

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 4, 2026

NEW ISSUE - BOOK-ENTRY-ONLY

RATING: See "RATING" herein

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

\$12,000,000*

**WATER AND WASTEWATER SYSTEM REVENUE
OBLIGATIONS, SERIES 2026**

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

Dated: Date of Initial Delivery

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

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

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the City's water and wastewater utility systems (together, the "Systems"), and (ii) paying costs incurred in connection with the execution and delivery of the Obligations. See "SOURCES AND USES OF FUNDS" herein.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The Obligations will be subject to optional redemption prior to maturity. See "THE OBLIGATIONS - Redemption Provisions."

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

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

The Obligations will be offered when, as and if executed and delivered by the Trustee, subject to the approving opinion of Greenberg Traurig, LLP, Special Counsel, as to validity of the Obligations and tax exemption. Certain matters will be passed upon for the Underwriter identified below by its counsel, Barnes & Thornburg LLP, Phoenix, Arizona. It is expected that the Obligations will be available for delivery through the facilities of DTC on or about June 30, 2026*.

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

STIFEL

* Subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$12,000,000*
WATER AND WASTEWATER SYSTEM REVENUE OBLIGATIONS, SERIES 2026
Evidencing Proportionate Interests of the Holders Thereof in
Installment Payments of the Purchase Price to be Paid by the
CITY OF BULLHEAD CITY, ARIZONA,
Pursuant to a Series 2026 Purchase Agreement,
Dated as of June 1, 2026*

MATURITY SCHEDULE*

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP® ⁽¹⁾ No.
2027	\$55,000	%	%	
2028	205,000			
2029	215,000			
2030	225,000			
2031	235,000			
2032	250,000			
2033	260,000			
2034	275,000			
2035	290,000			
2036	300,000			
2037	315,000			
2038	335,000			
2039	350,000			
2040	370,000			
2041	385,000			
2042	405,000			
2043	425,000			
2044	445,000			
2045	470,000			
2046	490,000			
2047	515,000			
2048	540,000			
2049	570,000			
2050	600,000			
2051	630,000			
2052	660,000			
2053	695,000			
2054	725,000			
2055	765,000			

* Subject to change.

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CITY OF BULLHEAD CITY, ARIZONA

MAYOR AND CITY COUNCIL

Karen Dallman, *Mayor*

Dan Alfonzo, *Vice Mayor*

Jason Newlin, *Councilmember*

Eugene O'Neill, *Councilmember*

Tami Ring, *Councilmember*

Pamela Smith, *Councilmember*

Vacant, *Councilmember**

CITY ADMINISTRATION

Toby Cotter, *City Manager*

Edigar Kajirwa, *Assistant to the City Manager*

Travis Pruitt, *Assistant to the City Manager*

Robert Drexler, *Finance Director*

Juvencia Alvarez, *Finance Deputy Director*

Garn Emery, Esq., *City Attorney*

SPECIAL COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

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

* Such vacancy will be filled in the ordinary course by the City.

REGARDING THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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OFFICIAL STATEMENT

\$12,000,000*

WATER AND WASTEWATER SYSTEM REVENUE OBLIGATIONS, SERIES 2026

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

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, is to provide information in connection with the sale and execution and delivery of the \$12,000,000* principal amount of Water and Wastewater System Revenue Obligations, Series 2026 (the "Obligations") evidencing proportionate interests of the registered owners of each Obligation (the "Holders"), in certain installment payments (the "Purchase Payments" and collectively, the "Purchase Price") to be paid by the City of Bullhead City, Arizona (the "City"), pursuant to a Series 2026 Purchase Agreement, to be dated as of June 1, 2026* (the "Purchase Agreement"), between U.S. Bank Trust Company, National Association (the "Trustee"), in its capacity as seller, and the City. The Obligations will be executed and delivered pursuant to a Series 2026 Obligation Indenture, to be dated as of June 1, 2026* (the "Indenture"), between the City and the Trustee in its capacity as trustee thereunder.

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

The Purchase Payments will be payable from and secured by a first lien on and pledge of the Net Revenues (as defined herein) on a parity with the pledge and lien granted by the City for the payment and security of (i) \$4,950,573 outstanding principal amount outstanding with respect to Loan Agreement No. 910202-23, dated as of October 19, 2022 (the "2022 CW Loan"), between the Water Infrastructure Finance Authority of Arizona ("WIFA") and the City, (ii) \$4,914,359 outstanding principal amount outstanding with respect to Loan Agreement No. 920357-23, dated as of December 9, 2022 (the "2022 DW Loan" and, together with the 2022 CW Loan, the "WIFA Loans"), between WIFA and the City, and (iii) any Additional Obligations.

"Net Revenues" means the sum of the Water Net Revenues and the Wastewater Net Revenues, subject to certain additions or subtractions under certain circumstances as described herein in the penultimate paragraph of the subheading "SECURITY AND SOURCE OF PAYMENT OF THE OBLIGATIONS – Additional Obligations; No Prior Obligations." "Revenues" means, collectively, the Water Revenues and the Wastewater Revenues. "Operating Expenses" means the sum of the Water Operating Expenses and the Wastewater Operating Expenses; provided that any such expenses that are joint expenses of the Systems (as defined herein) shall only be counted once.

"Water Net Revenues" means Water Revenues remaining after deducting the Water Operating Expenses. "Water Revenues" means and includes all income, moneys and receipts to be received by the City, directly or indirectly, from the ownership, use or operation of the Water System (as defined herein) including any waste material or by-products of the Water System, and also including investment income. "Water Operating Expenses" means all costs reasonably incurred in connection with the operation, use and maintenance of the Water System, including (i) repairs necessary to keep the Water System in efficient and economical operating condition, (ii) the payments of premiums for insurance hereinafter required to be carried on the Water System, (iii) payments of reasonable Water Administrative Expenses, and (iv) generally all expenses of the Water System except depreciation and interest expense on the WIFA Loans, the Obligations, any Additional Obligations and any obligations subordinate to such obligations.

"Wastewater Net Revenues" means Wastewater Revenues remaining after deducting the Wastewater Operating Expenses. "Wastewater Revenues" means and includes all income, moneys and receipts to be received by the City, directly or indirectly, from the ownership, use or operation of the Wastewater System (as defined herein) including

any waste material or by-products of the Wastewater System, and also including investment income. “Wastewater Operating Expenses” means all costs reasonably incurred in connection with the operation, use and maintenance of the Wastewater System, including (i) repairs necessary to keep the Wastewater System in efficient and economical operating condition, (ii) the payments of premiums for insurance hereinafter required to be carried on the Wastewater System, (iii) payments of reasonable Wastewater Administrative Expenses, and (iv) generally all expenses of the Wastewater System except depreciation and interest expense on the WIFA Loans, the Obligations, any Additional Obligations and any obligations subordinate to such obligations.

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

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

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

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

Copies of the forms of the Purchase Agreement and the Indenture may be obtained, until the delivery of the Obligations, from Stifel, Nicolaus & Company Incorporated (the “Underwriter”), upon request to: Stifel, Nicolaus & Company, Incorporated, 2801 E. Camelback Road, Suite 300, Phoenix, Arizona 85016, Attention: Municipal Finance. After delivery of the Obligations, copies of such documents may be obtained from the Trustee upon request to: U.S. Bank Trust Company, National Association, 1101 West Washington Street, 2nd Floor, Tempe, Arizona, 85288, Attention: Global Corporate Trust.

THE OBLIGATIONS

Authorization and Purpose

The Trustee will be authorized to execute and deliver the Obligations pursuant to the provisions of the Indenture and a resolution adopted by the Mayor and Council of the City on May 5, 2026 (the “Resolution”).

The Obligations are being executed and delivered for the purpose of (i) financing the costs of improvements to the Systems (collectively, the “Projects”), and (ii) paying costs incurred in connection with the execution and delivery of the Obligations. See “SOURCES AND USES OF FUNDS” herein.

General Provisions

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

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

Redemption Provisions*

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

Notice of and Procedure for Redemption

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

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

SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS

General

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

The Obligations represent undivided proportionate interests of the Holders thereof in the right to receive the Purchase Payments to be paid by the City pursuant to the Purchase Agreement, which includes amounts sufficient to pay when due the principal of and interest on the Obligations. During the term of the Purchase Agreement, the Purchase Payments will be required to be made regardless of damage to the Projects or commercial frustration of purpose, without right of set-off or counterclaim, regardless of any contingencies and whether or not the City possesses or uses the water utility system of the City (the "Water System") or the wastewater utility system of the City (the "Wastewater System" and, together with the Water System, the "Systems"). The obligation of the City to make the Purchase Payments will continue until all of the Purchase Payments and all other amounts due under the Purchase Agreement have been paid. No security interest will be held by the Trustee for the benefit of the Holders of the Obligations in any portion of the Projects or the Systems. Remedies available upon a failure of the City to make the Purchase Payments when due will be limited and will not include acceleration of the Purchase Payments or recourse to the

Projects or any portion of the Systems. For a description of events of default and remedies under the Purchase Agreement, see APPENDIX F – “OBLIGATIONS DOCUMENTS SUMMARIES – The Purchase Agreement – Purchase Events of Default” and “– Remedies on Default by City.” For information concerning the Systems, see APPENDIX A – “CITY OF BULLHEAD CITY, ARIZONA – THE SYSTEMS.”

Source of Purchase Payments

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

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

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

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

Rate Covenant

The City has covenanted and agreed in the Purchase Agreement to continuously control, operate and maintain the Systems and to establish and maintain rates, fees and other charges for all services supplied by the Systems to provide Revenues fully sufficient, after making reasonable allowance for contingencies and errors in estimates to produce Net Revenues in each Fiscal Year equal to the sum of (a) at least 120 percent of the Principal Requirement and the Interest Requirement on the WIFA Loans, the Obligations and any Additional Obligations for the corresponding Bond Year (treating the Variable Interest Rate Obligations as bearing interest at the Assumed Interest Rate and Outstanding Additional Obligations subject to mandatory redemption as maturing on their respective mandatory redemption dates), and (b) 100 percent of the aggregate of the debt service or comparable payments, separately payable and secured on a basis subordinate to the Purchase Agreement by the Net Revenues.

The City will cause an amount of Revenues to be included in the annual budget and appropriation for every Fiscal Year commencing with the Fiscal Year immediately following the delivery of the Purchase Agreement sufficient to meet all requirements of the Purchase Agreement.

See “RISK FACTORS – Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation” herein.

Additional Obligations; No Prior Obligations

Pursuant to the provisions of the Purchase Agreement, Additional Obligations may be incurred if there shall not be any Indenture Event of Default or Purchase Event of Default upon the incurrence thereof and the Net Revenues for the completed Fiscal Year immediately preceding the incurrence of such Additional Obligations have been at least equal to the sum of (a) 120 percent of the Parity Lien Test Debt Service including such Additional Obligations, and

(b) 100 percent of the aggregate of the debt service or comparable payments, separately payable in such Fiscal Year and secured on a basis subordinate to the Purchase Agreement by the Net Revenues.

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

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

SOURCES AND USES OF FUNDS

Sources of Funds:

Principal Amount of Obligations	\$12,000,000.00*
[Net] Original Issue Premium	_____

Total Sources

Uses of Funds:

Payment of Costs of the Projects	
Payment of Costs of Issuance (a)	_____

Total Uses

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

* Subject to change.

[Remainder of page left intentionally blank.]

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

HISTORICAL, PROJECTED AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE

	Audited					Projected (a)	Budgeted (a)
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Revenues							
Water Charges for services	\$ 247,819	\$ 67,883	\$ 10,444,800	\$ 11,569,684	\$ 11,809,863	\$ 12,489,671	\$ 15,185,320
Water Application fees, tap fees and other	208,472	9,220,594	126,612	262,953	191,078	217,691	208,000
Water Other revenues	1,010	10,949	87,604	231,483	441,976	191,100	152,500
Wastewater Charges for services	9,901,894	10,454,599	10,015,162	10,748,819	10,870,845	11,744,374	12,566,500
Wastewater Other revenues	951	171,941	15,188	327,119	30,737	226,000	244,000
Total Revenues	\$ 10,360,146	\$ 19,925,966	\$ 20,689,366	\$ 23,140,058	\$ 23,344,499	\$ 24,868,836	\$ 28,356,320
Operation and Maintenance Expenses							
Water Salaries and related expenses	\$ 51,111	\$ 1,810,171	\$ 2,469,205	\$ 2,601,771	\$ 2,805,540	\$ 2,137,156	\$ 2,006,203
Water Medical claims and self-insurance	2,057	144,779	174,624	179,863	134,892	378,511	401,840
Water Administration	922,195	4,584,328	1,909,164	1,122,714	1,366,631	1,119,600	1,110,471
Water Utilities	-	571,568	783,943	997,794	997,252	954,487	1,067,928
Water Maintenance, supplies and equipment	179,840	786,279	1,090,961	1,053,327	1,597,918	1,099,685	1,073,067
Water Other	540	316,484	1,058,401	193,567	1,564,219	2,490,310	2,421,183
Wastewater Salaries and related expenses	2,611,947	2,409,809	2,489,053	2,771,812	3,279,101	2,356,910	2,300,805
Wastewater Medical claims and self-insurance	-	11,226	168,613	156,011	115,296	391,450	419,241
Wastewater Administration	862,939	917,013	731,253	1,009,711	1,173,597	1,358,054	1,613,783
Wastewater Utilities	873,201	777,643	976,395	1,164,236	1,046,504	938,395	986,148
Wastewater Maintenance, supplies and	(138,514)	646,181	586,745	815,768	701,103	961,050	2,023,755
Wastewater Other	1,278,321	740,329	1,429,584	2,635,710	1,471,545	429,500	889,930
Total Operation and Maintenance Expenses	\$ 6,643,637	\$ 13,715,810	\$ 13,867,941	\$ 14,702,284	\$ 16,253,598	\$ 14,615,108	\$ 16,314,354
Net Revenues (b)	\$ 3,716,509	\$ 6,210,156	\$ 6,821,425	\$ 8,437,774	\$ 7,090,901	\$ 10,253,728	\$ 12,041,966
Debt Service							
Outstanding Debt Service for Existing Parity Obligations and Bonds	\$ 1,591,060	\$ 1,595,310	\$ 2,011,931	\$ 2,122,007	\$ 2,128,397	\$ 531,187	\$ 936,187
Net Revenue Bond Debt Service Coverage (c)	2.34x	3.89x	3.39x	3.98x	3.33x	19.3x	12.86x

- (a) Amounts for Fiscal Year 2025/26 are unaudited actual through March 2026 and projected by City finance staff through the end of the Fiscal Year. Amounts for Fiscal Year 2026/27 are budgeted. Amounts in each case are subject to change until audited. Such amounts are “forward-looking” statements and should be considered with an abundance of caution.
- (b) Represents amount of Revenues available after payment of the Operating Expenses. Such amounts are the Net Revenues pledged to payment of the Purchase Payments.
- (c) Debt Service Coverage is computed using Net Revenues available for debt service for each Fiscal Year divided by the annual debt service on the then-outstanding obligations secured by such revenues, including, as applicable, the Obligations and the WIFA Loans.

