances:			
Nonspendable:			
Prepays	116,321	-	116,321
Inventory	-	4,281	4,281
Restricted for:			
General government	-	52,367	52,367
Public works/streets	-	105,795	105,795
Public safety	-	47,339	47,339
Parks & recreation	45,161	-	45,161
Capital outlay	1,223,089	194,643	1,417,732
Assigned to:			
Debt service	-	1,417,648	1,417,648
Unassigned:	5,403,361	-	5,403,361
Total fund balances	6,787,932	1,822,073	8,610,005
Total Liabilities, deferred inflows, and fund balances	\$ 8,625,306	\$ 2,283,071	\$ 10,908,377

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

CITY OF SOMERTON, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
For the Year Ended June 30, 2025

Total fund balances - governmental funds		\$	8,610,005
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Governmental capital assets	\$	58,384,604	
Accumulated depreciation		<u>(30,225,261)</u>	28,159,343
Net OPEB asset is not an available resource and, therefore is not reported in the funds			
			564,538
Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenue in the funds.			
			503,723
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Financed purchases payable	\$	(76,737)	
Bonds payable		(7,540,000)	
Add: Issuance premium		(25,546)	
Less: Deferred charge on refunding		54,410	
Lease payable		(65,759)	
Interest Payable		(103,789)	
Net pension liability		(10,333,006)	
Net OPEB Liability		(546)	
Compensated absences		<u>(463,032)</u>	(18,554,005)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.			
Deferred outflows		3,039,553	
Deferred inflows		<u>(710,857)</u>	2,328,696
Deferred outflows and inflows of resources related to OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.			
Deferred outflows		21,835	
Deferred inflows		<u>(151,303)</u>	<u>(129,468)</u>
Total net position - governmental activities		\$	<u><u>21,482,832</u></u>

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

CITY OF SOMERTON, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

REVENUES	General	Non-major Funds	Total Governmental Funds
Taxes	\$ 6,032,198	\$ -	\$ 6,032,198
Licenses, permits and fees	508,534	-	508,534
Intergovernmental revenue	9,046,914	2,120,309	11,167,223
Charges for services	1,969,473	-	1,969,473
Fines and forfeitures	99,912	1,361	101,273
Interest	98,617	38,312	136,929
Other revenues	101,124	30,944	132,068
Total revenues	<u>17,856,772</u>	<u>2,190,926</u>	<u>20,047,698</u>
EXPENDITURES			
Current:			
General government	2,827,059	-	2,827,059
Public safety	7,464,779	187,147	7,651,926
Public works/streets	265,253	1,142,872	1,408,125
Culture and recreation	2,197,173	-	2,197,173
Economic development	801,415	-	801,415
Health and welfare	-	250,795	250,795
Capital outlay	223,536	1,541,829	1,765,365
Debt service	-	1,457,030	1,457,030
Total expenditures	<u>13,779,215</u>	<u>4,579,673</u>	<u>18,358,888</u>
Excess of revenues over (under) expenditures	<u>4,077,557</u>	<u>(2,388,747)</u>	<u>1,688,810</u>
Other Financing Sources (Uses):			
Sale of capital assets	605,093	-	605,093
Transfers out	(2,227,982)	(169,081)	(2,397,063)
Transfers in	-	2,397,063	2,397,063
Total other financing sources (uses)	<u>(1,622,889)</u>	<u>2,227,982</u>	<u>605,093</u>
Net change in fund balances	2,454,668	(160,765)	2,293,903
Fund balance, beginning of year as previously reported	4,513,044	1,982,838	6,495,882
Restatement adjustment for error correction	(179,780)	-	(179,780)
Fund balance, beginning as restated	<u>4,333,264</u>	<u>1,982,838</u>	<u>6,316,102</u>
Fund balance, end of year	<u>\$ 6,787,932</u>	<u>\$ 1,822,073</u>	<u>\$ 8,610,005</u>

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

CITY OF SOMERTON, 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

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

Net change in fund balances - total governmental funds	\$	2,293,903
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		256,792
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	\$	1,751,272
Depreciation expense	<u>(2,414,811)</u>	(663,539)
Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain or loss on the sale of capital assets is reported net of its net book value.		(114,883)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,211,050
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Pension contributions	1,409,038	
Pension expense	<u>(2,009,334)</u>	(600,296)
OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net OPEB liability is measured a year before the City's report date. OPEB expense, which is the change in the net OPEB liability adjusted for changes in deferred outflows and inflows of resources related to OPEB, is reported in the Statement of Activities.		
OPEB contributions	6,590	
OPEB expense	<u>93,952</u>	100,542
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(41,641)
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.		27,975
Change in net position of governmental activities	<u>\$</u>	<u>2,469,903</u>

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

CITY OF SOMERTON, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2025

Assets	Water	Sewer	Sanitation	Total
Current assets:				
Cash	\$ -	\$ 888,264	\$ -	\$ 888,264
Receivables (net of allowance)	270,742	176,888	64,455	512,085
Due from other governments	3,754	10,336	-	14,090
Total current assets	274,496	1,075,488	64,455	1,414,439
Noncurrent assets:				
Restricted cash and investments	912,075	2,662,031	48,442	3,622,548
Net OPEB asset	22,922	22,968	10,988	56,878
Land	-	400,662	-	400,662
Buildings	33,710	-	-	33,710
Improvements other than buildings	1,373,587	823,798	126,616	2,324,001
Treatment facilities	2,409,234	18,154,130	-	20,563,364
Water distribution system	20,731,892	-	-	20,731,892
Sewer collection system	-	13,213,924	-	13,213,924
Machinery and equipment	142,737	793,806	95,437	1,031,980
Vehicles	145,635	1,083,251	1,849,806	3,078,692
Construction in progress	-	60,950	-	60,950
Accumulated depreciation	(13,269,215)	(17,717,946)	(1,361,752)	(32,348,913)
Total noncurrent assets	12,502,577	19,497,574	769,537	32,769,688
Total Assets	12,777,073	20,573,062	833,992	34,184,127
Deferred Outflows of Resources				
Deferred outflows related to pensions	128,505	128,763	61,600	318,868
Deferred outflows related to OPEB	2,893	2,900	1,387	7,180
Total deferred outflows of resources	131,398	131,663	62,987	326,048
Liabilities				
Current liabilities:				
Accounts payable	32,010	53,367	24,245	109,622
Accrued wages and benefits	1,405	1,525	738	3,668
Accrued liabilities	9,372	-	-	9,372
Interest payable	18,353	25,561	1,207	45,121
Customer deposits	206,121	132,909	48,442	387,472
Due to other funds	891,892	-	272,928	1,164,820
Compensated absences - current portion	21,168	17,606	20,586	59,360
Financed purchases - current portion	24,183	126,941	187,290	338,414
Notes payable - current portion	173,714	268,227	-	441,941
Bonds payable - current portion	-	70,383	-	70,383
Total current liabilities	1,378,218	696,519	555,436	2,630,173
Noncurrent liabilities:				
Compensated absences	10,557	4,244	-	14,801
Net pension liability	604,446	605,657	289,746	1,499,849
Net OPEB Liability	99	99	47	245
Financed purchases, net of current portion	-	66,070	275,242	341,312
Notes payable, net of current portion	1,283,970	5,042,190	-	6,326,160
Total noncurrent liabilities	1,899,072	5,718,260	565,035	8,182,367
Total liabilities	3,277,290	6,414,779	1,120,471	10,812,540
Deferred Inflows of Resources				
Deferred inflows related to pensions	50,773	50,874	24,338	125,985
Deferred inflows related to OPEB	9,155	9,173	4,388	22,716
Total deferred inflows of resources	59,928	60,047	28,726	148,701
Net Position				
Net investment in capital assets	10,085,713	11,238,764	247,575	21,572,052
Restricted for debt service	454,132	1,249,844	-	1,703,976
Restricted for capital outlay	251,822	1,208,447	-	1,460,269
Unrestricted	(1,220,414)	532,844	(499,793)	(1,187,363)
Total net position	\$ 9,571,253	\$ 14,229,899	\$ (252,218)	\$ 23,548,934

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

CITY OF SOMERTON, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

Operating Revenues	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Charges for services:	\$ 1,638,058	\$ 2,677,180	\$ 875,816	\$ 5,191,054
Other revenues	<u>80,910</u>	<u>4,848</u>	<u>8,622</u>	<u>94,380</u>
Total operating revenues	<u>1,718,968</u>	<u>2,682,028</u>	<u>884,438</u>	<u>5,285,434</u>
Operating Expenses				
Salaries	526,763	554,178	279,438	1,360,379
Employee benefits	152,928	209,887	89,487	452,302
Service, supplies and other	869,936	933,695	561,154	2,364,785
Depreciation	<u>777,657</u>	<u>1,135,018</u>	<u>55,095</u>	<u>1,967,770</u>
Total operating expenses	<u>2,327,284</u>	<u>2,832,778</u>	<u>985,174</u>	<u>6,145,236</u>
Operating income (loss)	<u>(608,316)</u>	<u>(150,750)</u>	<u>(100,736)</u>	<u>(859,802)</u>
Non-operating Revenues (Expenses)				
Investment earnings	17,292	49,361	-	66,653
Interest expense and fiscal charges	(38,019)	(132,915)	(9,772)	(180,706)
Grant revenues	-	31,260	-	31,260
Development fees and connection fees	<u>107,981</u>	<u>164,927</u>	<u>-</u>	<u>272,908</u>
Total non-operating revenue (expense)	<u>87,254</u>	<u>112,633</u>	<u>(9,772)</u>	<u>190,115</u>
Change in net position	(521,062)	(38,117)	(110,508)	(669,687)
Total net position, beginning of year	<u>10,092,315</u>	<u>14,268,016</u>	<u>(141,710)</u>	<u>24,218,621</u>
Total net position, end of year	<u>\$ 9,571,253</u>	<u>\$ 14,229,899</u>	<u>\$ (252,218)</u>	<u>\$ 23,548,934</u>

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

CITY OF SOMERTON, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2025

	Water	Sewer	Sanitation	Total
Cash Flows From Operating Activities:				
Cash received from customers, service fees	\$ 1,817,377	\$ 2,760,176	\$ 860,766	\$ 5,438,319
Cash received from customers, other	80,910	4,848	8,622	94,380
Cash paid to suppliers	(1,402,123)	(934,479)	(569,330)	(2,905,932)
Cash paid to employees	(758,301)	(768,636)	(402,251)	(1,929,188)
Cash flows from operating activities	(262,137)	1,061,909	(102,193)	697,579
Cash Flows From Noncapital Financing Activities:				
Interfund receivables (payables)	461,892	-	272,928	734,820
Cash flows from noncapital and related financing activities	461,892	-	272,928	734,820
Cash Flows From Capital and Related Financing Activities:				
Purchase of capital assets	-	(91,968)	(497,843)	(589,811)
Principal paid on long term debt	(192,987)	(463,797)	(71,161)	(727,945)
Interest paid	(40,158)	(133,084)	(10,531)	(183,773)
Long term debt proceeds	-	-	350,000	350,000
Grant revenues	-	31,260	-	31,260
Connection & impact fees	107,981	164,927	-	272,908
Cash flows from capital and related financing activities	(125,164)	(492,662)	(229,535)	(847,361)
Cash Flows From Investing Activities:				
Investment earnings	17,292	49,361	-	66,653
Cash flows from investing activities	17,292	49,361	-	66,653
Net change in cash and cash equivalents	91,883	618,608	(58,800)	651,691
Cash and cash equivalents, including restricted cash, beginning of year	820,192	2,931,687	107,242	3,859,121
Cash and Cash Equivalents, including restricted cash, end of year	\$ 912,075	\$ 3,550,295	\$ 48,442	\$ 4,510,812
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Net operating income/(loss)	\$ (608,316)	\$ (150,750)	\$ (100,736)	\$ (859,802)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation/amortization	777,657	1,135,018	55,095	1,967,770
Pension expense	13,128	72,849	4,805	90,782
OPEB expense	(1,612)	(3,035)	(738)	(5,385)
Employer contributions	(66,420)	(66,554)	(31,839)	(164,813)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	179,319	82,996	(15,050)	247,265
Increase/(Decrease) in payables	(532,187)	(784)	(8,176)	(541,147)
Increase/(Decrease) in accrued liabilities & deposits	(23,706)	(7,831)	(5,554)	(37,091)
Net cash flows from operating activities	\$ (262,137)	\$ 1,061,909	\$ (102,193)	\$ 697,579
Noncash investing, capital and financing activities:				
Amortization of bond issuance costs and discounts	\$ -	\$ 767	\$ -	\$ 767

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

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

Blended component unit. The City of Somerton Municipal Property Corporation's (SMPC) board of directors consists of six members which are appointed by the Somerton City Council. The SMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the government in obtaining financing for various projects of the City. The City has a "moral obligation" for the repayment of the Somerton Municipal Property Corporation's bonds. All related receivables and payables between the government and the SMPC have been eliminated. The SMPC has a June 30 year end and is reported within the governmental fund types.

Discretely presented component unit. The component unit column in the basic financial statements includes the financial data of the Somerton Industrial Development Authority (Authority). The Authority is responsible for the issuance of tax-exempt bonds for qualified projects approved by the Authority. The Authority has no more than a nine-member board of directors appointed by the City Council. The City is able to impose its will on the Authority inasmuch as the City Council elects the Authority's Board of Directors and may remove a board member without cause at any time. The accounting records of the Authority are maintained by the City and are available from the City of Somerton, 110 North State Ave., Somerton, Arizona 85258.

Basis of presentation – government-wide financial statements

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

As discussed earlier, the government has one discretely presented component unit. The Industrial Development Authority is considered to be a major component unit, and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

Basis of presentation – fund financial statements

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

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

The **water fund** accounts for the activities related to the government's water operations.

The **sewer fund** accounts for the activities related to the government's sewer operations.

The **sanitation fund** accounts for the activities related to the government's sanitation operations.

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

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Measurement focus and basis of accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures on long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the government the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

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

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Investments

The government's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Arizona State Statutes. Investments for the government are reported at fair value (generally based on quoted market prices). The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and right-to-use assets are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in Leases below). Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Building and improvements	10 to 40 years
Treatment facilities and improvements	15 to 45 years
Machinery and equipment	3 to 10 years
Right-to-use leased equipment	10 years
Vehicles	5 to 7 years
Streets, sidewalks & other infrastructure	15-40 years

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has three types of item that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second and third item is pension and OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 11 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has four types of items that qualify for reporting in this category. The first and second is pension and OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 11 for more information. The third item, which arises only under a modified accrual basis of accounting, *unavailable revenue – ambulance* and *unavailable revenue - grants*, is reported in the governmental funds balance sheet. The fourth item is lease related items reported on the government-wide financial statements and governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Postemployment benefits

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

Net position flow assumption

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

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

Fund balance policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

Leases and Subscription-Based Information Technology Arrangements

Lessee: The government is a lessee for a noncancellable leases of equipment. The government recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The government recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the government initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Key estimates and judgments related to leases include how the government determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The government uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the government generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the government is reasonably certain to exercise.

The government monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City of Somerton, Arizona is a lessor for noncancellable leases of property and commercial real estate. The government recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the government initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the government determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The government uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The government monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Revenues and expenditures/expenses

Program revenues

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

Property taxes

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

Compensated absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, and sanitation fund are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue impact fees which are assessed to recover the impact that construction has on the government's established distribution system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 1. Summary of Significant Accounting Policies, Continued

Tax abatements

The government has not entered into any tax abatement agreements and the government is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the government's tax revenues.

Use of estimates

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

New Pronouncements

For the year ended June 30, 2025, the City implemented the provisions of GASB Statement No. 101, Compensated Absences, which provides updated recognition and measurement guidance for compensated absences. Implementation of this new statement did not have a material effect on the financial statements.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation as listed in the table of contents.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation as listed in the table of contents.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and budgetary accounting

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

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

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 3. Stewardship, Compliance, and Accountability, Continued

No budget adjustments were made during the year.

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

Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the department level for the general fund and the fund level for all other funds. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports found in the required supplementary and supplementary information present all of the departments or funds which incurred expenditures/expenses over appropriations for the year ended June 30, 2025, if any.

Highway User Revenue Funds

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 4. Deposits and Investments

Deposits and investments of the government at June 30, 2025 consist of the following:

	Primary Government	Component Unit
Deposits:		
Cash on hand	\$ 2,116	\$ -
Cash in bank	5,496,374	55,769
Cash with paying agent	1,247,735	-
Investments:		
State Treasurer's Investment Pool	4,119,389	-
Total Deposits and Investments	<u>\$ 10,865,614</u>	<u>\$ 55,769</u>

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

	Primary Government	Component Unit
Cash and cash equivalents	\$ 4,490,523	\$ 55,769
Restricted cash	6,375,091	-
	<u>\$ 10,865,614</u>	<u>\$ 55,769</u>

Deposits

Custodial credit risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a formal policy for custodial credit risk. As of June 30, 2025, \$0 of the primary government and component unit's combined bank balance of \$7,085,033 was exposed to custodial credit risk because it was either fully insured or collateralized.

Investments

Investment Fund

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

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

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts,

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 4. Deposits and Investments, Continued

repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2025 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Arizona State Treasurer's Local Government Investment Pool 7	\$ 4,119,389	AA-1	.07 years
Total Fair Value	<u>\$ 4,119,389</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Interest rate risk

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

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government’s policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s and Moody’s Investor Services.

Fair value measurements

As noted above, the government holds investments that are measured at fair value on a recurring basis. The government categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer’s pool, as listed above, is valued using quoted prices that are observable for the assets (Level 2 inputs).

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 5. Restricted Assets

Restricted assets consisted of the following at June 30, 2025:

Water fund customer deposit cash reserve	\$ 206,121
Sewer fund customer deposit cash reserve	132,909
Sanitation fund customer deposit cash reserve	48,442
General Fund customer deposit cash reserves	3,000
Series 2015 Advance Refunding of GADA 2006 Bond unspent proceeds	194,643
Cash with paying agent	1,247,735
Debt Payment Fund	70,831
WIFA Wastewater Treatment Plant loan debt service reserve	327,471
WIFA Wastewater Treatment Plant loan repair and replacement fund	195,138
WIFA Wastewater Treatment Plant Expansion loan debt service reserve	145,057
WIFA Wastewater Treatment Plant Expansion loan repair and replacement	290,114
USDA Wastewater Treatment Plant Expansion loan reserve fund	102,284
WIFA Solar Project Sewer loan debt service reserve	57,578
WIFA Solar Project Sewer loan repair and replacement	92,124
WIFA Loan 910194-21	40,079
WIFA Solar Project Water loan debt service reserve	227,293
WIFA Water Meter loan debt service reserve	147,634
WIFA Mesa/Orange Grove Water Company loan debt service reserve	67,100
WIFA Loan 2021-050	12,105
Water development fees restricted for capital outlay	251,822
Sewer development fees restricted for capital outlay	1,208,447
Public Safety development fees	104,331
Streets development fees	394,616
Parks & Rec development fees	724,142
General Fund - YEPCO project	84,075
Total	<u><u>\$ 6,375,091</u></u>

Note 6. Receivables

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, highway user revenues and amounts due from the Cocopah Indian Tribe. All receivables and amounts due from other governments are considered by management to be fully collectible and therefore, no allowance for doubtful accounts is necessary.

Receivables in the proprietary fund are service billings receivable and are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on professional judgment and historical information. The allowances for doubtful accounts at June 30, 2025 were as follows:

Water Fund	\$ 209,437
Sewer Fund	137,048
Sanitation Fund	49,951
	<u><u>\$ 396,436</u></u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 7. Capital Assets

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

Governmental Activities:	Restated Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets, not being depreciated:				
Land	* \$ 3,211,225	\$ 418,086	\$ (114,883)	\$ 3,514,428
Construction in progress	1,191,002	968,472	(1,750,778)	408,696
Total capital assets, not being depreciated	4,402,227	1,386,558	(1,865,661)	3,923,124
Capital assets, being depreciated:				
Buildings	9,897,439	84,087	-	9,981,526
Improvements other than buildings	3,231,343	6,590	-	3,237,933
Furniture and equipment	3,006,701	154,418	-	3,161,119
Vehicles	5,788,282	119,618	(76,876)	5,831,024
Infrastructure	30,354,307	1,750,779	-	32,105,086
Right-to-use assets	144,792	-	-	144,792
Total capital assets, being depreciated	52,422,864	2,115,492	(76,876)	54,461,480
Less accumulated depreciation for:				
Buildings	(4,037,442)	(271,204)	-	(4,308,646)
Improvements other than buildings	(2,052,961)	(142,863)	-	(2,195,824)
Furniture and equipment	(2,687,649)	(96,419)	-	(2,784,068)
Vehicles	(4,049,235)	(357,720)	76,876	(4,330,079)
Infrastructure	(15,040,215)	(1,523,972)	-	(16,564,187)
Right-to-use assets	(19,824)	(22,633)	-	(42,457)
Total accumulated depreciation	(27,887,326)	(2,414,811)	76,876	(30,225,261)
Total capital assets, being depreciated, net	24,535,538	(299,319)	-	24,236,219
Governmental activities capital assets, net	\$ 28,937,765	\$ 1,087,239	\$ (1,865,661)	\$ 28,159,343

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

Governmental Activities:	
General government	\$ 214,842
Public safety	521,249
Highways/Streets	1,494,486
Culture & recreation	149,749
Health and welfare	34,485
Total depreciation expense - governmental activities	\$ 2,414,811

* See note 15 regarding restated balance

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 7. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets not being depreciated:				
Land	\$ 400,662	\$ -	\$ -	\$ 400,662
Construction in progress	60,950	-	-	60,950
Total capital assets, not being depreciated	461,612	-	-	461,612
Capital assets being depreciated:				
Buildings	33,710	-	-	33,710
Improvements other than buildings	2,324,001	-	-	2,324,001
Treatment facilities	20,563,364	-	-	20,563,364
Water distribution system	20,731,892	-	-	20,731,892
Sewer collection system	13,213,924	-	-	13,213,924
Machinery and equipment	940,012	91,968	-	1,031,980
Vehicles	2,580,849	497,843	-	3,078,692
Total capital assets, being depreciated	60,387,752	589,811	-	60,977,563
Less accumulated depreciation for:				
Buildings	(33,710)	-	-	(33,710)
Improvements other than buildings	(1,413,754)	(113,562)	-	(1,527,316)
Treatment facilities	(9,184,984)	(473,797)	-	(9,658,781)
Water distribution system	(9,365,768)	(658,250)	-	(10,024,018)
Sewer collection system	(8,006,549)	(478,076)	-	(8,484,625)
Machinery and equipment	(594,540)	(62,822)	-	(657,362)
Vehicles	(1,781,838)	(181,263)	-	(1,963,101)
Total accumulated depreciation	(30,381,143)	(1,967,770)	-	(32,348,913)
Total capital assets, being depreciated, net	30,006,609	(1,377,959)	-	28,628,650
Business-type activities capital assets, net	\$ 30,468,221	\$ (1,377,959)	\$ -	\$ 29,090,262

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

Business-Type Activities:	
Water	\$ 777,657
Sewer	1,135,018
Sanitation	55,095
Total depreciation expense - governmental activities	<u>\$ 1,967,770</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 7. Capital Assets, Continued

The following table summarizes the changes to capital assets for the component unit during the year.