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DEBT SERVICE REQUIREMENTS AND PROJECTED DEBT SERVICE COVERAGE

The following table sets forth (i) the annual debt service requirements of the WIFA Loans, (ii) the estimated annual debt service requirements of the Obligations, (iii) the estimated combined annual debt service requirements following execution and delivery of the Obligations, and (iv) the projected debt service coverage based on audited Net Revenues for the Fiscal Year ended June 30, 2025.

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

Fiscal Year	Net Revenues (b)	WIFA Loans Outstanding Debt Service	The Obligations*			Total Aggregate Debt Service*	Annual Debt Service Coverage (d)
			Principal	Interest (c)	Total		
2024/25	\$7,090,901						
2025/26	10,253,728	\$531,187				\$531,187	13.35x
2026/27		531,187	\$55,000	\$350,000(e)	\$405,000	936,187	7.57x
2027/28		531,187	205,000	597,250	802,250	1,333,437	5.32x
2028/29		531,187	215,000	587,000	802,000	1,333,187	5.32x
2029/30		531,187	225,000	576,250	801,250	1,332,437	5.32x
2030/31		531,187	235,000	565,000	800,000	1,331,187	5.33x
2031/32		531,187	250,000	553,250	803,250	1,334,437	5.31x(f)
2032/33		531,187	260,000	540,750	800,750	1,331,937	5.32x
2033/34		531,187	275,000	527,750	802,750	1,333,937	5.32x
2034/35		531,187	290,000	514,000	804,000	1,335,187	5.31x
2035/36		531,187	300,000	499,500	799,500	1,330,687	5.33x
2036/37		531,187	315,000	484,500	799,500	1,330,687	5.33x
2037/38		531,187	335,000	468,750	803,750	1,334,937	5.31x
2038/39		531,187	350,000	452,000	802,000	1,333,187	5.32x
2039/40		531,187	370,000	434,500	804,500	1,335,687	5.31x
2040/41		531,187	385,000	416,000	801,000	1,332,187	5.32x
2041/42		531,187	405,000	396,750	801,750	1,332,937	5.32x
2042/43		531,187	425,000	376,500	801,500	1,332,687	5.32x
2043/44			445,000	355,250	800,250	800,250	8.86x
2044/45			470,000	333,000	803,000	803,000	8.83x
2044/45			490,000	309,500	799,500	799,500	8.87x
2045/46			515,000	285,000	800,000	800,000	8.86x
2046/47			540,000	259,250	799,250	799,250	8.87x
2047/48			570,000	232,250	802,250	802,250	8.84x
2048/49			600,000	203,750	803,750	803,750	8.82x
2049/50			630,000	173,750	803,750	803,750	8.82x
2050/51			660,000	142,250	802,250	802,250	8.84x
2051/52			695,000	109,250	804,250	804,250	8.82x
2052/53			725,000	74,500	799,500	799,500	8.87x
2053/54			765,000	38,250	803,250	803,250	8.83x
		<u>\$9,561,374</u>	<u>\$12,000,000</u>	<u>\$10,855,750</u>	<u>\$22,855,750</u>	<u>\$32,417,124</u>	

* Subject to change.

(a) Prepared by the Underwriter. Amounts may not add due to rounding.

(b) Reflects audited Net Revenues for the Fiscal Year ended June 30, 2025, and projected Net Revenues for the Fiscal Year ended June 30, 2026, as provided by the City. See "HISTORICAL, PROJECTED AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE" herein. Amounts for the Fiscal Year ended June 30, 2026 are projected, reflect rate adjustments and are based on City estimates as described herein and are subject to change until audited. These amounts are "forward-looking" statements and should be considered with an abundance of caution.

(c) Interest is estimated.

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

* Subject to change.

RISK FACTORS

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

Limited Obligations

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

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

System Expenses and Future Rates

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

Pending Municipal Fee, Tax, and Utility Rate Moratorium Legislation

House Concurrent Resolution 2016 (“HCR 2016”) is currently pending in the State Legislature. If approved by the State Legislature, HCR 2016 is a referendum that would be presented to voters at the statewide election in November 2026. HCR 2016, if ultimately approved by voters, would impose a four-year moratorium on increases in municipal fees, taxes and utility rates above the current fees, taxes and utility rates imposed as of July 1, 2026. Specifically, HCR 2016 permits limited increases in utility rates for municipalities that have not raised utility rates by a cumulative

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

Utility Costs

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

System Demand

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

Water Supply and Drought Conditions

The ability of the Systems to operate effectively can be affected by the water supply available to the City, which is situated in a desert environment. If the water supply decreases significantly, whether by operation or mandatory supply restrictions, prohibitively high water costs or otherwise, Systems sales may diminish and Net Revenues available to pay the Purchase Payments may be adversely affected. The City has planned and managed reserve supplies to account for normal occurrences of drought conditions.

The Colorado River System has experienced extensive drought conditions for over twenty (20) years. To address the ongoing drought the Bureau of Reclamation in conjunction with the seven (7) Colorado River Basin States (Arizona,

California, Colorado, Nevada, New Mexico, Utah and Wyoming) developed the 2007 Colorado River Basin Interim Guidelines (the “2007 Guidelines”) to manage the operations of Lake Powell and Lake Mead through calendar year 2026. In 2019, the Colorado River Basin Drought Contingency Plan (the “DCP”) was signed. The DCP outlines the strategies to address the ongoing drought in the Colorado River Basin requiring specific reductions in water use at specific elevations in Lake Powell and Lake Mead. The DCP is administered by the Bureau of Reclamation and regulates water shortage reductions of Colorado River water entitlements. The DCP uses a water priority system to identify and regulate those users that will be subject to water restrictions and shortages in Arizona. Colorado River water priorities are determined by priority-based length of historic use by water users.

The Colorado River surface water priority system is divided into six (6) priority levels, with each priority level (beginning with Priority 1) being senior to and prioritized over the other priority levels. As drought conditions persist, the DCP will regulate water shortages to priority levels 2, 3, and 4. Priority levels 5 and 6 have been reduced to zero until water levels allow for surplus water to be available. Arizona’s Colorado River surface water entitlement holders in priority levels 1, 2, and 3 are not currently subject to any water shortages or restrictions. The City’s and Mohave Water Conservation District’s (“MWCD”) Colorado River surface right entitlements are both at priority level 4.

The Basin States are currently in negotiations to replace the 2007 Guidelines that expire the end of calendar year 2026. If the basin states fail to agree upon a new plan to replace the 2007 Guidelines by October 2026, then the Bureau of Reclamation will impose its own plan on the use of Colorado River Water. The Bureau of Reclamation is expected to announce the terms of its plan by July 2026. Any new plan to replace the 2007 Guidelines which may be agreed upon by the Basin States or, in the alternative, the plan imposed by the Bureau of Reclamation in the event that the Basin States are unable to agree on a new plan, is expected to impose reductions of Colorado River water entitlements for Arizona water users, such as the City. The amounts of such reductions are not yet known at this time.

On May 1, 2026, the Lower Basin States (Arizona, California and Nevada) submitted a proposal to the Bureau of Reclamation to address the deteriorating hydrologic conditions on the Colorado River system. The proposal includes at least 3.2 million acre-feet of savings by Lower Basin water users consisting of 1.25 million acre-feet of reductions in each of calendar years 2027 and 2028, while creating an additional expected 700,000 acre-feet of conservation. The Lower Basin States reduction of 1.25 million acre-feet in calendar years 2027 and 2028 are proposed to be allocated as follows: Arizona 760,000 acre-feet, California 440,000 acre-feet and Nevada 50,000 acre-feet. The proposal is intended to cover calendar years 2026 through 2028 with a commitment by the Lower Basin States to reconult to establish operating plans for post-2028. It is not yet known how Arizona's proposed reduction of 760,000 acre-feet would be allocated among Arizona water users. The Bureau of Reclamation and the Upper Basin States (Colorado, New Mexico, Utah and Wyoming) are expected to review and respond to the proposal. However, the timing of their response to the proposal is uncertain at this time.

The Bureau of Reclamation’s plan may impose significant reductions of Colorado River water entitlements for Arizona water users, such as the City. The City and the MWCD jointly hold water entitlement contracts totaling 29,149 acre-feet of Colorado River Water. A water entitlement contract establishes the legal right to beneficially use a specific volume of water on an annual basis. In calendar year 2025, the City and MWCD in total used 11,500 acre-feet of these entitlements or 39.45% of their total Colorado River Water entitlement contracts. See APPENDIX A – “CITY OF BULLHEAD CITY, ARIZONA – THE SYSTEMS.”

Security of the Systems

To ensure water quality and delivery service are maintained, the City continually plans and prepares for emergency situations such as fire, power failure, or possible terrorist activities. There can be no assurance that any existing or additional safety and security measures will prove adequate in the event of an emergency situation affecting the Systems, or that costs of security measures will not be greater than presently anticipated. Further, damage to certain components of the Systems could require the City to increase expenditures for repairs to the Systems significantly enough to adversely impact the City’s ability to make the Purchase Payments, which could in turn adversely impact the City’s ability to make payments of the principal of and interest on the Obligations.

Limitations on Remedies

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

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

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

Statutory and Regulatory Compliance; Future Legislation

The Systems are subject to a variety of federal and State statutory and regulatory requirements. Laws and regulations governing water and wastewater treatment and the delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly and, as more stringent standards are developed to ensure safe drinking water standards and the provision of water for other purposes, such costs will likely increase.

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

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

Limited Secondary Market for the Obligations

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

Loss of Tax Exemption on the Obligations

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

Economic, Political, Social, and Environmental Conditions

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

Cybersecurity; Other Safety and Security Risks

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

LITIGATION

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

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

TAX EXEMPTION

General

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

and delivery of the Obligations. The City has covenanted in the Purchase Agreement to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of the Interest Portion.

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

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

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

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

Original Issue Discount and Original Issue Premium

Certain of the Obligations ("Discount Obligations") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Obligation determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues

to the owner of a Discount Obligation over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Obligation (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Obligations, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Obligation.

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

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

Changes in Federal and State Tax Law

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

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Obligations is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of the Interest Portion from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of the Obligations, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Obligations and proceeds from the sale of the Obligations. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of the Obligations. This withholding generally applies if the owner of the Obligations (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Obligations may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

LEGAL MATTERS

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

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

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

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

RATING

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

CONTINUING DISCLOSURE

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

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer

before recommending the purchase or sale of the Obligations in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Obligations and their market price.

The City previously entered into continuing disclosure undertakings with respect to previously issued bonds and obligations, which require the filing of certain financial information and operating data related to the City. The City timely filed draft unaudited financial statements for fiscal years 2022 and 2023. However, the final audited financial statements were not filed until May 29, 2025, which was more than 30 days from the date such audited financial statements became available to the City. The City also failed to timely file notice of the incurrence of a financial obligation (in October 2022) as required by such undertakings. In addition, the City failed to file certain annual information for the fiscal years ended June 30, 2023 and June 30, 2025, as required by such undertakings.

FINANCIAL STATEMENTS

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

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

UNDERWRITING

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

The Underwriter and its affiliates comprise a full-service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

RELATIONSHIP AMONG PARTIES

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

CONCLUDING STATEMENT

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

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

CITY OF BULLHEAD CITY, ARIZONA

By: _____
Toby Cotter, City Manager

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CITY OF BULLHEAD CITY, ARIZONA – THE SYSTEMS**General Background**

The “Water System” consists of six (6) separate water systems. Four (4) of the water systems are located within the City’s municipal boundaries and two (2) are located just south of the City’s municipal boundaries. The City’s water systems consist of wells, reservoirs, booster stations and distribution systems. The City’s “Wastewater System” consists of two (2) wastewater treatment plants, lift stations and collection system. The Systems are primarily residential, commercial and industrial utility service provided within the municipal boundaries of the City. The Systems are self-sufficient in terms of operation and maintenance. The City’s Finance Department, which has the responsibility for all financial administration in the City, performs general accounting duties for the Systems. The Systems are managed by the City’s Utilities Department (the “Department”). The Department currently employs 51 fulltime employees, of which three quarters possess Arizona Department of Environmental Quality (“ADEQ”) certifications. The City’s Utility Engineering Department is responsible for engineering activities involving administration, planning and directing the Systems design, mapping and records, system information, long and short-range system planning.

The Systems are operated in a manner similar to a private business enterprise in that the costs of providing goods and services to the general public on a continuing basis are financed primarily by user charges and fees. The Systems accounting records are kept separate from City general government accounting records. Although a separate audit of the Systems records is not conducted, such records are subject to audit procedures in conjunction with the annual audit of the City’s combined financial statements. The Systems authority and responsibility are derived from the City’s Charter and ordinances and resolutions of the Mayor and Council. The Mayor and Council also adopt the Systems annual budget, which in accordance with State laws governing municipal water and wastewater systems, establishes water and wastewater rates and fee structures and provides overall policy direction.

Water Supply and Drought Conditions

The ability of the Systems to operate effectively can be affected by the water supply available to the City, which is situated in a desert environment. If the water supply decreases significantly, whether by operation or mandatory supply restrictions, prohibitively high-water costs or otherwise, then the Systems’ sales may diminish and Net Revenues available to pay the Purchase Payments may be adversely affected. The City has planned and managed its water reserve supplies to account for normal occurrences of drought conditions. The City annually has approximately 4,300 acre-feet of effluent (reuse) water available from its two (2) wastewater treatment plants that could be used locally within the City’s municipal boundaries to supplement water reductions. Five studies have been conducted for the City, all of which have concluded that the wells in the east side of the City (east of the Mountain Water Line) are pumping groundwater. Estimates range from 2,165 acre-feet to a high of 6,000 acre-feet of water. The most recent study estimates that the groundwater available for pumping is 3,650 acre-feet of water per year. The City is currently working with the Bureau of Reclamation to recognize these supplies. An acre foot of water is the volume of water required to cover one (1) acre to a depth of one (1) foot and is equal to 43,560 cubic feet or 325,851 gallons. In Arizona, one (1) acre-foot of water is typically enough water to serve 3 single family homes for a year.

The City has a history of water conservation. In the last 20 years the City’s population has grown by 19.6% while its total water usage has grown by only 1.7%.

The Colorado River System has experienced extensive drought conditions for over twenty (20) years. To address the ongoing drought the Bureau of Reclamation in conjunction with the Basin States developed the 2007 Guidelines to manage the operations of Lake Powell and Lake Mead through calendar year 2026. In 2019, the Guidelines DCP was signed. The DCP outlines the strategies to address the ongoing drought in the Colorado River Basin requiring specific reductions in water use at specific elevations in Lake Powell and Lake Mead. The DCP is administered by the Bureau of Reclamation and regulates water shortage reductions of Colorado River water entitlements. The DCP uses a water priority system to identify and regulate those users that will be subject to water restrictions and shortages in Arizona. Colorado River water priorities are determined by priority-based length of historic use by water users.

The Colorado River surface water priority system is divided into six (6) priority levels, with each priority level (beginning with Priority 1) being senior to and prioritized over the other priority levels. As drought conditions persist the DCP will regulate water shortages to priority levels 2, 3, and 4. Priority levels 5 and 6 have been reduced to zero until water levels allow for surplus water to be available. Arizona's Colorado River surface water entitlement holders in priority levels 1, 2, and 3 are not currently subject to any water shortages or restrictions. The City's and MWCD's Colorado River surface right entitlements are both at priority level 4.

The Colorado River Lower Basin 500+ Plan was developed by the three (3) Colorado River Lower Basin states. This plan is a voluntary measure intended to conserve an additional 500,000 acre-feet of water for the benefit of Lake Mead.

The Basin States are currently in negotiations to replace the 2007 guidelines that expire the end of calendar year 2026. If the Basin States fail to agree upon a new plan to replace the 2007 Guidelines by October 2026, then the Bureau of Reclamation will impose its own plan on the use of Colorado River Water. Under the 2007 Guidelines Arizona is currently in a Tier 1 Shortage. Under a Tier 1 Shortage Bullhead City is not required to make any reductions in its water use.

The Bureau of Reclamation is expected to announce the terms of its plan by July 2026. Any new plan to replace the 2007 Guidelines which may be agreed upon by the Basin States or, in the alternative, the plan imposed by the Bureau of Reclamation in the event that the Basin States are unable to agree on a new plan, is expected to impose reductions of Colorado River water entitlements for Arizona water users, such as the City. The amounts of such reductions are not yet known at this time.

On May 1, 2026, the Lower Basin States (Arizona, California and Nevada) submitted a proposal to the Bureau of Reclamation to address the deteriorating hydrologic conditions on the Colorado River system. The proposal includes at least 3.2 million acre-feet of savings by Lower Basin water users consisting of 1.25 million acre-feet of reductions in each of calendar years 2027 and 2028, while creating an additional expected 700,000 acre-feet of conservation. The Lower Basin States reduction of 1.25 million acre-feet in calendar years 2027 and 2028 are proposed to be allocated as follows: Arizona 760,000 acre-feet, California 440,000 acre-feet and Nevada 50,000 acre-feet. The proposal is intended to cover calendar years 2026 through 2028 with a commitment by the Lower Basin States to reconult to establish operating plans for post-2028. It is not yet known how Arizona's proposed reduction of 760,000 acre-feet would be allocated among Arizona water users. The Bureau of Reclamation and the Upper Basin States (Colorado, New Mexico, Utah and Wyoming) are expected to review and respond to the proposal. However, the timing of their response to the proposal is uncertain at this time.

There are two (2) entities within the City's municipal boundaries that hold Colorado River Water Entitlements contracts: the City and MWCD. The City holds water entitlement contracts totaling 24,349 acre-feet of Colorado River Water and MWCD holds water entitlement contracts totaling 4,800 acre-feet of Colorado River Water. Combined, these water entitlement contracts total 29,149 acre-feet of Colorado River Water. A water entitlement contract establishes the legal right to beneficially use a specific volume of water on an annual basis.

In calendar year 2025, the City and MWCD in total used 11,500 acre-feet of these entitlements or 39.45% of its total Colorado River Water entitlement contracts. The City and MWCD are in the process of merging the MWCD water entitlements into the City's Section 5 Colorado River Water Entitlement Contract under Section 5 of the Boulder Canyon Project Act (1928) with the Bureau of Reclamation and sub-contracts with the Mohave County Water Authority. The Arizona Department of Water Resources, Bureau of Reclamation and Mohave County Water Authority have all approved the proposed merger.

Water and Wastewater Systems

With an annual production of 1.9 billion gallons, the City provides drinking water to a population of more than 44,000 customers in a service area that encompasses over 70 square miles. The City's primary water source is provided by the Colorado River, which is administered by the U.S Bureau of Reclamation. The City has a 29,149-acre-foot diversion entitlement of Colorado River Water. The City also believes it has approximately 3,000 acre-feet groundwater from wells east of the Mountain View line in the eastern part of the City. This source will be used to

augment the surface water supplies. Using both surface and groundwater, the Water System includes 21 wells plus two (2) under construction, 28 reservoirs plus one (1) in design, 73 booster pumps, 91 pressure reducing valves, 2,200 hydrants, 6,000 valves, and 320 miles of main lines, thousands of meters, and other appurtenances. Water service is provided to 21,000 customers.

Wastewater services are provided to more than 21,000 customers by the Wastewater System with annual processed wastewater exceeding 1.5 billion gallons. Regulated through Environmental Protection Agency and ADEQ permits, the Wastewater System includes two (2) wastewater treatment facilities, four (4) major lift stations and 12 additional lift stations, 5,885 sanitary sewer manholes, and 288 miles of sanitary sewer collection mains. Current treatment permitted capacity of 6 million gallons per day includes the Section 10 Water Reclamation Facility at 4 million gallons per day, and the Section 18 Water Reclamation Facility at 2.0 million gallons per day. The Section 10 plant is currently under construction to expand the plant to 6 million gallons per day. A new headworks was recently completed, an additional aeration basin is currently under construction, an additional clarifier will commence construction in July 2026, two (2) new blower buildings will be constructed in 2026-2027.

The Projects consist of expansion, replacement and renovation of the Systems.

Billing Procedures

The City’s Finance Department also performs all accounting services for the System, and the bills for water and wastewater services are billed together on a monthly customer statement.

If a water bill has not been paid before the next monthly bill is generated, a \$20 delinquency fee is charged. If the delinquent portion is not paid by the due date of the second bill, the water service is discontinued, as noticed on the second bill, until such time as the account is fully paid. In addition, the customer is charged a fee of \$100 in order to have service restored.

The City also requires a security deposit for new utility customers.

Utility Accounts

The following tables illustrate the number and type of customer accounts.

**TABLE A-1
Number of Utility Accounts
City of Bullhead City, Arizona**

<u>Year</u>	<u>Water/Wastewater</u>
2026*	22,865
2025	22,386
2024	22,301
2023	22,182
2022	21,618

* 2026 account data current through March 24, 2026.

TABLE A-2
Customer Classes
City of Bullhead City, Arizona

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>OPA</u>	<u>Total</u>
2026*	21,497	1,350	18	22,865
2025	21,094	1,225	67	22,386
2024	21,006	1,227	68	22,301
2023	20,873	1,243	66	22,182
2022	20,515	1,057	46	21,618

* 2026 account data current through March 24, 2026.

TABLE A-3
Number of Water Accounts by Meter Size - 2025
City of Bullhead City, Arizona

<u>Meter Size</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
5/8x3/4-inch	-	-	-
Low income**	-	-	-
5/8x3/4-inch*	20,615	-	20,615
3/4-inch	-	-	-
1-inch*	-	480	480
1 ½ -inch	-	46	46
2-inch	-	519	519
3-inch	-	29	29
4-inch	-	22	22
6-inch	-	10	10
8-inch	-	1	1
10-inch	-	-	-
Total	20,615	1,107	21,722

Water and Wastewater Rates

Current Water Rates

**TABLE A-4
Current Water Rates (Mohave Water District)
City of Bullhead City, Arizona**

Base Charge	5/8x3/4-inch	\$ 17.39
Base Charge	3/4-inch	21.52
Base Charge	1-inch	44.90
Base Charge	1 ½ -inch	88.36
Base Charge	2-inch	139.09
Base Charge	3-inch	279.60

**TABLE A-5
Current Water Rates (North Mohave Water District)
City of Bullhead City, Arizona**

Base Charge	5/8x3/4-inch	\$ 12.27
Base Charge	3/4-inch	12.27
Base Charge	1-inch	28.77
Base Charge	1 ½ -inch	56.27
Base Charge	2-inch	89.27
Base Charge	3-inch	166.27
Base Charge	4-inch	276.27
Base Charge	6-inch	551.27

**TABLE A-6
Current Water Usage Charges
City of Bullhead City, Arizona**

		<u>Usage Charge per 1,000 gallons</u>		
		<u>0 - 3,000</u>	<u>3,001 - 10,000</u>	<u>+10,001</u>
Usage Charge	5/8x3/4-inch	3.11	4.25	5.34
Usage Charge	3/4-inch	3.11	4.25	5.34
Usage Charge	1-inch	3.11	4.25	5.34
Usage Charge	1 ½ -inch	3.11	4.25	5.34
Usage Charge	2-inch	3.11	4.25	5.34
Usage Charge	3-inch	3.11	4.25	5.34
Usage Charge	4-inch	3.11	4.25	5.34
		<u>0 - 3,000</u>	<u>3,001 - 500,0000</u>	<u>+500,001</u>
Usage Charge	6-inch	3.11	4.25	5.34

Current Wastewater Charges

TABLE A-7
Current Wastewater Base and Capacity Charges
City of Bullhead City, Arizona

<u>Classifications</u>	<u>Wastewater Service Charge</u>
Single family residential	\$ 39.16
Multi-Family up to 4 units	\$ 39.16
Multi-Family 5 units and more	\$ 51.80
Volume charge per 1,000/gal	4.00
Commercial and Industrial	\$ 51.80
Volume charge per 1,000/gal	3.54
Auto	\$ 51.80
Volume charge per 1,000/gal	4.15
Restaurant	\$ 51.80
Volume charge per 1,000/gal	5.76
Grocery	\$ 51.80
Volume charge per 1,000/gal	5.63
Hotel	\$ 51.80
Volume charge per 1,000/gal	4.64
Laundry	\$ 51.80
Volume charge per 1,000/gal	3.33
General Business	\$ 39.16

TABLE A-8 shows the System Usage Charges for the past nine fiscal years.