Component Unit:	Balance 6/30/2024	Additions	Deletions	Balance 6/30/2025
Capital assets not being depreciated:				
Land	\$ 80,048	\$ -	\$ -	\$ 80,048
Total capital assets, not being depreciated	<u>80,048</u>	<u>-</u>	<u>-</u>	<u>80,048</u>
Capital assets being depreciated:				
Buildings	1,177,086	-	-	1,177,086
Improvements	55,035	-	-	55,035
Total capital assets, being depreciated	<u>1,232,121</u>	<u>-</u>	<u>-</u>	<u>1,232,121</u>
Less accumulated depreciation for:				
Buildings	<u>(455,476)</u>	<u>(51,273)</u>	-	<u>(506,749)</u>
Total accumulated depreciation	<u>(455,476)</u>	<u>(51,273)</u>	-	<u>(506,749)</u>
Total capital assets, being depreciated, net	<u>776,645</u>	<u>(51,273)</u>	-	<u>725,372</u>
Component units capital assets, net	<u>\$ 856,693</u>	<u>\$ (51,273)</u>	<u>\$ -</u>	<u>\$ 805,420</u>

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CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 8. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2025:

	Primary Government				
	Balance 06/30/24	Additions	Retirements	Balance 06/30/25	Current Portion
Governmental Activities:					
Bonds payable - direct placements	\$ 8,645,000	\$ -	\$ (1,105,000)	\$ 7,540,000	\$ 1,125,000
Bond premiums	35,917	-	(10,371)	25,546	10,372
Total bonds payable	8,680,917	-	(1,115,371)	7,565,546	1,135,372
Financed purchases	190,950		(114,213)	76,737	71,448
Leases	74,431	-	(8,672)	65,759	8,845
Net pension and OPEB liabilities	8,963,419	2,859,055	(1,488,922)	10,333,552	-
Accrued compensated absences	421,391	409,964	(368,323)	463,032	368,323
Total Governmental Activities	\$ 18,331,108	\$ 3,269,019	\$ (3,095,501)	\$ 18,504,626	\$ 1,583,988
Business-Type Activities:					
Bonds payable - direct placements	\$ 140,000	\$ -	\$ (70,000)	\$ 70,000	\$ 70,000
Less deferred amounts:					
Bond premiums	1,150	-	(767)	383	383
Total bonds payable	141,150	-	(70,767)	70,383	70,383
Notes payable - direct borrowings	7,211,070	-	(442,969)	6,768,101	441,941
Financed purchases	544,705	350,000	(214,980)	679,725	338,414
Net pension and OPEB liabilities	1,482,172	184,177	(166,255)	1,500,094	-
Accrued compensated absences	72,551	60,970	(59,360)	74,161	59,360
Total Business-Type Activities	\$ 9,451,648	\$ 595,147	\$ (954,331)	\$ 9,092,464	\$ 910,098
Total Long-Term Liabilities	\$ 27,782,756	\$ 3,864,166	\$ (4,049,832)	\$ 27,597,090	\$ 2,494,086

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

In 2006, 2011, and 2015 the government issued direct placement bonds related to governmental activities with a total outstanding balance of \$5,185,000 at year end. These bonds contain provisions upon nonpayment in whole or in part, violation of covenants, insolvency or bankruptcy to take whatever legal action is required to collect the payments and any other amounts payable by the government.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 8. Long-Term Obligations, Continued

The government's outstanding bonds payable from direct placements related to governmental activities of \$2,355,000 was to purchase land, refinance existing debt in 2017, and finance the purchases of vehicles. The bond contains default provisions allowing the issuer the option to declare all or any part of indebtedness due and payable.

The government's outstanding bonds from direct placements related to business-type activities of \$70,000 contain provisions upon nonpayment in whole or in part, violation of covenants, insolvency or bankruptcy to take whatever legal action is required to collect the payments and any other amounts payable by the government.

The government's outstanding notes payable from direct borrowings related to business-type activities of \$6,768,101 contain provisions to transfer amounts in default from the Replacement Reserve to cover the deficiency including late charges for the Water Infrastructure Finance Authority notes payable totaling \$3,730,438. The portion of notes payable of \$3,037,663 with Rural Development Authority contains default provisions allowing the issuer the option to declare all or any part of indebtedness due and payable. These notes are secured with a real estate deed of trust having a lien on all real property related to the waste water system facility.

The government has no unused lines of credit at June 30, 2025.

Long term debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2026	\$ 1,196,448	\$ 221,259	\$ 850,355	\$ 177,727
2027	1,145,289	185,229	685,442	149,168
2028	685,000	154,451	585,807	128,528
2029	705,000	132,700	460,305	111,696
2030	730,000	111,651	470,904	103,113
2031-2035	2,205,000	323,487	1,229,459	408,328
2036-2040	950,000	85,577	854,473	301,014
2041-2045	-	-	1,381,076	195,887
2046-2050	-	-	751,143	72,661
2051-2055	-	-	167,887	17,619
2056-2060	-	-	80,975	2,533
Totals	\$ 7,616,737	\$ 1,214,354	\$ 7,517,826	\$ 1,668,274

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 8. Long-Term Obligations, Continued

The following is a listing of long-term debt outstanding as of June 30, 2025:

Bonds Payable:

Governmental Activities:

Pledged Revenue Obligation, Qualified Energy Conservation Revenue Bonds, Series 2011, due in annual principal and semi-annual interest installments ranging from \$12,006 to \$75,080, bearing interest at 2.0% to 6.415%, maturing July 1, 2030	\$ 395,000
Refunding of Series 2006 Greater Arizona Development Authority Infrastructure Revenue Bonds, due in annual principal and semi-annual interest installments ranging from \$9,400 to \$511,012, bearing interest at 2.0% to 4.0%, maturing July 1, 2026	950,000
Pledged Revenue Obligations, Series 2015, due in annual principal and semi-annual interest installments ranging from \$3,587 to \$212,175, bearing interest at 3.125% to 4.0%, maturing July 1, 2039	2,425,000
Pledged Revenue Obligations, Series 2015, due in annual principal and semi-annual interest installments ranging from \$2,800 to \$170,675, bearing interest at 2.0% to 4.0%, maturing July 1, 2034	1,415,000
Pledged Revenue and Pledged Refunding Obligations, Series 2017, due in annual principal and semi-annual interest installments ranging from \$199,991 to \$404,410, bearing interest at 2.39% to 2.63%, maturing July 1, 2032	<u>2,355,000</u>
Total Governmental Activities	<u>7,540,000</u>

Business-Type Activities:

Refunding of Series 2004 Municipal Property Corporation Revenue Bonds, due in annual principal and semi-annual interest installments ranging from \$831 to \$76,100, bearing interest at 2.0% to 4.0%, maturing July 1, 2025	<u>70,000</u>
Total Bonds Payable	<u>\$ 7,610,000</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 8. Long-Term Obligations, Continued

Notes Payable:

Business-Type Activities:

Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2%, maturing July 1, 2029.	\$ 683,720
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.625%, maturing July 1, 2031.	494,677
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.625%, maturing July 1, 2031.	179,036
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.016%, maturing July 1, 2033.	470,988
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.112%, maturing July 1, 2030	197,072
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 1.874%, maturing July 1, 2050	64,000
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 1.848%, maturing July 1, 2050	1,409,998
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 1.848%, maturing July 1, 2050	230,947
Rural Development Authority loan due in monthly principal and interest installments of \$10,204, bearing interest at 2.375%, maturing July 15, 2050.	2,314,910
Rural Development Authority loan due in monthly principal and interest installments, bearing interest at 2.25%, maturing July 25, 2032.	722,753
Total Business-Type Activities	6,768,101
Total Notes Payable	\$ 6,768,101

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 8. Long-Term Obligations, Continued

Financed Purchases:

Governmental Activities:

Financed purchase for vehicles payable in annual installments through June 2026, bearing interest at 6.39%	\$ 62,126
Financed purchase for vehicles payable in annual installments through March 2027, bearing interest at 8.84%	14,611
Total Governmental Activities	<u>76,737</u>

Business-Type Activities:

Financed purchase for vehicles payable in annual installments through June 2026, bearing interest at 6.39%	24,183
Financed purchase for vehicles payable in semi-annual installments through December 2026, bearing interest at 5.35%	145,328
Financed purchase for vehicles payable in semi-annual installments through December 2026, bearing interest at 5.35%	47,682
Financed purchase for vehicles payable in semi-annual installments through September 2026, bearing interest at 8.92%	112,532
Financed purchase for vehicles payable in annual installments through September 2027, bearing interest at 4.53%	350,000
Total Business-Type Activities	<u>679,725</u>
Total Financed Purchases	<u>756,462</u>

Leases Payable:

Governmental Activities:

Lease payable in yearly installments through April 2032, bearing interest at 2%	65,759
Total Governmental Activities	<u>65,759</u>
Total Leases Payable	<u>65,759</u>

Net Pension and OPEB Liabilities	11,833,646
Accrued Vacation and Comp Time Payable	537,193
Bond Premiums and Discounts, net	<u>25,929</u>
Total Long-Term Liabilities	27,597,090
Less Current Portion:	
Governmental-type Activities	(1,583,988)
Business-type Activities	(910,098)
Net Long-Term Liabilities	<u><u>\$ 25,103,004</u></u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 9. Leases and Subscription-Based Information Technology Arrangements

Lease Receivable

The City of Somerton, Arizona is leasing property to a third party. The lease is through February 2065 and the government will receive annual payments ranging from \$17,250 to \$52,768. The government recognized \$20,079 in lease revenue and \$17,328 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the government receivable for lease payments was \$866,458. Also, the government has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$814,876.

The City of Somerton, Arizona is leasing property to a third party. The lease is through December 2026 and the government will receive monthly payments ranging from \$1,325 to \$1,499. The government recognized \$16,107 in lease revenue and \$708 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the government receivable for lease payments was \$26,335. Also, the government has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$24,161.

The City of Somerton, Arizona is leasing commercial real estate to a third party. The lease is through August 2027 and the government will receive monthly payments ranging from \$1,339 to \$1,815. The government recognized \$15,847 in lease revenue and \$177 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the government receivable for lease payments was \$13,523. Also, the government has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$3,223.

The City of Somerton, Arizona's discretely presented component unit, the Somerton Industrial Development Authority, is leasing commercial real estate to a third party. The lease is through August 2027 and the Authority will receive monthly payments ranging from \$13,458 to \$14,184. The Authority recognized \$153,214 in lease revenue and \$8,506 in interest revenue during the current fiscal year related to this lease. As of June 30, 2025, the Authority receivable for lease payments was \$342,159. Also, the Authority has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$331,964.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 9. Leases and Subscription-Based Information Technology Arrangements, Continued

Lease Payable

During fiscal year 2023, the government entered into a ten-year lease agreement as lessee for the acquisition and use of medical equipment. An initial lease liability was recorded in the amount of \$93,094. As of June 30, 2025, the value of the lease liability was \$65,759. The government is required to make yearly principal and interest payments of \$10,161. The lease has an interest rate of 2%. The equipment has a ten-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$93,094 and had accumulated amortization of \$20,940.

The future principal and interest lease payments as of June 30, 2025 were as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Leases Payable	
	Principal	Interest
2026	8,845	1,315
2027	9,022	1,138
2028	9,203	958
2029	9,387	774
2030	9,575	586
2031-2032	19,727	594
Totals	\$ 65,759	\$ 5,365

Subscription

During fiscal year 2024, the government entered into a three-year software subscription agreement as lessee. An initial subscription liability was recorded in the amount of \$51,698. As of June 30, 2025, the value of the lease liability was \$0 as the full amount was paid during fiscal year 2024. The subscription has a three-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$51,698 and had accumulated amortization of \$21,517.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2025, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 1,226,708	\$ -
Nonmajor funds:		
Capital Improvement Fund	-	(29,168)
Miscellaneous Grants Fund	-	(1,616)
Senior Center Fund	-	(17,157)
Court Fund	-	(13,947)
Water Fund	-	(891,892)
Sanitation Fund	-	(272,928)
Total	<u>\$ 1,226,708</u>	<u>\$ (1,226,708)</u>

Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the fiscal year ended June 30, 2025 are as follows:

Transfer in:	Transfers out:		
	General	Highway User	Total
Nonmajor Governmental Funds			
Capital Improvement	\$ 839,449	\$ -	\$ 839,449
Debt Service	1,247,494	169,081	1,416,575
Senior Nutrition Center	141,039	-	141,039
Total transfers out	<u>\$ 2,227,982</u>	<u>\$ 169,081</u>	<u>\$ 2,397,063</u>

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits

The government contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2025, the government reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net pension/OPEB asset	\$ 183,746	\$ 437,670	\$ 621,416	\$ 564,538	\$ 56,878
Net pension/OPEB liabilities	(4,846,047)	(6,987,599)	(11,833,646)	(10,333,552)	(1,500,094)
Deferred outflows of resources	1,053,292	2,334,144	3,387,436	3,061,388	326,048
Deferred inflows of resources	(480,379)	(530,482)	(1,010,861)	(862,160)	(148,701)
Pension/OPEB expense	(39,399)	1,504,981	1,465,582	1,477,779	(12,197)

The government reported \$1,488,922 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The government participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its 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:

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

* With actuarially reduced benefits.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, 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 earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members 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 statute required the government 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.

In addition, the government was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 percent for retirement and 0.05 percent for long-term disability) of annual covered payroll of retired members who worked for the government in positions that an employee who contributes to ASRS would typically fill.