**TABLE A-8
Summary of Usage Charges**

<u>Fiscal Year</u>	<u>Billed Usage Charges</u>	<u>Percentage Change</u>
2017	\$ 8,803,074	n/a
2018	9,844,197	11.8%
2019	9,518,844	-3.3%
2020	9,753,308	2.5%
2021	9,863,735	1.1%
2022	11,219,210	13.7%
2023	22,824,468	103.4%
2024	23,059,096	1.0%
2025	24,402,102	5.8%

Other Fees and Charges

The Systems receive additional revenue from various other fees and charges. These fees and charges include fire hydrant fees, delinquent fees, service establishment fees, water transfer fees, water system development fees, interest earnings and miscellaneous other income. A summary of the revenues received by the Systems from these sources in recent fiscal years follows:

**TABLE A-9
Revenues from Other Fees and Charges**

<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
2021	\$ 1,010	\$ 951	\$ 1,961
2022	10,949	171,941	182,890
2023	87,604	15,188	102,792
2024	231,483	327,119	558,602
2025	441,976	30,737	472,713

Recent and Future Increases in Water and Wastewater Rates

The City Council recently approved the following increases in water and wastewater rates:

Water Rates:

- 19% increase effective January 1, 2026
- 14% increase effective January 1, 2027
- 14% increase effective January 1, 2028

Wastewater Rates:

- 8% increase effective January 1, 2026
- 8% increase effective January 1, 2027
- 8% increase effective January 1, 2028

**TABLE A-10
Top Ten Customers of the Systems**

Utility System Customers	2025/26 Total Charges Billed	As % of 2025/26 Total Utility System Revenues
City of Bullhead City	\$ 699,434	6.82 %
Riverview RV Resort	152,099	1.48
Laughlin Ranch	114,028	1.11
Katherine Heights Water	96,473	0.94
Fiesta RV Park	95,556	0.93
Bhc Schools	64,094	0.63
Bullhead City Elementary School District No. 15	45,590	0.44
Western Arizona Regional Medical Center	42,244	0.41
Fox Creek Community Association	39,842	0.39
Riverview Mall LLC	34,426	0.34
	\$ 1,383,787	13.50 %

**TABLE A-11
Changes in Number of Customers**

Since Fiscal Year 2021/22, the average number of customers served by the System has been:

Fiscal Year	Average # of Customers	% Increase
2022	21,618	-
2023	22,182	2.6%
2024	22,301	0.5%
2025	22,386	0.4%
2026	22,865	2.1%

Capital Improvement Plan (“CIP”)

The City has developed the CIP to address projects that are needed, or will be needed, across the Water System and the Wastewater System. Each year, the CIP is updated for changes in cost, scope and timing of the capital projects. Water and wastewater projects, such as treatment facilities and distribution infrastructure, are funded primarily through user fees, debt financing including revenue bonds/obligations and WIFA loans, and other revenues. Such funding could take the form of Additional Obligations.

CITY OF BULLHEAD CITY, ARIZONA – GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Purchase Payments to be paid by the City under the Purchase Agreement which are secured by the Net Revenues as described under the heading “SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS.”

General

The City is located on the western border of Arizona along the Colorado River in west-central Mohave County, Arizona. The area of the City was first developed in 1945 as a construction camp for Davis Dam, a reclamation facility located three miles north of the City. The City is among Arizona’s fastest growing communities and is the sister city to Laughlin, Nevada (“Laughlin”). The City covers an area of approximately 60 square miles and was incorporated in 1984.

POPULATION STATISTICS

	<u>City of Bullhead City</u>	<u>Mohave County</u>	<u>State of Arizona</u>
2025 Estimate (a)	44,277	231,078	7,718,747
2020 Census	41,348	213,267	7,151,502
2010 Census	39,540	200,186	6,392,017
2000 Census	33,769	155,032	5,130,632
1990 Census	21,951	93,497	3,665,339
1980 Census	10,719	55,865	2,716,546

(a) Provisional estimate as of July 1, 2024 (released in December 2025).

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

Municipal Government and Organization

The City is managed by a mayor, a six-member council and a city manager. The City provides its residents with police protection. Electric services are provided by Citizens Utilities Company and Mohave Electric Co-op. Southwest Gas Company provides natural gas service to the area. Telephone services are provided by Frontier (a Citizens Utilities Company). Wastewater service is provided by several different companies and by the City in certain areas; water service is provided by several different companies and by the City.

Economy

The economy of the City is primarily based on tourism and services. Across the Colorado River from the City is Laughlin, which is now Nevada’s second largest gaming community (measured in dollars of income). The growth of Laughlin’s gaming industry directly affects development of the City and the surrounding area. The ten casinos across the river from the City employ approximately 9,000 workers.

The following is a partial list of major employers in the City.

MAJOR EMPLOYERS
Bullhead City Metropolitan Area

Employer	Description	Approximate Number of Employees
Western Arizona Regional Medical Center	Medical center	525
City of Bullhead City	Municipal government	450
Wal-Mart	Retail store	394
Bullhead City Elementary School District No. 15	Education	334
DOT Foods	Foodservice redistribution	320
Colorado River Union High School District No. 2	Education	206
Sam's Club	Retail store	153
Safeway	Grocery store	143
Lowe's	Home improvement	134
Home Depot	Home improvement	118

Source: City of Bullhead City Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

The following table sets forth the unemployment averages for the City, the County, the State and the United States.

UNEMPLOYMENT AVERAGES

Calendar Year	City of Bullhead City	Mohave County	State of Arizona	United States of America
2026 (a)	6.7%	5.9%	4.6%	4.4%
2025	5.2	5.0	4.2	4.3
2024	4.6	4.2	3.6	4.0
2023	4.8	4.5	3.7	3.6
2022	5.3	4.5	3.8	3.6
2021	6.8	5.7	5.0	5.3

(a) Data through April 2026.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

CITY OF BULLHEAD CITY, ARIZONA – FINANCIAL INFORMATION

The following information regarding the City is provided for background information only. No representation is made as to the relevance of the data to the repayment of the Obligations. The Obligations are payable solely from Purchase Payments to be paid by the City under the Purchase Agreement which are secured by the Net Revenues as described under the heading "SECURITY FOR AND SOURCE OF PAYMENT OF THE OBLIGATIONS."

OUTSTANDING INDEBTEDNESS

Total Water and Wastewater Revenue Obligations Outstanding and to be Outstanding (a)
City of Bullhead City, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding and to be Outstanding*
WIFA 910202-23	\$ 6,595,000	Water Reclamation Plant (W/WW)	2052	\$ 4,950,573
WIFA 920357-23	6,445,000	North Well, Transmission, etc. (WTR)	2052	4,914,359
Total Utility System Revenue Indebtedness Outstanding				\$ 9,864,932
Plus: The Obligations				12,000,000
Total Utility System Revenue Indebtedness Outstanding and to be Outstanding				<u>\$ 21,864,932</u>

* Subject to change.

(a) The payments are secured, or to be secured, by a first lien pledge of the Net Revenues.

Excise Taxes Revenue Obligations Outstanding and to be Outstanding (a)
City of Bullhead City, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (July 1)	Balance Outstanding
2018	\$ 3,100,000	Bridge improvements	2028	\$ 1,014,000
2019	6,945,000	Water rights purchase / current refunding	2039	1,960,000
2021	4,600,000	Bridge improvements	2036	3,510,000
2021	89,255,000	Water utility acquisition / improvements	2051	79,630,000
2022	18,750,000	Water utility acquisition / improvements	2052	17,950,000
2023	14,145,000	Various capital projects	2028	7,995,000
2025	8,945,000	Wastewater treatment plant expansion	2044	8,945,000
Total Excise Taxes Revenue Indebtedness Outstanding				<u>\$ 121,004,000</u>

(a) The payments with respect to such obligations are secured by a first lien pledge of revenues from certain City excise taxes and State shared revenues.

Improvement District Bonds Outstanding (a)
City of Bullhead City, Arizona

Issue Series	Original Amount	Purpose	Final Maturity Date (January 1)	Balance Outstanding
2017	\$ 3,230,000	Road improvements	2042	\$ 1,245,000
Total Improvement Bond Indebtedness Outstanding				<u>\$ 1,245,000</u>

(a) Improvement district bonded debt is payable from special assessments levied on the property benefited by the financed improvements. Such bonds are a contingent liability of the City to the extent of any delinquent assessments.

Other Indebtedness
City of Bullhead City, Arizona

The City has the following capital obligations outstanding.

Item	Payment Amount	Periods Due
Equipment Acquisition	\$37,328.28	Monthly through April 8, 2032

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Retirement Benefits

The City contributes to the retirement plans described below and as referenced in Note 9 in APPENDIX E – “CITY OF BULLHEAD CITY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025.” Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The City and its members contribute to the following retirement systems:

City Retirement Plan – The City has established a mandatory defined contribution deferred compensation plan for all employees not covered under the PSPRS (defined below). Contributions to the plan are administered by a third party, ICMA Retirement Corporation (“ICMA-RC”). In accordance with GASB Statement No. 32, the City provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the City and the compensation plan. Therefore, plan assets are not included as a fund of the City.

The plan is available to all full-time employees of the City, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (PSPRS). The plan requires participants to contribute 6.25% of their earnings and the City to contribute 9.05%. Normal retirement age is 65 (59 ½ effective July 1, 2002). Member and employee contributions are recognized in the period that the contributions are due. The employee’s contributions is one hundred percent (100%) per year of service for exempt employees and twenty-five percent (25%) per year of service for non-exempt employees. Thus, exempt employees are vested at one hundred percent (100%) after four years of service. Employees who leave the City’s employment before one year of service do not receive any of the employer contribution. The following describes the payroll and contribution requirements for the year ended June 30, 2025.

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>
Employer	\$29,225,954	\$19,741,138	9.05%	\$1,786,573	\$1,786,573
Employee		19,741,138	6.25	1,233,821	1,233,821

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

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

The following table shows the actuarially determined annual employer contribution rates, funded status and total audited contribution amounts for the plan.

Police

	Fiscal Year Ended				
	6/30/2027	6/30/2026	6/30/2025	6/30/2024	6/30/2023
<u>Contribution Rates*</u>					
Tier 1 Defined Benefit Employer	72.83%	75.45%	72.16%	67.82%	63.65%
Tier 1 Defined Benefit Employee	7.65%	7.65%	7.65%	7.65%	7.65%
Tier 2 Defined Benefit Employer (a)	72.83%	75.45%	72.16%	67.82%	63.65%
Tier 2 Defined Benefit Employee (a)(b)	11.65%	11.65%	11.65%	11.65%	11.65%
Tier 3 Defined Benefit Employer (a)(c)	71.98%	74.06%	70.63%	67.73%	63.93%
Tier 3 Defined Benefit Employee (a)	8.66%	8.69%	8.89%	9.56%	9.94%
Tier 3 Defined Contribution Employer (c)	74.10%	76.11%	72.47%	68.77%	64.84%
Tier 3 Defined Contribution Employee	10.78%	10.74%	10.73%	10.60%	10.85%
Pension Funded Status	N/A	N/A	55.1%	52.3%	51.1%
Health Funded Status	N/A	N/A	170.9%	154.9%	152.2%
Total City (Employer) Pension and Health Contribution	N/A	N/A	\$4,839,138	\$3,867,301	\$3,581,057

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

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

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

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

Among other differences, the tiers vary in terms of program type (defined benefit/defined contribution) employee contribution rate, retirement eligibility, and post retirement cost of living adjustment eligibility. Tier 1 members participate in the defined benefit program. In lieu of the defined benefit program, there is a defined contribution option available to Tier 3 members and a hybrid defined benefit/defined contribution program for certain Tier 2 and Tier 3 members.

The employee retirement contribution rate for Tier 1 members is 7.65% of member compensation; with the exception of Tier 1 members hired from July 20, 2011 through December 31, 2011 who are subject to the same employee contribution rate as Tier 2 members. The Tier 2 employee rate is the lower of 11.65% of member compensation or

33.3% of the sum of the prior year employee contribution rate and the computed employer contribution rate. This employee contribution rate has a floor of 7.65%. For Tier 3 members, the annual contribution rate is determined actuarially and split evenly between employer and employee. This actuarial contribution rate is determined individually for the largest employers and as a consolidated pool for the remaining employers as a group.

Statutory Changes and Court Decisions Regarding PSPRS

PSPRS is operated under the umbrella of the Public Safety Personnel Retirement System and the Public Safety Personnel Retirement System Board of Trustees. Since 2011 there have been various retirement program modifications designed to mitigate the increasing unfunded liabilities in the programs. Some of these modifications were enacted by the Arizona Legislature and other changes (like Prop 124) were implemented by voter approved amendments to the State Constitution. Additionally, in some instances, modifications enacted by the Arizona Legislature were reversed based on the outcome of successful court challenges. Substantively, the modifications have included changes to contribution rates, retirement criteria, funding horizons, retirement benefits and post-retirement benefit increase calculations.

Potential Future State Legislation Affecting PSPRS

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

Other Post-Employment Retirement Benefits

Beginning with the fiscal year that commenced on July 1, 2018, the City was required to implement Government Accounting Standards Board Statement Number 54, Accounting by Employers for Post-Employment Benefits Other than Pensions (“GASB 75”), which requires reporting the actuarially accrued cost of post-employment benefits, other than pension benefits (“OPEB”), such as health and life insurance for current and future retirees. GASB 75 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 75 will require the reporting of such costs as a financial statement liability.

The City does not offer OPEBs. The City employees, their spouses and survivors may, however, be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the City employees that reach normal or early retirement age while working for the City will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available to all participants, whether retired or not, in the State’s health care program. It is not the responsibility of the City to fund such costs.

Governmental Accounting Standards (“GASB”):

The Governmental Accounting Standards Board adopted Governmental Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), which, beginning with fiscal years starting after June 15, 2014, requires cost-sharing employers to report their “proportionate share” of the plan’s net pension liability in their government-wide financial statements. GASB 68 also requires that the cost-sharing employer’s pension expense component include its proportionate share of the system’s pension expense, the net effect of annual changes in the employer’s proportionate share and the annual differences between the employer’s actual contributions and its proportionate share. The pension liability was measured as of June 30, 2024. See Note 9 in APPENDIX C – “CITY OF BULLHEAD CITY, ARIZONA – AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025.” for further discussion of the City and its pension liability including the net pension liability associated with PSPRS.

New Reporting Requirements - Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25, is designed to improve financial reporting by state and local governmental pension plans. This statement replaces the requirements of Statements No. 25, Financial Reporting

for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

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FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

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

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

We hereby certify that we have examined a transcript of the proceedings relating to the initial execution and delivery of the Water and Wastewater System Revenue Obligations, Series 2026 (the “*Obligations*”) in the aggregate principal amount of \$12,000,000* and fully registered form, dated the date of their initial execution and delivery. The Obligations are being executed and delivered to finance the costs of certain improvements to the water utility system and the wastewater utility system (together, the “*Systems*”) serving the City of Bullhead City, Arizona (the “*City*”).

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

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

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

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

* *Subject to change.*

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

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

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

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

Respectfully submitted,

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

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Independent Auditors' Report

To the Honorable Mayor and City Council of
City of Bullhead City, Arizona

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matters

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City noncompliance with the used of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
December 19, 2025

Financial Section
Management's Discussion and Analysis



City of Bullhead City, Arizona

Management's Discussion and Analysis

June 30, 2025

City of Bullhead City, Arizona's (the City or Bullhead City) discussion and analysis offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

Financial Highlights

- Bullhead City's total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2025 by \$161,906,847 (net position). Of this amount, net investment of capital assets was \$147,264,690; restricted net position was \$18,097,990 and \$(3,455,833) represents unrestricted net position. The unrestricted net position represents the amounts available to meet City of Bullhead's ongoing obligations to citizens and creditors.
- City of Bullhead's total net position decreased in fiscal year 2025 by \$2,517,913 or -1.53% primarily because of capital improvements expenses incurred during the current year and grant funding not yet received.
- At the end of fiscal year 2025, Bullhead City's governmental funds reported combined fund balances of \$37,148,814, a decrease of \$14,672,803 in comparison to the prior fiscal year. Approximately 88% of this amount \$32,753,060 is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2025, unassigned fund balance for the General Fund is \$42,842,252 or 103% of total general fund expenditures.
- Bullhead City's total outstanding long-term liabilities increased by \$1,274,763 or 0.72% during fiscal year 2025. The increase in long-term liabilities is due to new capital bond for wastewater plant expansion.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this portion); the basic financial statements; required supplementary information; and optional combining statements for nonmajor governmental funds, nonmajor enterprise fund, and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - Governmental fund statements tell how general government services such as police and public works were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short-term and long-term financial information about the activities the City operates like businesses, such as wastewater services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the City's assets and liabilities. All the current year's revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the City's net positions and how they have changed during the fiscal year. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

Governmental Activities - Most of the City's basic services are included here such as police, public works, parks and recreation, and general administration. Taxes and intergovernmental revenues finance most of these activities.

Business-Type Activities - Customer fees fund certain services provided by the City. The City currently has two active utility services - wastewater services and water services.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's major funds, not the City as a whole.

The City has three types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliation that explains the relationship (or difference) between governmental funds and governmental activities follow each of the governmental fund statements.

Proprietary Funds - Services for which the City charges customers a fee generally are reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both short-term and long-term financial information.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
- Internal service funds report activities that provide services for the City's other programs and activities, such as the City's fleet fund and risk management fund.

Government-Wide Financial Analysis

The government-wide financial statements provide short-term and long-term information about the City's overall financial condition. Net position over time serves as a useful indicator of financial position. Bullhead City's assets and deferred outflows exceeded liabilities by \$76,527,111 at the close of fiscal year 2025.

Net position of the City represents the difference between the City's resources and its obligations. As of June 30, 2025, the largest portion of the City's total net position approximately 77% reflects the investment in capital assets, (e.g., land, buildings, machinery, equipment, vehicles and infrastructure) less related debt outstanding used to acquire capital assets. These capital assets are used by the City to provide services to its citizens. As such, these assets are not available for future spending.

City of Bullhead City, Arizona

Management's Discussion and Analysis

June 30, 2025

The City's restricted net position \$4,327,812 represents amounts that are to be used in accordance with external restrictions. The remaining balance of \$13,092,203 is unrestricted.

	City of Bullhead City, Arizona Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 54,322,669	\$ 72,117,036	\$ 7,834,412	\$ 12,671,750	\$ 62,157,081	\$ 84,788,786
Capital assets	79,986,906	68,085,320	205,955,911	194,633,650	285,942,817	262,718,970
Total assets	134,309,575	140,202,356	213,790,323	207,305,400	348,099,898	347,507,756
Total deferred outflows of resources	7,550,425	6,877,381	178,057	118,705	7,728,482	6,996,086
Liabilities:						
Other liabilities	6,899,860	9,591,190	9,040,728	4,201,693	15,940,588	13,792,883
Long-term liabilities	57,880,457	60,430,734	119,547,916	115,722,876	177,428,373	176,153,610
Total liabilities	64,780,317	70,021,924	128,588,644	119,924,569	193,368,961	189,946,493
Total deferred inflows of resources	552,572	132,589	-	-	552,572	132,589
Net position:						
Net investment in capital assets	59,107,096	57,841,217	88,157,594	82,157,207	147,264,690	139,998,424
Restricted	4,327,812	7,825,769	13,770,178	6,501,514	18,097,990	14,327,283
Unrestricted	13,092,203	11,258,238	(16,548,036)	(1,159,185)	(3,455,833)	10,099,053
Total net position	\$ 76,527,111	\$ 76,925,224	\$ 85,379,736	\$ 87,499,536	\$ 161,906,847	\$ 164,424,760

Current and other assets decreased in governmental activities by \$17,794,367 million from the prior year. The spending of bond proceeds from the prior fiscal year was major reason for decrease in current and other assets.

Other liabilities in governmental activities decreased from the prior year \$2,691,330 million due to the decrease of accounts payable of \$1,990,372 million and \$1,186,668 million of decreased unearned revenue. Reduction of general fund accounts payable of \$1,209,554 million is the biggest reduction.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences, and net pension liability, decreased \$2.5 million in governmental activities, and increased \$3.8 million for business-type activities. Notes payable debt of \$2.6 million for equipment loans increased \$1.7 million and an increase of net pension liability of \$0.06 million to the Arizona Public Safety Retirement System. Compensated Absences totaled \$2.2 million and an increase of \$54,433 from 2024. There was a net investment income of \$3.5 million reported by the Retirement System for the Plan Fiduciary Net Position.

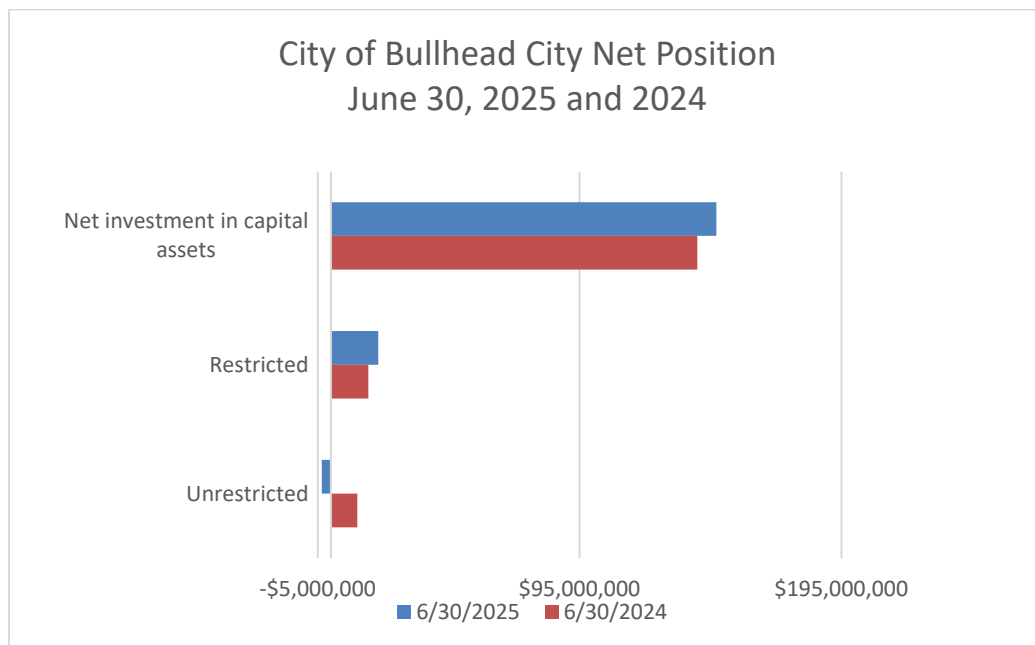
Business-type activities includes \$82 million for the acquisition of the local water system, \$18.3 million for water system capital acquisitions and \$8.9 million for wastewater plant expansion. Total business-type activity liabilities increased as debt payments were made during the fiscal year.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

The largest portion of the City's net position, \$147,264,690, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The City uses those capital assets to provide a variety of services to its citizens. These assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources use to repay the debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$18,097,990 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City's unrestricted net position was a balance of \$(3,455,833).



The City's overall net position decreased \$2,517,913 from the prior fiscal year. The following sections will discuss the reasons for the decrease.

City of Bullhead City, Arizona

Management's Discussion and Analysis June 30, 2025

	City of Bullhead City, Arizona Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 5,315,783	\$ 7,711,569	\$ 24,543,370	\$ 23,140,058	\$ 29,859,153	\$ 30,851,627
Operating grants and contributions	7,755,601	12,547,999	-	-	7,755,601	12,547,999
Capital grants and contributions	5,058,439	11,254,533	-	-	5,058,439	11,254,533
General revenues:						
City sales tax	21,756,887	21,901,767	-	-	21,756,887	21,901,767
State shared sales tax	6,641,423	6,489,323	-	-	6,641,423	6,489,323
Urban revenue sharing	9,211,545	11,373,437	-	-	9,211,545	11,373,437
Franchise tax	483,974	519,192	-	-	483,974	519,192
State shared vehicle license tax	3,919,644	3,607,002	-	-	3,919,644	3,607,002
Investment earnings	1,957,876	2,224,830	137,042	293,991	2,094,918	2,518,821
Gain (loss) on disposition of capital assets	58,367	249,943	43,440	(4,348,427)	101,807	(4,098,484)
Total revenues	62,159,539	77,879,595	24,723,852	19,085,622	86,883,391	96,965,217
Expenses:						
Governmental activities:						
General government	19,455,578	17,457,647	-	-	19,455,578	17,457,647
Public safety	22,426,891	19,411,713	-	-	22,426,891	19,411,713
Culture and recreation	7,741,639	5,708,856	-	-	7,741,639	5,708,856
Economic development	175,282	208,404	-	-	175,282	208,404
Redevelopment and housing	488,231	389,630	-	-	488,231	389,630
Highways and streets	8,569,486	8,580,114	-	-	8,569,486	8,580,114
Health and welfare	1,127,989	1,023,461	-	-	1,127,989	1,023,461
Interest on long-term debt	887,868	747,805	-	-	887,868	747,805
Business-type activities:						
Water	-	-	12,372,296	12,562,490	12,372,296	12,562,490
Wastewater	-	-	14,915,948	13,288,448	14,915,948	13,288,448
Marketplace	-	-	1,240,096	-	1,240,096	-
Total expenses	60,872,964	53,527,630	28,528,340	25,850,938	89,401,304	79,378,568
Change in net position before transfers	1,286,575	24,351,965	(3,804,488)	(6,765,316)	(2,517,913)	17,586,649
Transfers in (out)	(1,684,688)	(5,298,108)	1,684,688	5,298,108	-	-
Change in net position	(398,113)	19,053,857	(2,119,800)	(1,467,208)	(2,517,913)	17,586,649
Net position, beginning	76,925,224	57,871,367	87,499,536	88,966,744	164,424,760	146,838,111
Net position, ending	\$ 76,527,111	\$ 76,925,224	\$ 85,379,736	\$ 87,499,536	\$ 161,906,847	\$ 164,424,760

Bullhead City's net position for governmental activities decreased \$398,113 from the prior fiscal year to an ending balance of \$76,527,111.

City of Bullhead City, Arizona

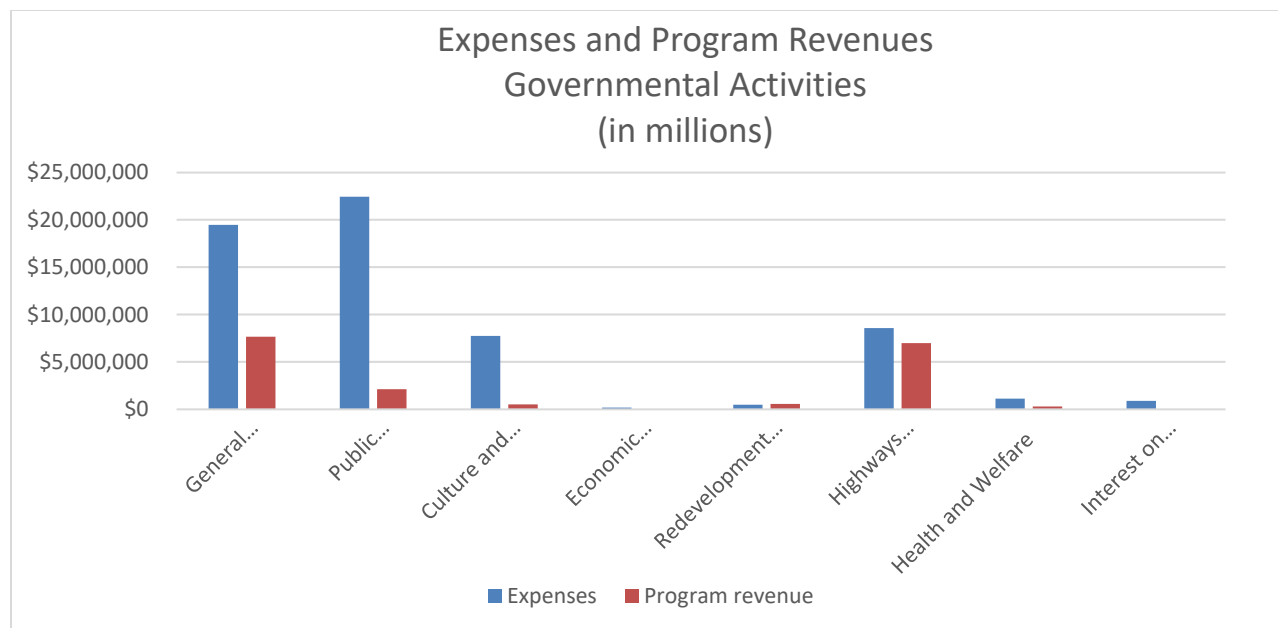
Management's Discussion and Analysis
June 30, 2025

Governmental Activities

Revenues decreased \$15.7 million from the prior year. Capital grants revenue decreased \$6.2 million included \$8 million for right turn lanes from the State in the prior year. Local sales tax and state shared tax increased \$7,220 and urban revenue sharing decreased \$2.1 million from the prior year. Governmental activities revenue decreased 20% from the prior year.