The government's contributions for the current fiscal year, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2025	522,878	3,037	6,509

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Liability – At June 30, 2025, the government reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 4,845,256
Health insurance premium benefit	(183,746)
Long-term disability	791

The net asset and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

The government's proportion of the net asset or net liability was based on the government's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The government's proportion measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023 were:

	Proportion June 30, 2023	Proportion June 30, 2024	Increase (decrease) from June 30, 2023
Pension	0.02807%	0.03028%	0.002210%
Health insurance premium benefit	0.02862%	0.03041%	0.001790%
Long-term disability	0.02833%	0.03034%	0.002010%

Expense – For the year ended June 30, 2025, the government recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 516,007
Health insurance premium benefit	(26,725)
Long-term disability	3,743

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources - At June 30, 2025, the government reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 270,458	\$ -	\$ 5,317	\$ 44,367	\$ 2,908	\$ 2,106
Changes of assumptions or other inputs	-	-	-	1,906	572	4,735
Net difference between projected and actual earnings on pension plan investments	-	309,423	-	12,631	-	864
Changes in proportion and differences between contributions and proportionate share of contributions	236,764	97,572	3,151	5,710	1,698	1,065
Contributions subsequent to the measurement date	522,878	-	3,037	-	6,509	-
Total	<u>\$ 1,030,100</u>	<u>\$ 406,995</u>	<u>\$ 11,505</u>	<u>\$ 64,614</u>	<u>\$ 11,687</u>	<u>\$ 8,770</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from government contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-term disability
2026	\$ (113,833)	\$ (34,587)	\$ (1,211)
2027	349,168	(8,293)	(28)
2028	(78,325)	(7,981)	(1,187)
2029	(56,783)	(4,221)	(1,137)
2030	-	(1,064)	(378)
Thereafter	-	-	349

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, 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%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pension and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension 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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Discount Rate – At June 30, 2024, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the government's proportionate share of the net pension liability to changes in the discount rate – The following table presents the government's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the government's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Proportionate share of			
Net pension liability	\$ 7,419,077	\$ 4,845,256	\$ 2,700,200
Net insurance premium benefit liability (asset)	(133,582)	(183,746)	(226,395)
Net long-term disability liability	2,721	791	(1,108)

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

Public Safety Personnel Retirement System (PSPRS) and Corrections Officer Retirement Plan (CORP)

Plan descriptions – City police employees and fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent 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 those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the government's financial statements.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

City dispatchers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for City dispatchers (agent plans), which were closed to new members as of July 1, 2018. Employees who were CORP members before July 1, 2018, participate in CORP. City dispatchers who became members on or after July 1, 2018, participate in PSPDCRP which are not further disclosed because of their relative insignificance to the government's financial statements. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

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

PSPRS	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012 And before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

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	
CORP		
	Before January 1, 2012	On or After January 1, 2012 And before July 1, 2018
Retirement and Disability		
Years of service and age required to receive benefit	25 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5 % per year of credited service, not to exceed 80%	2.5 % per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions	

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

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.

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

Employees covered by benefit terms – At June 30, 2025, the following employees were covered by the agent pension plans' benefit terms:

PSPRS - Police

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	10	10
Inactive employees entitled to but not yet receiving benefits	4	1
Active employees	5	5
Total	19	16

PSPRS - Fire

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to but not yet receiving benefits	3	0
Active employees	9	9
Total	17	14

CORP - Dispatch

	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	2	2
Total	6	4

Contributions – State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with State statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65%	36.51%	0.00%
PSPRS Tier 3 risk pool	8.63%	8.63%	0.12%

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Fire	7.65%	28.40%	0.00%
PSPRS Tier 3 risk pool	8.63%	8.63%	0.12%

	Active member - Pension	City - Pension	City-Health insurance premium
CORP Dispatch	7.96%	95.11%	0.00%
PSPRS Tier 3 risk pool	0.00%	0.00%	0.00%

In addition, statute required the government to contribute at the actuarially determined rate of 27.85% for police, 12.16% for fire, and 91.92% for dispatch of annual covered payroll of retired members who worked for the government in positions that an employee who contributes to the PSPRS or CORPS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool members in addition to the government's required contributions to the PSPRS Tier 3 Risk Pool.

The Government's contributions to the plans for the year ended June 30, 2025 were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 494,760	\$ -
PSPRS Tier 3 risk pool	355,837	-

PSPRS - Fire	Pension	Health insurance premium benefit
PSPRS	\$ 451,995	\$ -
PSPRS Tier 3 risk pool	234,192	3,256

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

		Health insurance premium benefit
CORP - Dispatch	Pension	
	<u> </u>	<u> </u>
CORP	\$ 101,262	\$ -

During fiscal year 2025, the government paid for the PSPRS and CORP pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2025, the Government reported a net pension liability of \$4,025,236 for PSPRS Police, \$2,121,326 for PSPRS Fire, and \$841,037 for CORP Dispatchers. The government also reported a net OPEB liability (asset) of \$(271,069) for PSPRS Police, \$(149,389) for PSRPS Fire, and \$(17,212) for CORP Dispatchers. The net assets and net liabilities were measured as of June 30, 2024, and the total liability used to calculate the net 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/OPEB liability are as follows:

PSPRS and CORP

Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry Age Normal
Investment rate of return	7.2%
Wage inflation	3.0 - 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS and CORP 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 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:

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

PSPRS and CORP		Long-Term Expected
Asset Class	Target Allocation	Geometric 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	100%	

Discount Rate – At June 30, 2024, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Changes in the Net Pension/OPEB Liability

PSPRS-Police

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 8,934,539	\$ 5,594,500	\$ 3,340,039	\$ 68,655	\$ 313,688	\$ (245,033)
Changes for the year:						
Service cost	64,264	-	64,264	1,694	-	1,694
Interest on total pension/OPEB liability	631,252	-	631,252	5,065	-	5,065
Difference between expected and actual experience in the measurement of the pension/OPEB liability	1,055,475	-	1,055,475	(1,554)	-	(1,554)
Contributions - employer	-	478,854	(478,854)	-	-	-
Contributions - employee	-	29,144	(29,144)	-	-	-
Net investment income	-	564,671	(564,671)	-	31,574	(31,574)
Benefit payments, including refunds of employee contributions	(462,824)	(462,824)	-	-	-	-
Plan administrative expenses	-	(6,875)	6,875	-	(333)	333
Net changes	1,288,167	602,970	685,197	5,205	31,241	(26,036)
Balances at June 30, 2025	\$ 10,222,706	\$ 6,197,470	\$ 4,025,236	\$ 73,860	\$ 344,929	\$ (271,069)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

PSPRS-Fire

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 7,564,020	\$ 5,866,785	\$ 1,697,235	\$ 104,296	\$ 237,324	\$ (133,028)
Changes for the year:						
Service cost	172,824	-	172,824	4,268	-	4,268
Interest on total pension/OPEB liability	548,602	-	548,602	7,817	-	7,817
Difference between expected and actual experience in the measurement of the pension/OPEB liability	651,587	-	651,587	(4,685)	-	(4,685)
Contributions - employer	-	297,932	(297,932)	-	176	(176)
Contributions - employee	-	60,533	(60,533)	-	-	-
Net investment income	-	596,493	(596,493)	-	23,797	(23,797)
Benefit payments, including refunds of employee contributions	(234,734)	(234,734)	-	-	-	-
Plan administrative expenses	-	(6,036)	6,036	-	(212)	212
Tiers 1 & 2 Adjustment	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net changes	1,138,279	714,188	424,091	7,400	23,761	(16,361)
Balances at June 30, 2025	\$ 8,702,299	\$ 6,580,973	\$ 2,121,326	\$ 111,696	\$ 261,085	\$ (149,389)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

CORP-Dispatch

	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 1,772,651	\$ 910,178	\$ 862,473	\$ 21,027	\$ 35,715	\$ (14,688)
Changes for the year:						
Service cost	11,057	-	11,057	514	-	514
Interest on total pension/OPEB liability	125,771	-	125,771	1,551	-	1,551
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	44,395	-	44,395	(987)	-	(987)
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	101,109	(101,109)	-	-	-
Contributions - employee	-	8,282	(8,282)	-	-	-
Net investment income	-	94,684	(94,684)	-	3,654	(3,654)
Benefit payments, including refunds of employee contributions	(73,768)	(73,768)	-	-	-	-
Plan administrative expenses	-	(1,416)	1,416	-	(52)	52
Tiers 1 & 2 Adjustment	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
Net changes	107,455	128,891	(21,436)	1,078	3,602	(2,524)
Balances at June 30, 2025	\$ 1,880,106	\$ 1,039,069	\$ 841,037	\$ 22,105	\$ 39,317	\$ (17,212)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB liability to changes in the discount rate – The following table presents the government's net pension/OPEB (assets) liability calculated using the discount rate of 7.2 percent, as well as what the government's net pension (assets) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
PSPRS-Police			
Net pension (asset) / liability	\$ 5,414,995	\$ 4,025,236	\$ 2,893,191
Net OPEB (asset)/ liability	(261,370)	(271,069)	(279,165)
	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
PSPRS-Fire			
Net pension (asset) / liability	\$ 3,445,603	\$ 2,121,326	\$ 1,049,594
Net OPEB (asset)/ liability	(135,121)	(149,389)	(161,361)
	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
CORP-Dispatch			
Net pension (asset) / liability	\$ 1,117,611	\$ 841,037	\$ 617,123
Net OPEB (asset)/ liability	(14,275)	(17,212)	(19,667)

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

Expense – For the year ended June 30, 2025, the government recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 1,048,458	\$ (48,700)
	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Fire	\$ 422,925	\$ (26,604)
	<u>Pension expense</u>	<u>OPEB expense</u>
CORP Dispatch	\$ 110,178	\$ (1,279)

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2025, the government reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 527,738	\$ 5,335	\$ -	\$ 18,718
Changes in assumptions	-	-	128	101
Net difference between projected and actual earnings on pension/OPEB plan investments	-	78,751	-	3,953
Contributions subsequent to the measurement date	494,760	-	-	-
Total	\$ 1,022,498	\$ 84,086	\$ 128	\$ 22,772

PSPRS - Fire	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 591,658	\$ 253,566	\$ 677	\$ 72,253
Changes in assumptions	99,861	-	4,924	1,089
Net difference between projected and actual earnings on pension/OPEB plan investments	-	77,950	-	2,746
Contributions subsequent to the measurement date	451,995	-	-	-
Total	\$ 1,143,514	\$ 331,516	\$ 5,601	\$ 76,088

CORP - Dispatch	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,257	\$ -	\$ -	\$ 1,289
Changes in assumptions	4,790	-	94	-
Net difference between projected and actual earnings on pension/OPEB plan investments	-	14,245	-	486
Contributions subsequent to the measurement date	101,262	-	-	-
Total	\$ 162,309	\$ 14,245	\$ 94	\$ 1,775

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 11. Retirement and Other Postemployment Benefits, Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from government contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

PSPRS Police		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2026	\$ 424,078	\$ (23,687)
2027	88,492	4,873
2028	(36,820)	(2,030)
2029	(32,098)	(1,800)
2030	-	-
Thereafter	-	-

PSPRS Fire		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2026	\$ 137,989	\$ (23,924)
2027	318,353	(16,758)
2028	(62,370)	(21,758)
2029	(33,969)	(8,047)
2030	-	-
Thereafter	-	-

CORP Dispatch		
Year Ended June 30,	Pension	Health Insurance Premium Benefit
2026	\$ 31,783	\$ (1,392)
2027	27,087	180
2028	(6,484)	(252)
2029	(5,584)	(217)
2030	-	-
Thereafter	-	-

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 12. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The government's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the government is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for general liability claims and \$100,000 for property claims for each insured event.

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

The government purchases commercial insurance for employee benefits and for risks of loss for potential worker related accidents. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 13. Contingent Liabilities and Commitments

The government is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of government management, based on the advice of the government Attorney with respect to such litigation, such matters will not have a material adverse effect on the government's financial position at June 30, 2025.

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 14. Segment Information

Segment information for the Industrial Development Authority is disclosed below. Segment information for the other proprietary funds is disclosed in the basic financial statements.

	IDA 6/30/2025
Operating Revenues	\$ 161,720
Depreciation	(51,273)
Operating Expenses	(67,362)
Operating Income/(Loss)	43,085
Change in Net Position	43,085
Beginning Net Position	739,886
Ending Net Position	782,971
Net Working Capital	(22,449)
Total Assets	1,203,348
Due to Primary Government	88,413
Deferred Inflows of Resources	331,964
Net Position	
Net Investment in Capital Assets	750,385
Unrestricted	32,586
Total Net Position	782,971

Condensed Statement of Cash Flows

Net Cash Flows from:

Operating Activities	94,135
Noncapital Financing Activities	(103,191)
Net Increase (Decrease)	(9,056)
Beginning Cash and Cash Equivalents	64,825
Ending Cash and Cash Equivalents	<u>\$ 55,769</u>

CITY OF SOMERTON, ARIZONA
Notes to the Financial Statements
June 30, 2025

Note 15. Restatement Adjustment

For the fiscal year ended June 30, 2025 the City had a correction of error adjustment to beginning net position for capital asset transactions which were not recorded in prior years. Beginning balances for governmental activities land and net position were increased by \$299,836.

In addition, the City had a correction of error adjustment to beginning fund balance for ambulance billing deferred inflows that were not recorded in the prior year. Beginning balances for general fund deferred inflows of resources and were increased by \$179,780 and fund balance decreased by \$179,780.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2025

ASRS - Pension	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability (asset)	0.030280%	0.028070%	0.030230%	0.028520%	0.028440%	0.028060%	0.028670%	0.027980%	0.027470%	0.025760%
Proportionate share of the net pension liability (asset)	\$ 4,845,256	\$ 4,542,132	\$4,934,207	\$3,747,401	\$4,927,662	\$4,083,056	\$3,998,456	\$4,358,739	\$4,433,934	\$4,012,837
Covered payroll	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023	\$2,388,365
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	125.61%	133.81%	149.62%	127.67%	168.86%	145.23%	143.92%	162.05%	180.53%	168.02%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2025

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.030410%	0.028620%	0.030660%	0.029190%	0.029140%	0.028750%	0.029210%	0.028390%	0.028390%
Proportionate share of the net OPEB (asset)	\$ (183,746)	\$ (154,527)	\$ (171,113)	\$ (142,216)	\$ (20,631)	\$ (7,945)	\$ (10,518)	\$ (15,456)	\$ 8,209
Covered payroll	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-4.76%	-4.55%	-5.19%	-4.85%	-0.71%	-0.28%	-0.38%	-0.57%	0.33%
Plan fiduciary net position as a percentage of the total OPEB liability	137.51%	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	98.02%

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)								
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.030340%	0.028330%	0.031370%	0.027750%	0.028830%	0.028490%	0.028750%	0.028100%	2.875000%
Proportionate share of the net OPEB (asset)	\$ 791	\$ 3,712	\$ 2,897	\$ 5,728	\$ 21,871	\$ 18,560	\$ 15,022	\$ 10,186	\$ 10,098
Covered payroll	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.02%	0.11%	0.09%	0.20%	0.75%	0.66%	0.54%	0.38%	0.41%
Plan fiduciary net position as a percentage of the total OPEB liability	98.77%	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2025

PSPRS Police - Pension

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 64,264	\$ 81,125	\$ 122,409	\$ 123,779	\$ 143,203	\$ 163,095	\$ 143,768	\$ 208,381	\$ 203,857	\$ 170,091
Interest on total pension liability	631,252	605,904	589,275	572,511	484,571	489,973	477,983	441,778	375,584	366,673
Changes of benefit terms	-	-	-	-	-	-	-	62,027	406,547	-
Difference between expected and actual experience of the total net pension liability	1,055,475	129,860	(4,441)	(26,675)	1,004,358	(340,087)	(210,185)	(6,078)	111,859	(196,861)
Changes of assumptions	-	-	116,171	-	-	103,633	-	143,338	228,950	-
Benefit payments, including refunds of employee contributions	(462,824)	(433,112)	(445,001)	(432,220)	(383,866)	(376,176)	(305,324)	(191,251)	(255,135)	(231,391)
Net change in total pension liability	<u>1,288,167</u>	<u>383,777</u>	<u>378,413</u>	<u>237,395</u>	<u>1,248,266</u>	<u>40,438</u>	<u>106,242</u>	<u>658,195</u>	<u>1,071,662</u>	<u>108,512</u>
Total pension liability - beginning	<u>8,934,539</u>	<u>8,550,762</u>	<u>8,172,349</u>	<u>7,934,954</u>	<u>6,686,688</u>	<u>6,646,250</u>	<u>6,540,008</u>	<u>5,881,813</u>	<u>4,810,151</u>	<u>4,701,639</u>
Total pension liability - ending (a)	<u>\$ 10,222,706</u>	<u>\$ 8,934,539</u>	<u>\$ 8,550,762</u>	<u>\$ 8,172,349</u>	<u>\$ 7,934,954</u>	<u>\$ 6,686,688</u>	<u>\$ 6,646,250</u>	<u>\$ 6,540,008</u>	<u>\$ 5,881,813</u>	<u>\$ 4,810,151</u>
Plan fiduciary net position										
Contributions - employer	\$ 478,854	\$ 288,796	\$ 334,062	\$ 295,645	\$ 268,229	\$ 299,902	\$ 375,703	\$ 211,628	\$ 233,387	\$ 166,006
Contributions - employee	29,144	30,967	47,728	66,667	68,007	72,035	83,823	113,355	122,642	102,364
Net investment income	564,671	401,990	(220,528)	1,253,810	58,774	227,192	284,460	420,910	19,691	121,631
Benefit payments, including refunds of employee contributions	(462,824)	(433,112)	(445,001)	(432,220)	(383,866)	(376,176)	(305,324)	(191,251)	(255,135)	(231,391)
Hall/Parker settlement	-	-	-	-	-	-	(134,573)	-	-	-
Other (net transfer)	(6,875)	(8,407)	(3,981)	(5,963)	(4,794)	(4,939)	(4,980)	(4,079)	(4,000)	(5,886)
Net change in plan fiduciary net position	<u>602,970</u>	<u>280,234</u>	<u>(287,720)</u>	<u>1,177,939</u>	<u>6,350</u>	<u>218,014</u>	<u>299,109</u>	<u>550,563</u>	<u>116,585</u>	<u>152,724</u>
Plan fiduciary net position - beginning	<u>5,594,500</u>	<u>5,314,266</u>	<u>5,595,662</u>	<u>4,417,723</u>	<u>4,576,357</u>	<u>4,360,620</u>	<u>4,061,511</u>	<u>3,510,948</u>	<u>3,394,363</u>	<u>3,241,639</u>
Adjustment to Beginning of Year	-	-	6,324	-	(164,984)	(2,277)	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 6,197,470</u>	<u>\$ 5,594,500</u>	<u>\$ 5,314,266</u>	<u>\$ 5,595,662</u>	<u>\$ 4,417,723</u>	<u>\$ 4,576,357</u>	<u>\$ 4,360,620</u>	<u>\$ 4,061,511</u>	<u>\$ 3,510,948</u>	<u>\$ 3,394,363</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,025,236</u>	<u>\$ 3,340,039</u>	<u>\$ 3,236,496</u>	<u>\$ 2,576,687</u>	<u>\$ 3,517,231</u>	<u>\$ 2,110,331</u>	<u>\$ 2,285,630</u>	<u>\$ 2,478,497</u>	<u>\$ 2,370,865</u>	<u>\$ 1,415,788</u>
Plan fiduciary net position as a percentage of the total pension liability	60.62%	62.62%	62.15%	68.47%	55.67%	68.44%	65.61%	62.10%	59.69%	70.57%
Covered payroll	\$ 412,846	\$ 371,346	\$ 452,609	\$ 662,602	\$ 709,831	\$ 681,821	\$ 785,035	\$ 923,264	\$ 1,056,801	\$ 957,413
Net pension liability as a percentage of covered payroll	975.00%	899.44%	715.08%	388.87%	495.50%	309.51%	291.15%	268.45%	224.34%	147.88%

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2025

PSPRS Fire - Pension	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 172,824	\$ 188,698	\$ 151,013	\$ 169,759	\$ 183,009	\$ 211,100	\$ 203,770	\$ 201,467	\$ 175,209	\$ 187,423
Interest on total pension liability	548,602	503,945	484,736	459,497	413,035	412,721	381,372	350,190	308,366	291,160
Changes of benefit terms	-	-	-	-	-	-	-	43,870	366,876	-
Difference between expected and actual experience of the total net pension liability	651,587	199,558	(169,556)	(116,932)	198,612	(350,801)	4,898	(220,624)	(206,224)	(136,597)
Changes of assumptions	-	-	68,518	-	-	134,543	-	204,174	185,089	-
Benefit payments, including refunds of employee contributions	(234,734)	(277,445)	(149,304)	(146,377)	(143,507)	(454,024)	(97,208)	(94,304)	(108,658)	(124,729)
Net change in total pension liability	1,138,279	614,756	385,407	365,947	651,149	(46,461)	492,832	484,773	720,658	217,257
Total pension liability - beginning	7,564,020	6,949,264	6,563,857	6,197,910	5,546,761	5,593,222	5,100,390	4,615,617	3,894,959	3,677,702
Total pension liability - ending (a)	\$ 8,702,299	\$ 7,564,020	\$ 6,949,264	\$ 6,563,857	\$ 6,197,910	\$ 5,546,761	\$ 5,593,222	\$ 5,100,390	\$ 4,615,617	\$ 3,894,959
Plan fiduciary net position										
Contributions - employer	\$ 297,932	\$ 272,041	\$ 232,533	\$ 237,746	\$ 298,199	\$ 272,225	\$ 377,216	\$ 194,912	\$ 188,368	\$ 155,837
Contributions - employee	60,533	61,493	60,348	62,990	70,088	75,610	76,584	99,559	101,848	97,766
Net investment income	596,493	413,154	(220,436)	1,204,781	51,310	195,796	248,931	353,428	16,375	95,426
Benefit payments, including refunds of employee contributions	(234,734)	(277,445)	(149,304)	(146,377)	(143,507)	(454,024)	(97,208)	(94,304)	(108,658)	(124,729)
Hall/Parker settlement	-	-	-	-	-	-	(131,506)	-	-	-
Other	(6,036)	(11,567)	(3,974)	(5,623)	(12,800)	(4,400)	(4,449)	(3,491)	(57,786)	(4,709)
Net change in plan fiduciary net position	714,188	457,676	(80,833)	1,353,517	263,290	85,207	469,568	550,104	140,147	219,591
Plan fiduciary net position - beginning	5,866,785	5,409,109	5,489,942	4,136,425	4,008,786	3,925,412	3,455,844	2,905,740	2,765,593	2,546,002
Adjustment to Beginning of Year	-	-	-	-	(135,651)	(1,833)	-	-	-	-
Plan fiduciary net position - ending (b)	\$ 6,580,973	\$ 5,866,785	\$ 5,409,109	\$ 5,489,942	\$ 4,136,425	\$ 4,008,786	\$ 3,925,412	\$ 3,455,844	\$ 2,905,740	\$ 2,765,593
Net pension liability - ending (a) - (b)	\$ 2,121,326	\$ 1,697,235	\$ 1,540,155	\$ 1,073,915	\$ 2,061,485	\$ 1,537,975	\$ 1,667,810	\$ 1,644,546	\$ 1,709,877	\$ 1,129,366
Plan fiduciary net position as a percentage of the total pension liability	75.62%	77.56%	77.84%	83.64%	66.74%	72.27%	70.18%	67.76%	62.95%	71.00%
Covered payroll	\$ 819,862	\$ 678,821	\$ 785,325	\$ 698,448	\$ 788,096	\$ 828,591	\$ 891,384	\$ 852,591	\$ 882,220	\$ 883,152
Net pension liability as a percentage of covered payroll	258.74%	250.03%	196.12%	153.76%	261.58%	185.61%	187.10%	192.89%	193.82%	127.88%