Expenditures grew from the prior year, increasing from \$7.3 million in the prior year to \$60.8 million in the current year. The significant increases were \$2.0 million in the general government function and \$3.0 million increases for public safety. The increases were primarily investments in capital assets such as municipal facilities for the community center renovation, rehabilitation of new animal shelter and right turn lane construction. Expenses for the culture and recreation function increased by \$2.0 million. Governmental activities expenses increased 13% from the prior year.

The chart below shows revenues generated by the City's programs are not sufficient to cover the costs. The City relies on local sales tax, state shared revenues and other general revenues to cover the costs associated with various programs.



Business-Type Activities

Bullhead City's business-type activities for fiscal year 2025 show that the overall net position decreased to an ending balance of \$85,379,736. The total decrease in net position for business-type activities was \$2,119,800 from the prior fiscal year. Fiscal year 2025 was the third full fiscal year of the City operating the local water system. However, the water system infrastructure needs significant maintenance. A water master plan was completed to develop capital improvement plan.

Revenue from business-type activities (water and wastewater funds) totaled \$24,723,852 compared to \$19,085,622 from the prior year. This is an increase of \$5,638,230 from the prior year due to the loss on disposition of capital assets from the prior year. Expenses increased \$2,677,402 from the prior year with the sewer system expenses decreasing \$0.9 million and the water system expenses increasing \$2.4 million.

The City conducted a Water and Wastewater Rate Study and determined with the maintenance and capital improvement needs there would need to be rate increase. The prior fixed wastewater user charge was adopted in 2018 for wastewater. After multiple work sessions, the City's Council approved a rate increase for water and wastewater on September 16th, 2025, beginning the billing period of January 2026.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

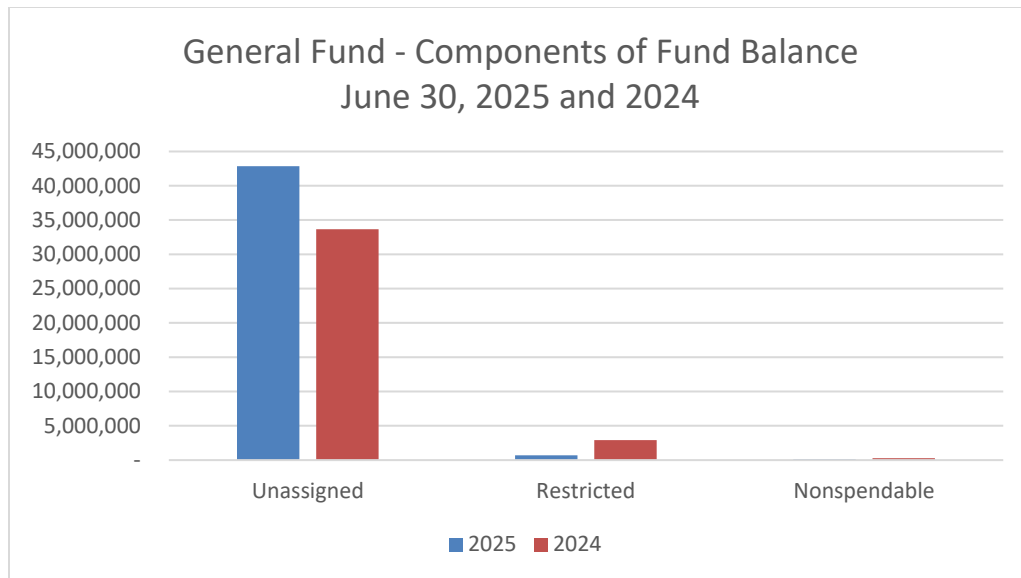
Financial Analysis of Governmental Funds

The City uses fund accounting to assure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government while reporting the City operations in more detail than the government-wide statements. The City's governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available to use for a particular purpose.

Analysis of Individual Funds

The general fund is the chief operating fund of the City. At the end of the fiscal year unassigned fund balance of the general fund was \$42,842,252. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 103% of the total general fund expenditures, while total fund balance represents approximately 105% of the same amount.

The fund balance of Bullhead City's general fund grew by \$6,796,421 during the 2025 fiscal year.



The HURF fund, a major fund, had a decrease of \$62,872 in fund balance during the current fiscal year which put the ending fund balance in a positive position of \$1,192,905. The fund balance is spent down as the street preservation program progresses.

The Capital Projects Funds, a major fund, had a decrease in fund balance of \$16,589,457 during the current fiscal year to an ending balance of \$(4,166,862). There were \$16,945,070 million of capital expenditures which consisted of \$3.2 million of park improvements, \$4.7 million of street improvements and \$8.9 million in municipal facility improvements during the current year. The sources of capital projects funding ranges from grants, financing and other city funds.

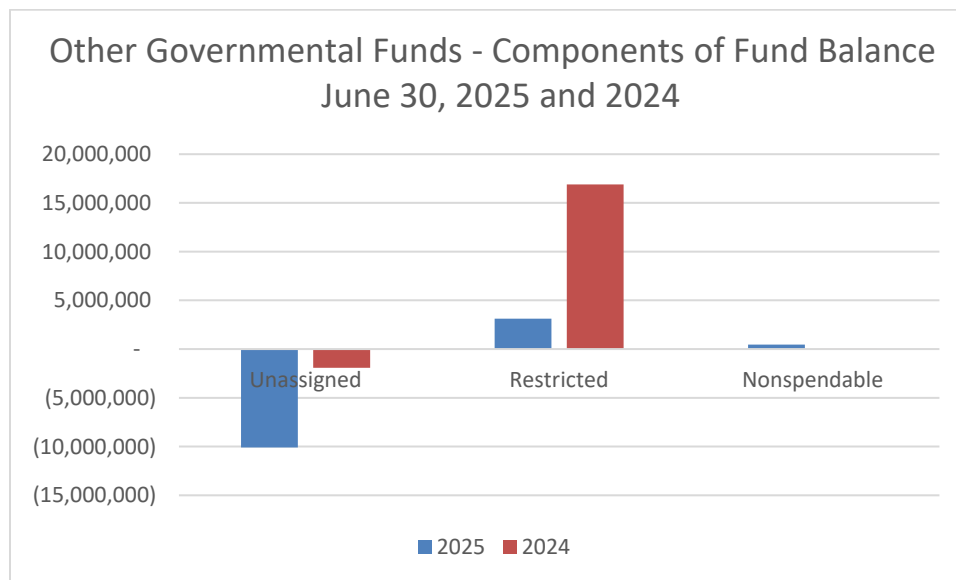
SID Debt Service Funds, a major fund, had a decrease in fund balance of \$63,565 during the current fiscal year to an ending balance of \$(579,137) Special assessments from property owners collected semi-annually are used to pay debt payments. Special assessment district #3 will have the final billing recorded during the fiscal year 2026 resulting in the decrease of fund balance as the district comes to a close. The customers of special assessment district #3 still have one more year of payments.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

Excise Revenue Bond Refunding Funds, a major fund, had an increase of \$5,996 in fund balance during the current fiscal year to an ending balance of \$65,935. This fund was used to account for Series 2013 and Series 2015B Bonds debt repayments. Series 2015B Bonds is now the only active bond and fund balance will remain for the most part stable.

The fund balances of Bullhead City's other governmental funds decreased by \$21,471,349 during the 2025 fiscal year.



The City's governmental funds reported combined fund balances on June 30, 2025, of \$51,821,617, which is an increase of \$18,688,061 compared to the previous fiscal year. Approximately 61% of this amount \$31,734,421 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either (1) not in spendable form \$281,235, or (2) restricted for a particular purpose \$19,805,961.

Proprietary Funds

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

Unrestricted net position of the wastewater operations at the end of the year was \$4,730,658 and for the water operations there was a deficit of \$1,694,010. The total change in net position for each of the funds is \$(3,389,147) and \$1,921,939, respectively.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

General Fund Budgetary Highlights

Original Budget Compared to Final Budget

During the year there was no need for significant budget amendments to increase original budgeted appropriations. Generally, there are minor budget amendments to reallocate appropriations within departments.

Final Budget Compared to Actual Results

The most significant differences between estimated revenues and actual revenues were as follows:

	<u>Estimated Revenues</u>	<u>Actual Revenues</u>	<u>Variance</u>
Revenue source:			
Taxes	\$ 23,476,957	\$ 22,240,861	\$ (1,236,096)
Intergovernmental revenue	19,841,501	20,360,598	519,097
Charges for services	1,790,510	1,876,093	85,583
Licenses and permits	1,576,925	1,542,038	(34,887)
Other	2,563,684	2,262,076	(301,608)
Total	<u>\$ 49,249,577</u>	<u>\$ 48,281,666</u>	<u>\$ (967,911)</u>

The City has worked diligently to diversify the local economy. The City is working with developers to bring in hotels, retail businesses and multiple developments within the City. The City is expanding amenities at Community Park with beach expansion and future developments in the master plan. The City continues to host many athletic tournaments throughout the year bringing in teams throughout the southwest.

The nearby Colorado River, park amenities and weather attract many visitors from all over the country for sporting events and water sports.

The impact to our local economy is strong local tax collections. Local transaction privilege tax stayed relatively flat from the prior year decreasing around 0.5%. The top three tax classifications are retail, restaurant and bar, and construction. Retail tax collections comprise 58% of tax revenue. The vacation home rental market continues to thrive locally as Transient Occupancy Tax (TOT) collections were \$434,433 in the current year.

The shortfall in the taxes revenue to budget were due to tax revenues staying the same compared to the modest budgeted increase.

A review of actual expenditures compared to the appropriations in the final budget shows the following variances.

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Classification:			
Personnel costs	\$ 30,568,191	\$ 29,735,936	\$ (832,255)
Maintenance and operations	13,745,605	9,660,502	(4,085,103)
Property	3,249,587	2,048,992	(1,200,595)
Debt service	1,909,988	128,591	(1,781,397)
Other financing sources (uses)	3,280,530	1,026,540	(2,253,990)
Total	<u>\$ 52,753,901</u>	<u>\$ 42,600,561</u>	<u>\$ (10,153,340)</u>

City of Bullhead City, Arizona

Management's Discussion and Analysis

June 30, 2025

Budgetary savings were present in all expenditure classifications. Personnel costs savings are the result of employee turnover and recruitment timing. Long order lead-times for materials from vendors delayed many city purchases. The availability of materials impacted capital purchases. Some projects were scaled down, delayed, or cancelled due to high inflationary costs. As a result, capital projects were pushed out to the next fiscal year. financed were not done.

Overall expenditure budget savings were \$10,153,340 for the General Fund.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2025, the City invested \$285,942,817 (net of accumulated depreciation) in a broad range of capital assets, including police equipment, buildings, park improvements, roads, sewer transmission and distribution systems, and water system. The total increase in capital assets for the current fiscal year was 8.9%.

	City of Bullhead City, Arizona Capital Assets					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Capital assets not being depreciated:						
Land and improvements	\$ 3,713,117	\$ 3,273,105	\$ 3,213,803	\$ 3,213,803	\$ 6,926,920	\$ 6,486,908
Water rights		-	6,716,785	6,716,785	6,716,785	6,716,785
Construction in progress	8,655,465	13,944,274	23,242,922	7,535,449	31,898,387	21,479,723
Depreciable capital assets:						
Buildings	6,989,100	5,163,838	306,021	71,402	7,295,121	5,235,240
Improvements, other than buildings	19,646,951	6,581,918	-	-	19,646,951	6,581,918
Furniture, vehicles and equipment	7,813,904	7,741,249	2,828,136	2,074,790	10,642,040	9,816,039
Infrastructure	32,763,137	30,707,067	167,333,376	172,545,689	200,096,513	203,252,756
Right-to-use subscription assets	405,232	673,869	2,314,868	2,475,732	2,720,100	3,149,601
Total	<u>\$ 79,986,906</u>	<u>\$ 68,085,320</u>	<u>\$ 205,955,911</u>	<u>\$ 194,633,650</u>	<u>\$ 285,942,817</u>	<u>\$ 262,718,970</u>

Major capital asset events during the year include the following:

- Completion of new Senior Enrichment Center Building \$1,223,804
- Started renovation on the new Animal Shelter Building \$3,737,824
- Started renovation of Community Center and parking lot \$3,572,225
- Construction and near completion of new UTV/ATV Trailhead \$1,206,375
- Merrill Avenue realignment \$3,368,644
- Wastewater lift station wet well rehabilitation \$2,661,451
- The City had commitments of approximately \$3,663,000 for capital expenditures commitments as of June 30, 2025.