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2025

CORP Dispatch - Pension

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Total pension liability										
Service cost	\$ 11,057	\$ 10,818	\$ 11,199	\$ 10,635	\$ 22,068	\$ 25,125	\$ 26,156	\$ 23,677	\$ 22,192	\$ 25,339
Interest on total pension liability	125,771	119,129	114,871	109,959	111,253	97,281	101,672	82,593	81,062	77,670
Changes of benefit terms	-	-	-	-	(73,544)	-	(88,306)	178,966	2,699	-
Difference between expected and actual experience of the total net pension liability	44,395	35,113	8,129	16,332	-	104,697	(75,956)	9,706	(32,880)	(25,832)
Changes of assumptions	-	-	18,792	-	-	33,529	-	10,825	27,171	-
Benefit payments, including refunds of employee contributions	(73,768)	(72,322)	(70,904)	(69,513)	(62,617)	(33,721)	(36,193)	(32,389)	(32,389)	(32,389)
Net change in total pension liability	107,455	92,738	82,087	67,413	(2,840)	226,911	(72,627)	273,378	67,855	44,788
Total pension liability - beginning	1,772,651	1,679,913	1,597,826	1,530,413	1,533,253	1,306,342	1,378,969	1,105,591	1,037,736	992,948
Total pension liability - ending (a)	<u>\$ 1,880,106</u>	<u>\$ 1,772,651</u>	<u>\$ 1,679,913</u>	<u>\$ 1,597,826</u>	<u>\$ 1,530,413</u>	<u>\$ 1,533,253</u>	<u>\$ 1,306,342</u>	<u>\$ 1,378,969</u>	<u>\$ 1,105,591</u>	<u>\$ 1,037,736</u>
Plan fiduciary net position										
Contributions - employer	\$ 101,109	\$ 88,332	\$ 76,090	\$ 40,002	\$ 41,997	\$ 71,821	\$ 52,562	\$ 49,621	\$ 39,841	\$ 37,216
Contributions - employee	8,282	7,608	6,884	6,668	7,954	12,673	12,452	12,246	11,478	13,596
Net investment income	94,684	64,621	(31,819)	182,913	18,061	33,357	40,207	59,286	2,886	16,191
Benefit payments, including refunds of employee contributions	(73,768)	(72,322)	(70,904)	(69,513)	(62,617)	(33,721)	(36,193)	(32,389)	(32,389)	(32,389)
Other	(1,416)	(1,902)	(584)	(853)	(699)	(1,295)	(44,231)	(920)	(811)	(1,132)
Net change in plan fiduciary net position	128,891	86,337	(20,333)	159,217	4,696	82,835	24,797	87,844	21,005	33,482
Plan fiduciary net position - beginning	910,178	823,841	844,174	684,957	680,360	597,525	572,728	484,884	463,879	430,397
Adjustment to Beginning of Year	-	-	-	-	(99)	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 1,039,069</u>	<u>\$ 910,178</u>	<u>\$ 823,841</u>	<u>\$ 844,174</u>	<u>\$ 684,957</u>	<u>\$ 680,360</u>	<u>\$ 597,525</u>	<u>\$ 572,728</u>	<u>\$ 484,884</u>	<u>\$ 463,879</u>
Net pension liability - ending (a) - (b)	<u>\$ 841,037</u>	<u>\$ 862,473</u>	<u>\$ 856,072</u>	<u>\$ 753,652</u>	<u>\$ 845,456</u>	<u>\$ 852,893</u>	<u>\$ 708,817</u>	<u>\$ 806,241</u>	<u>\$ 620,707</u>	<u>\$ 573,857</u>
Plan fiduciary net position as a percentage of the total pension liability	55.27%	51.35%	49.04%	52.83%	44.76%	44.37%	45.74%	41.53%	43.86%	44.70%
Covered payroll	\$ 104,043	\$ 95,576	\$ 86,475	\$ 83,771	\$ 79,392	\$ 159,213	\$ 156,434	\$ 153,847	\$ 144,197	\$ 143,534
Net pension liability as a percentage of covered payroll	808.36%	902.39%	989.96%	899.66%	1064.91%	535.69%	453.11%	524.05%	430.46%	399.81%

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2025

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability								
Service cost	\$ 1,694	\$ 2,556	\$ 3,477	\$ 3,672	\$ 4,028	\$ 3,378	\$ 3,307	\$ 4,616
Interest on total OPEB liability	5,065	6,841	7,752	7,509	7,116	9,390	12,822	13,709
Changes of benefit terms	-	-	-	-	-	-	-	274
Difference between expected and actual experience of the total net OPEB liability	(1,554)	(32,413)	(19,771)	(4,542)	(963)	(41,933)	(61,110)	(10,942)
Changes of assumptions or other inputs	-	-	624	-	-	899	-	(13,733)
Benefit payments	-	(1,560)	(3,120)	(3,120)	(3,120)	(3,120)	(3,120)	(2,460)
Net change in total OPEB liability	5,205	(24,576)	(11,038)	3,519	7,061	(31,386)	(48,101)	(8,536)
Total OPEB liability - beginning	68,655	93,231	104,269	100,750	93,689	125,075	173,176	181,712
Total OPEB liability - ending (a)	<u>\$ 73,860</u>	<u>\$ 68,655</u>	<u>\$ 93,231</u>	<u>\$ 104,269</u>	<u>\$ 100,750</u>	<u>\$ 93,689</u>	<u>\$ 125,075</u>	<u>\$ 173,176</u>
Plan fiduciary net position								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315	\$ 2,114	\$ 3,018
Net investment income	31,574	22,201	(12,098)	67,110	3,093	12,560	15,267	23,144
Benefit payments	-	(1,560)	(3,120)	(3,120)	(3,120)	(3,120)	(3,120)	(2,460)
Administrative expense	(333)	(269)	(215)	(276)	(252)	(217)	(232)	(205)
Other changes	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	31,241	20,372	(15,433)	63,714	(279)	9,538	14,029	23,497
Plan fiduciary net position - beginning	313,688	293,316	308,749	245,035	245,314	233,499	219,470	195,973
Adjustment to Beginning of Year	-	-	-	-	-	2,277	-	-
Plan fiduciary net position - ending (b)	<u>\$ 344,929</u>	<u>\$ 313,688</u>	<u>\$ 293,316</u>	<u>\$ 308,749</u>	<u>\$ 245,035</u>	<u>\$ 245,314</u>	<u>\$ 233,499</u>	<u>\$ 219,470</u>
Net OPEB liability - ending (a) - (b)	<u>\$ (271,069)</u>	<u>\$ (245,033)</u>	<u>\$ (200,085)</u>	<u>\$ (204,480)</u>	<u>\$ (144,285)</u>	<u>\$ (151,625)</u>	<u>\$ (108,424)</u>	<u>\$ (46,294)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	467.00%	456.90%	314.61%	296.11%	243.21%	261.84%	186.69%	126.73%
Covered payroll	\$ 412,846	\$ 371,346	\$ 452,609	\$ 662,602	\$ 709,831	\$ 681,821	\$ 785,035	\$ 923,264
Net OPEB (asset) liability as a percentage of covered payroll	-65.66%	-65.99%	-44.21%	-30.86%	-20.33%	-22.24%	-13.81%	-5.01%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2025

PSPRS Fire Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability								
Service cost	\$ 4,268	\$ 5,054	\$ 4,501	\$ 5,110	\$ 5,334	\$ 4,190	\$ 4,368	\$ 4,092
Interest on total OPEB liability	7,817	10,050	9,257	8,911	9,820	12,641	11,359	10,693
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience of the total net OPEB liability	(4,685)	(45,344)	(7,975)	(8,664)	(25,569)	(58,602)	784	2,303
Changes of assumptions or other inputs	-	-	6,440	-	-	3,109	-	(5,097)
Benefit payments	-	-	-	-	-	(1,200)	(1,200)	(1,200)
Net change in total OPEB liability	7,400	(30,240)	12,223	5,357	(10,415)	(39,862)	15,311	10,791
Total OPEB liability - beginning	104,296	134,536	122,313	116,956	127,371	167,233	151,922	141,131
Total OPEB liability - ending (a)	\$ 111,696	\$ 104,296	\$ 134,536	\$ 122,313	\$ 116,956	\$ 127,371	\$ 167,233	\$ 151,922
Plan fiduciary net position								
Contributions - employer	\$ 176	\$ -	\$ 609	\$ 2,324	\$ 4,095	\$ 4,189	\$ 2,535	\$ 3,984
Net investment income	23,797	16,757	(9,016)	48,925	2,166	8,660	10,310	15,386
Benefit payments	-	-	-	-	-	(1,200)	(1,200)	(1,200)
Administrative expense	(212)	(215)	(160)	(201)	(176)	(149)	(157)	(137)
Other changes	-	-	-	-	-	-	1	-
Net change in plan fiduciary net position	23,761	16,542	(8,567)	51,048	6,085	11,500	11,489	18,033
Plan fiduciary net position - beginning	237,324	220,782	229,349	178,301	172,216	158,884	147,395	129,362
Adjustment to Beginning of Year	-	-	-	-	-	1,832	-	-
Plan fiduciary net position - ending (b)	\$ 261,085	\$ 237,324	\$ 220,782	\$ 229,349	\$ 178,301	\$ 172,216	\$ 158,884	\$ 147,395
Net OPEB liability - ending (a) - (b)	\$ (149,389)	\$ (133,028)	\$ (86,246)	\$ (107,036)	\$ (61,345)	\$ (44,845)	\$ 8,349	\$ 4,527
Plan fiduciary net position as a percentage of the total OPEB liability	233.75%	227.55%	164.11%	187.51%	152.45%	135.21%	95.01%	97.02%
Covered payroll	\$ 819,862	\$ 678,821	\$ 785,325	\$ 698,448	\$ 788,096	\$ 828,591	\$ 891,384	\$ 852,591
Net OPEB (asset) liability as a percentage of covered payroll	-18.22%	-19.60%	-10.98%	-15.32%	-7.78%	-5.41%	0.94%	0.53%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2025

CORP Dispatch Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)							
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability								
Service cost	\$ 514	\$495	\$517	\$496	\$1,118	\$313	\$329	\$446
Interest on total OPEB liability	1,551	1,474	1,410	1,395	2,779	1,963	1,840	2,275
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience of the total net OPEB liability	(987)	(915)	(1,127)	(1,703)	-	8,024	(660)	1,121
Changes of assumptions or other inputs	-	-	374	-	(22,236)	439	-	(9,256)
Benefit payments	-	-	-	-	-	-	-	-
Net change in total OPEB liability	<u>1,078</u>	<u>1,054</u>	<u>1,174</u>	<u>188</u>	<u>(18,339)</u>	<u>10,739</u>	<u>1,509</u>	<u>(5,414)</u>
Total OPEB liability - beginning	<u>21,027</u>	<u>19,973</u>	<u>18,799</u>	<u>18,611</u>	<u>36,950</u>	<u>26,211</u>	<u>24,702</u>	<u>30,116</u>
Total OPEB liability - ending (a)	<u>\$ 22,105</u>	<u>\$ 21,027</u>	<u>\$ 19,973</u>	<u>\$ 18,799</u>	<u>\$ 18,611</u>	<u>\$ 36,950</u>	<u>\$ 26,211</u>	<u>\$ 24,702</u>
Plan fiduciary net position								
Contributions - employer	\$ -	\$ -	\$ -	\$1,063	\$303	\$526	\$1,236	\$1,148
Net investment income	3,654	2,564	(1,288)	7,135	687	1,298	1,531	2,149
Benefit payments	-	-	-	-	-	-	-	-
Administrative expense	(52)	(48)	(23)	(29)	(27)	(23)	(23)	(18)
Net change in plan fiduciary net position	<u>3,602</u>	<u>2,516</u>	<u>(1,311)</u>	<u>8,169</u>	<u>963</u>	<u>1,801</u>	<u>2,744</u>	<u>3,279</u>
Plan fiduciary net position - beginning	<u>35,715</u>	<u>33,199</u>	<u>34,510</u>	<u>26,341</u>	<u>25,377</u>	<u>23,576</u>	<u>20,832</u>	<u>17,553</u>
Adjustment to Beginning of Year	-	-	-	-	1	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ 39,317</u>	<u>\$ 35,715</u>	<u>\$ 33,199</u>	<u>\$ 34,510</u>	<u>\$ 26,341</u>	<u>\$ 25,377</u>	<u>\$ 23,576</u>	<u>\$ 20,832</u>
Net OPEB liability - ending (a) - (b)	<u>\$ (17,212)</u>	<u>\$ (14,688)</u>	<u>\$ (13,226)</u>	<u>\$ (15,711)</u>	<u>\$ (7,730)</u>	<u>\$ 11,573</u>	<u>\$ 2,635</u>	<u>\$ 3,870</u>
Plan fiduciary net position as a percentage of the total OPEB liability	177.86%	169.85%	166.22%	183.57%	141.53%	68.68%	89.95%	84.33%
Covered payroll	\$ 104,043	\$ 95,576	\$ 86,475	\$ 83,771	\$ 79,392	\$ 159,213	\$ 156,434	\$ 153,847
Net OPEB (asset) liability as a percentage of covered payroll	-16.54%	-15.37%	-15.29%	-18.75%	-9.74%	7.27%	1.68%	2.52%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2025

ASRS - Pension	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 522,878	\$ 509,235	\$ 436,818	\$ 432,123	\$ 373,541	\$ 355,968	\$ 330,840	\$ 310,599	\$ 294,169	\$ 279,095
Contributions in relation to the contractually required contribution	\$ (522,878)	\$ (509,235)	\$ (436,818)	\$ (432,123)	\$ (373,541)	\$ (355,968)	\$ (330,840)	\$ (310,599)	\$ (294,169)	\$ (279,095)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,061,912	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776	\$ 2,456,023
Contributions as a percentage of covered payroll	12.87%	13.20%	12.87%	13.10%	12.73%	12.20%	11.77%	11.18%	10.94%	11.36%

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2025

ASRS - Health insurance premium benefit	Reporting Fiscal Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 3,037	\$ 4,559	\$ 4,012	\$ 7,478	\$ 12,484	\$ 15,234	\$ 13,612	\$ 12,538	\$ 15,282
Contributions in relation to the contractually required contribution	(3,037)	(4,559)	(4,012)	(7,478)	(12,484)	(15,234)	(13,612)	(12,538)	(15,282)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,061,912	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,689,776
Contributions as a percentage of covered payroll	0.07%	0.12%	0.12%	0.23%	0.43%	0.52%	0.48%	0.45%	0.57%

ASRS - Long-term disability	Reporting Fiscal Year								
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 6,509	\$ 6,274	\$ 5,126	\$ 7,029	\$ 5,543	\$ 5,285	\$ 4,735	\$ 4,561	\$ 3,821
Contributions in relation to the contractually required contribution	(6,509)	(6,274)	(5,126)	(7,029)	(5,543)	(5,285)	(4,735)	(4,561)	(3,821)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,061,912	\$ 3,857,440	\$ 3,394,491	\$ 3,297,901	\$ 2,935,175	\$ 2,918,223	\$ 2,811,370	\$ 2,778,168	\$ 2,778,168
Contributions as a percentage of covered payroll	0.16%	0.16%	0.15%	0.21%	0.19%	0.18%	0.17%	0.16%	0.14%

Note: In accordance with GASB75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2025

PSPRS Police-Pensions	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 494,760	\$ 478,854	\$ 288,796	\$ 334,062	\$ 295,645	\$ 268,229	\$ 299,902	\$ 375,703	\$ 211,628	\$ 233,387
Contributions in relation to the actuarially determined contribution	\$ (494,760)	\$ (478,854)	\$ (288,796)	\$ (334,062)	\$ (295,645)	\$ (268,229)	\$ (299,902)	\$ (375,703)	\$ (211,628)	\$ (233,387)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 417,490	\$ 412,846	\$ 371,346	\$ 452,609	\$ 662,602	\$ 709,831	\$ 681,821	\$ 785,035	\$ 923,264	\$ 1,056,801
Contributions as a percentage of covered-employee payroll	118.51%	115.99%	77.77%	73.81%	44.62%	37.79%	43.99%	47.86%	22.92%	22.08%

PSPRS Police
Health Insurance Premium Benefit

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 315	\$ 2,114	\$ 3,018	
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (315)	\$ (2,114)	\$ (3,018)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 417,490	\$ 412,846	\$ 371,346	\$ 452,609	\$ 662,602	\$ 709,831	\$ 681,821	\$ 785,035	\$ 923,264	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.27%	0.33%	

Note: In accordance with GASB75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2025

PSPRS Fire-Pensions	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 451,995	\$ 297,932	\$ 272,041	\$ 232,533	\$ 237,746	\$ 298,199	\$ 272,225	\$ 377,216	\$ 194,912	\$ 188,368
Contributions in relation to the actuarially determined contribution	(451,995)	(297,932)	(272,041)	(232,533)	(237,746)	(298,199)	(272,225)	(377,216)	(194,912)	(188,368)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 818,673	\$ 819,862	\$ 678,821	\$ 785,325	\$ 698,448	\$ 788,096	\$ 828,591	\$ 891,384	\$ 852,591	\$ 882,220
Contributions as a percentage of covered-employee payroll	55.21%	36.34%	40.08%	29.61%	34.04%	37.84%	32.85%	42.32%	22.86%	21.35%

PSPRS Fire
Health Insurance Premium Benefit

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ 176	\$ -	\$ 609	\$ 2,324	\$ 4,095	\$ 4,189	\$ 2,535	\$ 3,984	
Contributions in relation to the actuarially determined contribution	\$ -	\$ (176)	\$ -	\$ (609)	\$ (2,324)	\$ (4,095)	\$ (4,189)	\$ (2,535)	\$ (3,984)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 818,673	\$ 819,862	\$ 678,821	\$ 785,325	\$ 698,448	\$ 788,096	\$ 828,591	\$ 891,384	\$ 852,591	
Contributions as a percentage of covered payroll	0.00%	0.02%	0.00%	0.08%	0.33%	0.52%	0.51%	0.28%	0.47%	

Note: In accordance with GASB75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2025

CORP Dispatch-Pensions	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 101,262	\$ 101,109	\$ 88,332	\$ 76,090	\$ 40,002	\$ 41,997	\$ 71,821	\$ 52,562	\$ 49,621	\$ 39,841
Contributions in relation to the actuarially determined contribution	\$ (101,262)	\$ (101,109)	\$ (88,332)	\$ (76,090)	\$ (40,002)	\$ (41,997)	\$ (71,821)	\$ (52,562)	\$ (49,621)	\$ (39,841)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 101,375	\$ 104,043	\$ 95,576	\$ 86,475	\$ 83,771	\$ 79,392	\$ 159,213	\$ 156,434	\$ 153,847	\$ 144,197
Contributions as a percentage of covered-employee payroll	99.89%	97.18%	92.42%	87.99%	47.75%	52.90%	45.11%	33.60%	32.25%	27.63%

CORP Dispatch
Health Insurance Premium Benefit

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 1,063	\$ 303	\$ 526	\$ 1,236	\$ 1,148	
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ (1,063)	\$ (303)	\$ (526)	\$ (1,236)	\$ (1,148)	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 101,375	\$ 104,043	\$ 95,576	\$ 86,475	\$ 83,771	\$ 79,392	\$ 159,213	\$ 156,434	\$ 153,847	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	1.27%	0.38%	0.33%	0.79%	0.75%	

Note: In accordance with GASB75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2025

NOTE 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry Age Normal
Amortization Method	Level percent-of-pay, closed
Remaining Amortization Period of the 2023 actuarial valuation	15 years
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% -8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% -8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2022 actuarial valuation, wage growth was decreased from 3.5% to a range of 3.0-6.25%. In the 2017 actuarial valuation, wage growth was decreased from 4.0% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and COPR.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF SOMERTON, ARIZONA
Required Supplementary Information
Notes to the Pension/OPEB Plan Schedules
June 30, 2025

NOTE 2. Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and CORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the 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 and CORP 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 and CORP required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

The fiscal year 2019 (measurement date 2018) pension liabilities for CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

General Fund

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF SOMERTON, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 2,333,336	\$ 2,333,336	\$ 4,526,544	\$ 2,193,208
Franchise fees	225,000	225,000	254,799	29,799
Property taxes	823,042	823,042	818,822	(4,220)
Special assessments	262,902	262,902	305,345	42,443
Other taxes	846,667	846,667	126,688	(719,979)
Total taxes	<u>4,490,947</u>	<u>4,490,947</u>	<u>6,032,198</u>	<u>1,541,251</u>
Licenses, Permits and Fees:				
Development fees	45,600	45,600	297,045	251,445
Building permits	96,400	96,400	178,620	82,220
Business licenses	37,000	37,000	32,869	(4,131)
Total licenses, fees and permits	<u>179,000</u>	<u>179,000</u>	<u>508,534</u>	<u>329,534</u>
Intergovernmental:				
State sales taxes	2,205,481	2,205,481	2,242,419	36,938
State revenue sharing	3,104,410	3,104,410	3,104,551	141
Auto lieu tax	822,044	822,044	886,470	64,426
Grants	2,277,893	2,277,893	2,813,474	535,581
Total intergovernmental	<u>8,409,828</u>	<u>8,409,828</u>	<u>9,046,914</u>	<u>637,086</u>
Charges for Services:				
Rent revenues	104,900	104,900	87,546	(17,354)
Ambulance fees	900,000	900,000	746,653	(153,347)
Reimbursements	87,000	87,000	96,421	9,421
Cocopah obligation	770,000	770,000	830,707	60,707
Miscellaneous fees and charges	163,370	163,370	208,146	44,776
Total charges for services	<u>2,025,270</u>	<u>2,025,270</u>	<u>1,969,473</u>	<u>(55,797)</u>
Fines and Forfeitures:				
Fines and forfeitures	65,000	65,000	99,912	34,912
Total fines and forfeitures	<u>65,000</u>	<u>65,000</u>	<u>99,912</u>	<u>34,912</u>
Interest				
Investment earnings	-	-	98,617	98,617
Total interest	<u>-</u>	<u>-</u>	<u>98,617</u>	<u>98,617</u>
Other Revenues:				
Donations	19,000	19,000	20,955	1,955
Miscellaneous	2,117,926	2,117,926	80,169	(2,037,757)
Total other revenues	<u>2,136,926</u>	<u>2,136,926</u>	<u>101,124</u>	<u>(2,035,802)</u>
TOTAL REVENUES	<u>\$ 17,306,971</u>	<u>\$ 17,306,971</u>	<u>\$ 17,856,772</u>	<u>\$ 549,801</u>

(continued)

CITY OF SOMERTON, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor and council	\$ 804,410	\$ 804,410	\$ 436,393	\$ 368,017
Administration	350,873	350,873	356,115	(5,242)
Facilities maintenance	261,330	261,330	240,218	21,112
Information technology	291,466	291,466	256,795	34,671
Human resources	234,835	234,835	239,076	(4,241)
Finance	705,147	705,147	664,812	40,335
City clerk	131,069	131,069	83,709	47,360
Court	614,118	614,118	549,941	64,177
Total general government	3,393,248	3,393,248	2,827,059	566,189
Public Safety:				
Police	4,208,442	4,208,442	3,745,924	462,518
Fire and ambulance	3,492,389	3,492,389	3,532,302	(39,913)
Animal control	237,254	237,254	186,553	50,701
Total public safety	7,938,085	7,938,085	7,464,779	473,306
Public Works/Streets:				
Assessment districts	262,905	262,905	265,253	(2,348)
Total public works/streets	262,905	262,905	265,253	(2,348)
Culture and Recreation:				
Parks and recreation	1,535,705	1,535,705	1,683,708	(148,003)
Community Support	1,570,858	1,570,858	513,465	1,057,393
Total culture and recreation	3,106,563	3,106,563	2,197,173	909,390
Economic Development:				
Community development	609,019	609,019	559,328	49,691
Economic development	405,182	405,182	242,087	163,095
Total economic development	1,014,201	1,014,201	801,415	212,786
Capital Outlay				
Capital outlay	75,778	75,778	223,536	(147,758)
Total capital outlay	75,778	75,778	223,536	(147,758)
TOTAL EXPENDITURES	15,790,780	15,790,780	13,779,215	2,011,565
Excess of revenues over expenditures	1,516,191	1,516,191	4,077,557	2,561,366
Other Financing Sources (Uses):				
Sale of capital assets	1,097,853	1,097,853	605,093	(492,760)
Transfers out	(600,000)	(600,000)	(2,227,982)	(1,627,982)
Total other financing sources (uses)	497,853	497,853	(1,622,889)	(2,120,742)
Net change in fund balance	2,014,044	2,014,044	2,454,668	440,624
Fund balance, beginning of year				
as previously reported	4,513,044	4,513,044	4,513,044	953,902
Restatement adjustment for error correction	(179,780)	(179,780)	(179,780)	-
Fund balance, beginning as restated	4,333,264	4,333,264	4,333,264	953,902
Fund balance, end of year	\$ 6,527,088	\$ 6,527,088	\$ 6,787,932	\$ 1,394,526

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES

Non-major Governmental Funds

Special Revenue Funds

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

- The **Highway User Revenue Fund** is used to account for revenue sources that are legally restricted for road construction and maintenance.
- **Miscellaneous Grants Fund** – This fund is used to account for miscellaneous federal and state grants and other contributions that are restricted for specific use.
- **Court Fund** – This fund is used to account for the court related revenues that are restricted by State Statute.
- **Senior Nutrition Center** – This fund is to account for revenues and expenditures at the Somerton and San Luis Senior Centers.

Capital Project Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

- **Capital Improvement Capital Projects Fund** – This fund is used to account for various grants and other contributions and transfers that are restricted or designated for various capital improvements and projects of the government that are not accounted for in other funds.