Additional information on the City's capital assets can be found in Note 6 of this report.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

Long-Term Debt

As of June 30, 2025, the City had \$138,288,966 in bonded, and note debt. Of this amount, \$135,678,966 is debt backed the full faith and credit of the City and \$2,610,000 is special assessment debt for which the city is liable in the event of default by the property owners subject to the assessment. The remainder of the City's long-term obligations is comprised of net pension liabilities, compensated absences and capital leases.

	City of Bullhead City, Arizona Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenue bonds, net of premiums and discounts	\$ 18,791,000	\$ 22,915,000	\$ 116,841,152	\$ 112,904,671	\$ 135,632,152	\$ 135,819,671
Notes payable	2,656,814	933,810	-	-	2,656,814	933,810
Subscriptions liability	405,232	673,869	2,314,868	2,475,732	2,720,100	3,149,601
Net pension liabilities	33,806,342	33,741,419	-	-	33,806,342	33,741,419
Compensated absences	2,221,069	2,166,636	391,896	342,473	2,612,965	2,509,109
Total	<u>\$ 57,880,457</u>	<u>\$ 60,430,734</u>	<u>\$ 119,547,916</u>	<u>\$ 115,722,876</u>	<u>\$ 177,428,373</u>	<u>\$ 176,153,610</u>

The City's total long-term liabilities increased by \$1,274,763 or 0.7%. The following are the reasons for the overall increase.

During the current year the City issued Series 2025 Excise Tax Revenue bonds in the amount of \$8,945,000 for wastewater treatment plant expansion.

The City made principal payments during the year totaling \$9,064,000

Additional information on the City's long-term liabilities can be found in Note 7 of this report.

Economic Factors and Next Year's Budget and Rates

The following economic factors were taken into consideration in developing the fiscal year 2024-2025 budget.

- Estimated local tax revenue with an increase of 2.5% compared to 2025 budget.
- State shared revenue distributions were estimated to decrease less than 0.5% per the State of Arizona projections.
- Cost of living adjustment of 3.0% for employees.
- Employer public safety retirement costs for a total of 75.45% for Tier 1 employees; 72.45% or 75.45% for Tier 2 employees (depending on hire date); and 74.06% for Tier 3 employees
- The unemployment rate for the City in April 2025 was 4.3%.

All these factors were considered in preparing the City's budget.

The General Fund operating budget for fiscal year 2025-2026 appropriation is \$50,580,517, a decrease of 0.1%, or \$79,441 over the prior year.

City of Bullhead City, Arizona

Management's Discussion and Analysis
June 30, 2025

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Bullhead City, 2355 Trane Road, Bullhead City, Arizona, 86442.

Financial Section

Basic Financial Statements

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

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

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

Notes to Financial Statements



Financial Section
Government-Wide Financial Statements



City of Bullhead City, Arizona

Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 27,814,868	\$ -	\$ 27,814,868
Receivables, net:			
Accounts	1,835,577	2,463,357	4,298,934
Taxes	3,173	-	3,173
Intergovernmental	3,381,171	-	3,381,171
Special assessment receivable	179,029	-	179,029
Prepays and inventory	3,804,608	749,709	4,554,317
Restricted cash	7,641,877	13,770,178	21,412,055
Internal balances	9,148,832	(9,148,832)	-
Net OPEB asset	513,534	-	513,534
Capital assets:			
Nondepreciable/amortized	12,368,582	33,173,510	45,542,092
Depreciable/amortized (net)	67,618,324	172,782,401	240,400,725
Total assets	<u>134,309,575</u>	<u>213,790,323</u>	<u>348,099,898</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions and OPEB	7,550,425	-	7,550,425
Deferred charge on debt refunding	-	178,057	178,057
Total deferred outflows of resources	<u>7,550,425</u>	<u>178,057</u>	<u>7,728,482</u>
Liabilities			
Accounts payable	3,070,629	5,674,034	8,744,663
Accrued payroll and related liabilities	1,042,454	163,705	1,206,159
Other liabilities	960,099	42,350	1,002,449
Deposits held for others	981,757	255,055	1,236,812
Interest payable	404,849	1,380,641	1,785,490
Retainage payable	440,072	1,524,943	1,965,015
Long-term liabilities:			
Due within one year:			
Compensated absences	528,051	97,974	626,025
Subscriptions liability	220,356	407,242	627,598
Notes payable	309,164	-	309,164
Bonds payable	3,782,000	5,415,000	9,197,000
Due in more than one year:			
Compensated absences	1,693,018	293,922	1,986,940
Subscriptions liability	184,876	1,907,626	2,092,502
Notes payable	2,347,650	-	2,347,650
Bonds payable	15,009,000	111,426,152	126,435,152
Net pension liabilities	33,806,342	-	33,806,342
Total liabilities	<u>64,780,317</u>	<u>128,588,644</u>	<u>193,368,961</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions and OPEB	552,572	-	552,572
Total deferred inflows of resources	<u>552,572</u>	<u>-</u>	<u>552,572</u>
Net Position			
Net investment in capital assets	59,107,096	88,157,594	147,264,690
Restricted for:			
Post-employment benefits	513,534	-	513,534
Highways and streets	984,179	-	984,179
Community development	1,372,355	-	1,372,355
Public safety	844,996	-	844,996
Debt service	94,525	13,770,178	13,864,703
Grants	505,972	-	505,972
Other purposes	12,251	-	12,251
Unrestricted (deficit)	13,092,203	(16,548,036)	(3,455,833)
Total net position	<u>\$ 76,527,111</u>	<u>\$ 85,379,736</u>	<u>\$ 161,906,847</u>

See notes to financial statements

City of Bullhead City, Arizona

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 19,455,578	\$ 2,942,898	\$ 1,714,620	\$ 3,005,095	\$ (11,792,965)	\$ -	\$ (11,792,965)
Public safety	22,426,891	1,844,335	269,141	-	(20,313,415)	-	(20,313,415)
Culture and recreation	7,741,639	369,870	149,994	-	(7,221,775)	-	(7,221,775)
Economic development	175,282	-	-	-	(175,282)	-	(175,282)
Redevelopment and housing	488,231	44,743	518,893	-	75,405	-	75,405
Highways and streets	8,569,486	113,036	4,812,566	2,053,344	(1,590,540)	-	(1,590,540)
Health and welfare	1,127,989	901	290,387	-	(836,701)	-	(836,701)
Interest on long-term debt	887,868	-	-	-	(887,868)	-	(887,868)
Total governmental activities	60,872,964	5,315,783	7,755,601	5,058,439	(42,743,141)	-	(42,743,141)
Business-Type Activities							
Wastewater	12,372,296	10,901,582	-	-	-	(1,470,714)	(1,470,714)
Water utility	14,915,948	12,442,917	-	-	-	(2,473,031)	(2,473,031)
Marketplace	1,240,096	1,198,871	-	-	-	(41,225)	(41,225)
Total business-type activities	28,528,340	24,543,370	-	-	-	(3,984,970)	(3,984,970)
Total government	\$ 89,401,304	\$ 29,859,153	\$ 7,755,601	\$ 5,058,439	(42,743,141)	(3,984,970)	(46,728,111)
General Revenues							
Taxes:							
City sales tax					21,756,887	-	21,756,887
Franchise tax					483,974	-	483,974
Intergovernmental:							
State shared sales taxes (unrestricted)					6,641,423	-	6,641,423
Urban revenue sharing (unrestricted)					9,211,545	-	9,211,545
Stated shared vehicle license tax					3,919,644	-	3,919,644
Unrestricted investment earnings					1,957,876	137,042	2,094,918
Gain on sale of fixed assets					58,367	43,440	101,807
Transfers in (out)					(1,684,688)	1,684,688	-
Total general revenues and transfers					42,345,028	1,865,170	44,210,198
Change in net position					(398,113)	(2,119,800)	(2,517,913)
Net Position, Beginning					76,925,224	87,499,536	164,424,760
Net Position, Ending					\$ 76,527,111	\$ 85,379,736	\$ 161,906,847

See notes to financial statements

Financial Statements

Major Funds Government Funds Financial Statements

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

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

Capital Projects Fund - This fund is used to account for funds received and expended for the construction of buildings and improvements as well as for the acquisition of equipment used by the City.

Special Improvement District (SID) Debt Service Fund - This fund is used to account for resources accumulated and payments made for principal and interest on long-term special assessment debt of the governmental funds.

Excise Revenue Bond Refunding - This fund is used to account for all governmental fund debt activity for Excise Tax Revenue Bonds.

Nonmajor Funds - Other governmental funds are the nonmajor funds and are special revenue, debt service and capital project funds.



City of Bullhead City, Arizona

Balance Sheet - Governmental Funds

June 30, 2025

	General	HURF	Capital Projects Funds	SID Debt Service Funds	Excise Revenue Bond Refunding Funds	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 23,328,035	\$ 717,426	\$ -	\$ -	\$ 65,935	\$ 1,870,052	\$ 25,981,448
Restricted cash	88,813	-	1,413,308	-	169,663	5,970,093	7,641,877
Receivables, net:							
Accounts	1,423,648	-	-	-	-	284,781	1,708,429
Taxes	-	-	-	-	-	3,173	3,173
Intergovernmental	2,621,186	475,479	11,622	-	-	272,884	3,381,171
Special assessments receivable	-	-	-	178,492	-	537	179,029
Due from other funds	20,374,790	-	-	-	-	-	20,374,790
Inventory and prepaids	117,134	-	462,182	-	-	2,160	581,476
Total assets	\$ 47,953,606	\$ 1,192,905	\$ 1,887,112	\$ 178,492	\$ 235,598	\$ 8,403,680	\$ 59,851,393
Liabilities							
Accounts payable	\$ 903,022	\$ 144,183	\$ 1,222,543	\$ -	\$ -	\$ 121,486	\$ 2,391,234
Accrued payroll and related liabilities	922,618	43,851	-	-	-	60,691	1,027,160
Due to other funds	-	-	4,408,427	192,044	-	5,592,475	10,192,946
Other liabilities	852,579	1,001	-	1,350	-	100,660	955,590
Retainage payable	-	-	423,004	-	-	17,068	440,072
Deposits held for others	823,672	-	-	158,085	-	-	981,757
Unearned revenue	-	-	-	-	-	-	-
Interest payable	-	-	-	-	1,663	377,438	379,101
Matured bonds payable	-	-	-	-	168,000	4,859,000	5,027,000
Total liabilities	3,501,891	189,035	6,053,974	351,479	169,663	11,128,818	21,394,860
Deferred Inflows of Resources							
Unavailable revenue, other	363,452	19,691	-	-	-	39,375	422,518
Unavailable revenue, nuisance and building abatement fees	441,025	-	-	-	-	-	441,025
Unavailable revenue, special assessments	-	-	-	406,150	-	38,026	444,176
Total deferred inflows of resources	804,477	19,691	-	406,150	-	77,401	1,307,719
Fund Balances							
Nonspendable:							
Inventory and prepaids	117,134	-	462,182	-	-	2,160	581,476
Restricted:							
Highways and streets	-	984,179	-	-	-	-	984,179
Community development	-	-	-	-	-	1,372,355	1,372,355
Public safety	687,852	-	-	-	-	157,144	844,996
Debt service	-	-	-	-	65,935	28,590	94,525
Grants	-	-	-	-	-	505,972	505,972
Other purposes	-	-	-	-	-	12,251	12,251
Unassigned	42,842,252	-	(4,629,044)	(579,137)	-	(4,881,011)	32,753,060
Total fund balances	43,647,238	984,179	(4,166,862)	(579,137)	65,935	(2,802,539)	37,148,814
Total liabilities, deferred inflows of resources and fund balances	\$ 47,953,606	\$ 1,192,905	\$ 1,887,112	\$ 178,492	\$ 235,598	\$ 8,403,680	\$ 59,851,393

See notes to financial statements

City of Bullhead City, Arizona

Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2025

Fund Balances - Total Governmental Funds		\$ 37,148,814
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		79,986,906
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds		1,307,719
Long-term assets and liabilities are not due and payable in the current period and, therefore, they are not reported in the funds:		
Revenue bonds	\$ (11,154,000)	
Improvement bonds	(2,610,000)	
Notes payable	(2,379,686)	
Finance purchase arrangement	(277,128)	
Subscription-based information technology arrangements	(405,232)	
Accrued interest payable	(25,748)	
Net pension liability	(33,806,342)	
Net OPEB asset	513,534	
Compensated absences	<u>(2,221,069)</u>	(52,365,671)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		6,997,853
Internal service funds are used by management to charge the cost of certain activities, such as fleet management, risk management and employee benefits to individual funds. The assets and liabilities of internal service funds, net of long-term assets and liabilities reconciled above, are included in governmental activities in the Statement of Net Position		<u>3,451,490</u>
Total Net Position of Governmental Activities		<u><u>\$ 76,527,111</u></u>