Debt Service Funds

- **Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

CITY OF SOMERTON, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue				Capital Project	Debt Service	
	Highway User Revenue Fund	Miscellaneous Grants	Court Fund	Senior Nutrition Center	Capital Improvements	Debt Service	Total
ASSETS							
Cash	\$ 234,433	\$ -	\$ 77,780	\$ -	\$ -	\$ 169,913	\$ 482,126
Accounts receivable	-	-	119	-	-	-	119
Due from other governments	146,604	49,065	-	22,722	47,363	-	265,754
Due from component unit	-	-	-	-	88,413	-	88,413
Inventory	4,281	-	-	-	-	-	4,281
Restricted cash and investments	-	-	-	-	194,643	1,247,735	1,442,378
Total assets	<u>\$ 385,318</u>	<u>\$ 49,065</u>	<u>\$ 77,899</u>	<u>\$ 22,722</u>	<u>\$ 330,419</u>	<u>\$ 1,417,648</u>	<u>\$ 2,283,071</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 273,990	\$ -	\$ 11,585	\$ 5,231	\$ 106,608	\$ -	\$ 397,414
Accrued wages and benefits	1,252	110	-	334	-	-	1,696
Due to other funds	-	1,616	13,947	17,157	29,168	-	61,888
Total liabilities	<u>275,242</u>	<u>1,726</u>	<u>25,532</u>	<u>22,722</u>	<u>135,776</u>	<u>-</u>	<u>460,998</u>
Fund Balance:							
Nonspendable:							
Inventory	4,281	-	-	-	-	-	4,281
Restricted for:							
General government	-	-	52,367	-	-	-	52,367
Public safety	-	47,339	-	-	-	-	47,339
Public works/streets	105,795	-	-	-	-	-	105,795
Capital outlay	-	-	-	-	194,643	-	194,643
Assigned to:							
Debt service	-	-	-	-	-	1,417,648	1,417,648
Total fund balance	<u>110,076</u>	<u>47,339</u>	<u>52,367</u>	<u>-</u>	<u>194,643</u>	<u>1,417,648</u>	<u>1,822,073</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 385,318</u>	<u>\$ 49,065</u>	<u>\$ 77,899</u>	<u>\$ 22,722</u>	<u>\$ 330,419</u>	<u>\$ 1,417,648</u>	<u>\$ 2,283,071</u>

CITY OF SOMERTON, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2025

	Special Revenue				Capital Project	Debt Service	
	Highway User Revenue Fund	Miscellaneous Grants	Court Fund	Senior Nutrition Center	Capital Improvements	Debt Service	Total
REVENUES:							
Intergovernmental	\$ 1,523,083	\$ 196,054	\$ -	\$ 107,688	\$ 293,484	\$ -	\$ 2,120,309
Fines and forfeitures	-	-	1,361	-	-	-	1,361
Interest	-	-	-	-	10	38,302	38,312
Other revenues	6,353	4,425	628	19,538	-	-	30,944
Total revenues	1,529,436	200,479	1,989	127,226	293,494	38,302	2,190,926
EXPENDITURES:							
Public safety	-	187,147	-	-	-	-	187,147
Public works/streets	1,142,872	-	-	-	-	-	1,142,872
Health and welfare	-	-	-	250,795	-	-	250,795
Capital outlay	243,886	-	-	17,470	1,280,473	-	1,541,829
Debt Service	-	-	-	-	-	1,457,030	1,457,030
Total expenditures	1,386,758	187,147	-	268,265	1,280,473	1,457,030	4,579,673
Excess of revenues over (under) expenditures	142,678	13,332	1,989	(141,039)	(986,979)	(1,418,728)	(2,388,747)
Other Financing Sources (Uses):							
Transfers in	-	-	-	141,039	839,449	1,416,575	2,397,063
Transfers out	(169,081)	-	-	-	-	-	(169,081)
Total other financing sources (uses):	(169,081)	-	-	141,039	839,449	1,416,575	2,227,982
Net change in fund balances	(26,403)	13,332	1,989	-	(147,530)	(2,153)	(160,765)
Fund balance, beginning of year	136,479	34,007	50,378	-	342,173	1,419,801	1,982,838
Fund balance (deficit), end of year	\$ 110,076	\$ 47,339	\$ 52,367	\$ -	\$ 194,643	\$ 1,417,648	\$ 1,822,073

CITY OF SOMERTON, ARIZONA
HIGHWAY USER REVENUE
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental revenue	\$ 1,472,349	\$ 1,523,083	\$ 50,734
Other revenue	-	6,353	6,353
Total revenue	<u>1,472,349</u>	<u>1,529,436</u>	<u>57,087</u>
EXPENDITURES:			
Salaries	338,932	438,846	(99,914)
Employee benefits	199,454	201,583	(2,129)
Services, supplies, and other	493,375	502,443	(9,068)
Capital outlay	<u>909,500</u>	<u>243,886</u>	<u>665,614</u>
Total expenditures	<u>1,941,261</u>	<u>1,386,758</u>	<u>554,503</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(468,912)</u>	<u>142,678</u>	<u>611,590</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>(169,081)</u>	<u>(169,081)</u>
Total other financing sources (uses):	<u>-</u>	<u>(169,081)</u>	<u>(169,081)</u>
Net change in fund balance	(468,912)	(26,403)	442,509
Fund balance, beginning of year	<u>136,479</u>	<u>136,479</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (332,433)</u></u>	<u><u>\$ 110,076</u></u>	<u><u>\$ 442,509</u></u>

CITY OF SOMERTON, ARIZONA
MISCELLANEOUS GRANTS
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intergovernmental revenue	\$ 200,000	\$ 196,054	\$ (3,946)
Other revenue	<u>2,100</u>	<u>4,425</u>	<u>2,325</u>
Total revenue	<u>202,100</u>	<u>200,479</u>	<u>(1,621)</u>
EXPENDITURES:			
Salaries	-	114,453	(114,453)
Employee benefits	-	70,725	(70,725)
Services, supplies, and other	<u>-</u>	<u>1,969</u>	<u>(1,969)</u>
Total expenditures	<u>-</u>	<u>187,147</u>	<u>(187,147)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>202,100</u>	<u>13,332</u>	<u>(188,768)</u>
Other Financing Sources (Uses):			
Net change in fund balance	202,100	13,332	(188,768)
Fund balance, beginning of year	<u>34,007</u>	<u>34,007</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 236,107</u></u>	<u><u>\$ 47,339</u></u>	<u><u>\$ (188,768)</u></u>

CITY OF SOMERTON, ARIZONA
COURT FUND
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Fines and forfeitures	\$ -	\$ 1,361	\$ 1,361
Other revenue	-	628	628
	-	-	-
Total revenue	-	1,989	1,989
EXPENDITURES:			
Services, supplies, and other	-	-	-
	-	-	-
Total expenditures	-	-	-
Excess of revenue and other sources over (under) expenditures and other uses	-	1,989	1,989
Other Financing Sources (Uses):			
Net change in fund balance	-	1,989	1,989
Fund balance, beginning of year	50,378	50,378	-
Fund balance, end of year	\$ 50,378	\$ 52,367	\$ 1,989

CITY OF SOMERTON, ARIZONA
SENIOR NUTRITION CENTER
Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Intergovernmental revenue	\$ 414,600	\$ 107,688	\$ (306,912)
Donations and other revenue	<u>27,200</u>	<u>19,538</u>	<u>(7,662)</u>
Total revenue	<u>441,800</u>	<u>127,226</u>	<u>(314,574)</u>
EXPENDITURES:			
Salaries	126,477	122,752	3,725
Employee benefits	37,325	41,369	(4,044)
Services, supplies, and other	96,370	86,674	9,696
Capital outlay	<u>-</u>	<u>17,470</u>	<u>(17,470)</u>
Total expenditures	<u>260,172</u>	<u>268,265</u>	<u>(8,093)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>181,628</u>	<u>(141,039)</u>	<u>(322,667)</u>
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>141,039</u>	<u>141,039</u>
Net change in fund balance	181,628	-	(181,628)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 181,628</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (181,628)</u></u>

CITY OF SOMERTON, ARIZONA
CAPITAL IMPROVEMENT
Capital Project Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Intergovernmental revenue	\$ 766,000	\$ 293,484	\$ (472,516)
Interest revenue	<u>-</u>	<u>10</u>	<u>10</u>
Total revenue	<u>766,000</u>	<u>293,494</u>	<u>(472,506)</u>
EXPENDITURES:			
Capital outlay	<u>838,063</u>	<u>1,280,473</u>	<u>(442,410)</u>
Total expenditures	<u>838,063</u>	<u>1,280,473</u>	<u>(442,410)</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(72,063)</u>	<u>(986,979)</u>	<u>(914,916)</u>
Other Financing Sources (Uses):			
Transfers in	<u>-</u>	<u>839,449</u>	<u>839,449</u>
Net change in fund balance	(72,063)	(147,530)	(75,467)
Fund balance, beginning of year	<u>342,173</u>	<u>342,173</u>	<u>-</u>
Fund balance (deficit), end of year	<u><u>\$ 270,110</u></u>	<u><u>\$ 194,643</u></u>	<u><u>\$ (75,467)</u></u>

CITY OF SOMERTON, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2025

	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Interest revenue	\$ -	\$ 38,302	\$ 38,302
Total revenue	-	38,302	38,302
EXPENDITURES:			
Debt service - principal	1,188,000	1,202,804	(14,804)
Debt service - interest	261,858	254,226	7,632
Total expenditures	1,449,858	1,457,030	(7,172)
Excess of revenue and other sources over (under) expenditures and other uses	(1,449,858)	(1,418,728)	31,130
Other Financing Sources (Uses):			
Transfers in	-	1,416,575	1,416,575
Total other financing sources (uses)	-	1,416,575	1,416,575
Net change in fund balance	(1,449,858)	(2,153)	1,447,705
Fund balance, beginning of year	1,419,801	1,419,801	-
Fund balance, end of year	\$ (30,057)	\$ 1,417,648	\$ 1,447,705

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2025 and 2023

	2025	2024
Capital assets:		
Land	\$ 3,514,428	\$ 2,911,389
Buildings and Improvements	9,981,526	9,897,439
Improvements	3,237,933	3,231,343
Furniture and Equipment	3,161,119	3,006,701
Vehicles	5,831,024	5,788,282
Infrastructure/Streets	32,105,086	30,354,307
Right-to-use assets	144,792	144,791.80
Construction in Progress	408,696	1,191,002
	<u>\$ 58,384,604</u>	<u>\$ 56,525,255</u>
Investment in capital assets by source:		
Investment in property acquired by		
all sources excluding donations	\$ 53,264,251	\$ 51,404,902
Donations	<u>5,120,353</u>	<u>5,120,353</u>
	<u>\$ 58,384,604</u>	<u>\$ 56,525,255</u>

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2025

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Furniture and Equipment</u>	<u>Vehicles</u>	<u>Infrastructure/ Streets</u>	<u>Right-to-Use Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
<u>Function and Activity</u>									
General Government	\$ 829,240	\$ 4,139,584	\$ 228,134	\$ 272,292	\$ 261,526	\$ 184,550	\$ -	\$ 313,264	\$ 6,228,590
Highways and Streets	161,268	-	19,050	326,516	336,923	30,840,230	-	-	31,683,987
Public Safety	-	3,929,303	790,977	2,175,495	5,018,504	-	144,792	95,432	12,154,503
Culture and Recreation	2,523,920	1,167,668	2,006,712	376,801	214,071	1,080,306	-	-	7,369,478
Health and Welfare	-	744,971	193,060	10,015	-	-	-	-	948,046
Totals	<u>\$ 3,514,428</u>	<u>\$ 9,981,526</u>	<u>\$ 3,237,933</u>	<u>\$ 3,161,119</u>	<u>\$ 5,831,024</u>	<u>\$ 32,105,086</u>	<u>\$ 144,792</u>	<u>\$ 408,696</u>	<u>\$ 58,384,604</u>

CITY OF SOMERTON, ARIZONA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Year Ended June 30, 2025

	Capital Assets July 1, 2024	Additions	Deletions	Adjustments	Capital Assets June 30, 2025
<u>Function and Activity</u>					
General Government	\$ 5,665,106	\$ 678,367	\$ (114,883)	\$ -	\$ 6,228,590
Highways and Streets	31,832,446	1,177,001	(1,325,460)	-	31,683,987
Public Safety	11,886,354	345,025	(76,876)	-	12,154,503
Culture and Recreation	6,193,303	1,176,175	-	-	7,369,478
Health and Welfare	948,046	-	-	-	948,046
Totals	<u>\$ 56,525,255</u>	<u>\$ 3,376,568</u>	<u>\$ (1,517,219)</u>	<u>\$ -</u>	<u>\$ 58,384,604</u>

COMPLIANCE SECTION

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

The Honorable Mayor and
City Council
Somerton, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Somerton, Arizona, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Somerton, Arizona's basic financial statements and have issued our report thereon dated May 5, 2026.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the findings and recommendations letter that we consider to be a significant deficiency:

2024-001 Interfund Loan Outstanding between the General Fund and Water Fund

Compliance and Other Matters

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

Purpose of this Report

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



Squire & Company, PC
Mesa, Arizona
May 5, 2026



Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and
City Council
Somerton, Arizona

We have audited the basic financial statements of the City of Somerton; Arizona for the year ended June 30, 2025, and have issued our report thereon dated May 5, 2026. Our audit also included test work on the City of Somerton's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The City of Somerton complied, in all material respects, with the requirements identified above for the year ended June 30, 2025.

The results of our auditing procedures disclosed instances of noncompliance, which are described in a separate schedule of findings and recommendations letter dated May 5, 2026 as item 2025-001, 2025-002, 2025-003, and 2017-001. Our opinion on compliance is not modified with respect to this matter.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the requirements. Accordingly, this report is not suitable for any other purpose.

Squire & Company, PC

Squire & Company, PC
Mesa, Arizona
May 5, 2026