City of Bullhead City, Arizona

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 Year Ended June 30, 2025

	General Fund	HURF	Capital Projects Funds	SID Debt Service Funds	Excise Revenue Bond Refunding Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
City tax revenue	\$ 22,240,861	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,240,861
Intergovernmental	20,360,598	4,813,070	968,670	-	-	3,601,267	29,743,605
Charges for services	1,876,093	-	-	-	-	646,033	2,522,126
Special assessments	-	-	-	533,512	-	270,482	803,994
Licenses and permits	1,542,038	-	-	-	-	20	1,542,058
Fines and forfeitures	727,155	-	-	-	-	69,803	796,958
Rents	41,281	-	-	-	-	-	41,281
Investment earnings	1,228,120	171,384	469	10,178	4,306	543,419	1,957,876
Other revenues	265,520	8,010	48,000	-	-	170,487	492,017
Total revenues	48,281,666	4,992,464	1,017,139	543,690	4,306	5,301,511	60,140,776
Expenditures							
Current:							
General government	12,521,259	261	-	1,794	-	2,428,695	14,952,009
Public safety	20,388,611	-	-	-	-	218,033	20,606,644
Culture and recreation	5,999,943	-	-	-	-	248,047	6,247,990
Economic development	173,564	-	-	-	-	-	173,564
Redevelopment and housing	-	-	-	-	-	488,231	488,231
Highways and streets	-	4,923,232	-	-	-	336,907	5,260,139
Health and welfare	597,287	1,800	-	-	-	476,108	1,075,195
Capital outlay	1,583,928	788,406	16,945,070	-	-	799,987	20,117,391
Debt service:							
Principal	264,818	52,102	-	598,459	168,000	5,030,325	6,113,704
Interest and fiscal charges	44,610	25,663	-	7,002	3,326	807,267	887,868
Total expenditures	41,574,020	5,791,464	16,945,070	607,255	171,326	10,833,600	75,922,735
Excess (deficiency) of revenues over (under) expenditures	6,707,646	(799,000)	(15,927,931)	(63,565)	(167,020)	(5,532,089)	(15,781,959)
Other Financing Sources (Uses)							
Sale of capital assets	64,753	5,775	-	-	-	96	70,624
Proceeds from debt issuance	-	-	-	-	-	2,441,011	2,441,011
Transfers in	1,052,687	647,371	5,035,670	-	173,016	853,524	7,762,268
Transfers out	(1,026,540)	-	(5,697,196)	-	-	(2,441,011)	(9,164,747)
Total other financing (uses) sources	90,900	653,146	(661,526)	-	173,016	853,620	1,109,156
Net change in fund balances	6,798,546	(145,854)	(16,589,457)	(63,565)	5,996	(4,678,469)	(14,672,803)
Fund Balances, Beginning	36,848,692	1,130,033	12,422,595	(515,572)	59,939	1,875,930	51,821,617
Fund Balances, Ending	\$ 43,647,238	\$ 984,179	\$ (4,166,862)	\$ (579,137)	\$ 65,935	\$ (2,802,539)	\$ 37,148,814

See notes to financial statements

City of Bullhead City, Arizona

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

Net Change in Fund Balances - Total Governmental Funds \$ (14,672,803)

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation/amortization expense.

Capital outlay	\$ 15,772,522	
Contributed capital	2,991,164	
Loss of disposal capital assets	(12,256)	
Depreciation/amortization expense	<u>(6,567,634)</u>	12,183,796

The net effect of various miscellaneous transactions involving capital asset
is an increase (decrease) to net position.

Transfer of capital assets to proprietary funds		(282,209)
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Pension and OPEB contributions are reported as expenditures in the governmenta
funds when made. However, they are reported as deferred outflows of
resources in the Statement of Net Position because the reported net pension
liability is measured a year before the City's report date. Pension/OPEB
expense, which is the change in the net pension liability adjusted for changes in
deferred outflows and inflows of resources related to pensions/OPEB, is reported
in the Statement of Activities.

259,269

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

(1,026,195)

Debt proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the Statement of Net Position
Repayment of debt principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the Statement of Net Position.
Also, governmental funds report the effect of premiums, discounts, and similar
items when debt is issued, whereas these amounts are amortized in the
Statement of Activities.

Bond proceeds	(2,441,011)	
Principal repaid	5,855,006	
Subscription-based information technology arrangement payments	<u>268,637</u>	3,682,632

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

Compensated absences payable		(54,433)
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Internal service funds are used by management to charge the costs of certain
activities, such as fleet management, risk management and employee benefits to
individual funds. The change in net position of internal service funds less the
change in noncurrent assets and liabilities is reported with governmental activities
in the Statement of Activities.

(488,170)

Change in Net Position of Governmental Activities \$ (398,113)

Financial Statements

Proprietary Funds

Enterprise Funds

Wastewater Fund - This fund is used to account for the administration, operations and maintenance of the wastewater collection lines and treatment facility.

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

Marketplace Fund - This fund is used to account for the activities of the City's Belle restaurant, various rental fees, and similar services.

Internal Service Funds - Internal service funds are used to account for services and commodities furnished by one department to other departments in the City on a cost reimbursement basis. The City's internal service funds included are Fleet Services, Risk Management, and Employee Benefit Trust.



City of Bullhead City, Arizona

Statement of Net Position - Proprietary Funds

June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental
	Wastewater Fund	Water Fund	(Nonmajor) Marketplace Fund	Total	Internal Services Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,833,420
Accounts receivable, net	1,154,522	1,304,835	4,000	2,463,357	127,148
Inventory	-	522,047	113,003	635,050	28,777
Prepaid expenses	-	114,659	-	114,659	3,194,355
Total current assets	1,154,522	1,941,541	117,003	3,213,066	5,183,700
Noncurrent Assets					
Restricted cash	9,587,331	4,182,847	-	13,770,178	-
Capital assets:					
Capital assets, not being depreciated/amortized	18,215,269	14,958,241	-	33,173,510	-
Capital assets, being depreciated/amortized, net	81,568,880	90,931,312	282,209	172,782,401	-
Total noncurrent assets	109,371,480	110,072,400	282,209	219,726,089	-
Total assets	110,526,002	112,013,941	399,212	222,939,155	5,183,700
Deferred Outflows of Resources					
Deferred charge on debt refunding	178,057	-	-	178,057	-
Total deferred outflows of resources	178,057	-	-	178,057	-
Liabilities					
Current liabilities:					
Accounts payable	3,542,406	2,127,201	4,427	5,674,034	679,395
Accrued payroll and related liabilities	85,573	78,132	-	163,705	15,294
Due to other funds	2,775,939	6,244,456	128,437	9,148,832	1,033,012
Other liabilities	32,260	-	10,090	42,350	4,509
Deposits held for others	16,335	237,820	900	255,055	-
Interest payable	49,605	1,331,036	-	1,380,641	-
Retainage payable	1,293,755	231,188	-	1,524,943	-
Current portion of:					
Compensated absences	61,480	33,350	3,144	97,974	-
SBITA payable	199,604	207,638	-	407,242	-
Bonds payable	2,605,000	2,810,000	-	5,415,000	-
Total current liabilities	10,661,957	13,300,821	146,998	24,109,776	1,732,210
Noncurrent liabilities:					
Compensated absences	184,439	100,050	9,433	293,922	-
SBITA payable	949,796	957,830	-	1,907,626	-
Bonds payable, net	9,907,464	101,518,688	-	111,426,152	-
Total noncurrent liabilities	11,041,699	102,576,568	9,433	113,627,700	-
Total liabilities	21,703,656	115,877,389	156,431	137,737,476	1,732,210
Net Position					
Net investment in capital assets	85,006,587	2,868,798	282,209	88,157,594	-
Restricted for debt service	9,587,331	4,182,847	-	13,770,178	-
Unrestricted (deficit)	(5,593,515)	(10,915,093)	(39,428)	(16,548,036)	3,451,490
Total net position	\$ 89,000,403	\$ (3,863,448)	\$ 242,781	\$ 85,379,736	\$ 3,451,490

See notes to financial statements

City of Bullhead City, Arizona

 Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
 Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental
	Wastewater Fund	Water Fund	(Nonmajor) Marketplace Fund	Total	Internal Services Funds
Operating Revenues					
Charges for services	\$ 10,870,845	\$ 11,809,863	\$ 1,198,871	\$ 23,879,579	\$ 7,666,797
Application fees, tap fees and other	-	191,078	-	191,078	-
Other revenues	30,737	441,976	-	472,713	603,232
Total operating revenues	10,901,582	12,442,917	1,198,871	24,543,370	8,270,029
Operating Expenses					
Salaries and related expenses	3,279,101	2,805,540	1,240,096	7,324,737	578,596
Medical claims and self-insurance	115,296	134,892	-	250,188	5,981,773
Administration	1,173,597	1,366,631	-	2,540,228	2,120,838
Utilities	1,046,504	997,252	-	2,043,756	48,801
Maintenance, supplies and equipment	701,103	1,597,918	-	2,299,021	58,459
Depreciation/amortization	4,228,568	3,754,911	-	7,983,479	-
Other	1,471,545	1,564,219	-	3,035,764	26,014
Total operating expenses	12,015,714	12,221,363	1,240,096	25,477,173	8,814,481
Operating income (loss)	(1,114,132)	221,554	(41,225)	(933,803)	(544,452)
Nonoperating Revenues (Expenses)					
Investment income	115,063	20,182	1,797	137,042	56,282
Gain (loss) on disposal of capital assets	33,400	10,040	-	43,440	-
Interest expense and fiscal charges	(356,582)	(2,694,585)	-	(3,051,167)	-
Total nonoperating revenues (expense)	(208,119)	(2,664,363)	1,797	(2,870,685)	56,282
Income (loss) before transfers and contributions	(1,322,251)	(2,442,809)	(39,428)	(3,804,488)	(488,170)
Capital Contributions, Transfers In Transfers In	-	-	282,209	282,209	-
Change in net position	(193,143)	(2,169,438)	242,781	(2,119,800)	(488,170)
Net Position, Beginning	89,193,546	(1,694,010)	-	87,499,536	3,939,660
Net Position, Ending	\$ 89,000,403	\$ (3,863,448)	\$ 242,781	\$ 85,379,736	\$ 3,451,490

See notes to financial statements

City of Bullhead City, Arizona

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds				Governmental
	Wastewater Fund	Water Fund	(Nonmajor) Marketplace Fund	Total	Activities Internal Services Funds
Cash Flows From Operating Activities					
Receipts from customers	\$ 11,020,053	\$ 12,091,000	\$ 1,197,771	\$ 24,308,824	\$ -
Receipts from interfund services	-	-	-	-	8,035,255
Other operating receipts	30,737	441,976	-	472,713	603,232
Payments to suppliers	(2,361,461)	(4,054,720)	(116,412)	(6,532,593)	(8,178,855)
Payments to employees	(3,366,910)	(2,926,631)	(1,272,649)	(7,566,190)	(579,109)
Cash flows provided by (used in) operating activities	5,322,419	5,551,625	(191,290)	10,682,754	(119,477)
Cash Flows From Noncapital Financing Activities					
Interfund borrowings from	-	-	-	-	(148,153)
Interfund borrowings to	2,775,939	3,151,017	128,437	6,055,393	109,688
Interfund transfers in	1,129,108	273,371	-	1,402,479	-
Cash flows provided by (used in) noncapital and related financing activities	3,905,047	3,424,388	128,437	7,457,872	(38,465)
Cash Flows From Capital and Related Financing Activities					
Purchase of capital assets	(13,851,860)	(3,614,374)	-	(17,466,234)	-
Proceeds from sale of capital assets	33,400	10,040	-	43,440	-
Capital debt proceeds	9,127,464	-	-	9,127,464	-
Principal paid on long-term debt	(2,453,484)	(2,991,518)	-	(5,445,002)	-
Interest paid on long-term debt	(511,301)	(2,789,036)	-	(3,300,337)	-
Cash flows provided by (used in) capital and related financing activities	(7,655,781)	(9,384,888)	-	(17,040,669)	-
Cash Flows From Investing Activities					
Interest received	115,063	20,182	1,797	137,042	56,282
Cash flows provided by (used in) investing activities	115,063	20,182	1,797	137,042	56,282
Net change in cash and cash equivalents	1,686,748	(388,693)	(61,056)	1,236,999	(101,660)
Cash and Cash Equivalents, Beginning	7,900,583	4,571,540	61,056	12,533,179	1,935,080
Cash and Cash Equivalents, Ending	\$ 9,587,331	\$ 4,182,847	\$ -	\$ 13,770,178	\$ 1,833,420

See notes to financial statements

City of Bullhead City, Arizona

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Wastewater Fund	Water Fund	(Nonmajor) Marketplace Fund		Internal Services Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Net operating income (loss)	\$ (1,114,132)	\$ 221,554	\$ (41,225)	\$ (933,803)	\$ (544,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation/amortization expense	4,228,568	3,754,911	-	7,983,479	-
(Increase) decrease in:					
Accounts receivable	139,498	4,420	(2,000)	141,918	368,458
Intergovernmental receivable	-	-	-	-	-
Inventory and prepaid items	1,191	51,894	(28,800)	24,285	(177,660)
Other assets	-	-	-	-	-
Increase (decrease) in:					
Accounts payable	2,030,097	1,419,416	(92,525)	3,356,988	234,690
Accrued payroll and related liabilities	(1,216)	5,658	(31,725)	(27,283)	(513)
Other liabilities	-	(10)	6,913	6,903	-
Customer deposits	9,710	85,639	900	96,249	-
Unearned revenue	-	-	(2,000)	(2,000)	-
Compensated absences	28,703	8,143	(828)	36,018	-
Net cash provided by (used in) operating activities	<u>\$ 5,322,419</u>	<u>\$ 5,551,625</u>	<u>\$ (191,290)</u>	<u>\$ 10,682,754</u>	<u>\$ (119,477)</u>
Noncash Investing, Capital and Financing Activities					
Loss on disposal of capital	\$ 978,743	\$ 445,845	\$ -	\$ -	\$ -
Amortization of bond premium	60,562	80,421	-	140,983	-
Amortization of deferred charge on refunding	(59,352)	-	-	(59,352)	-
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 1,833,420
Restricted cash	9,587,331	4,182,847	-	13,770,178	-
Total cash and cash equivalents	<u>\$ 9,587,331</u>	<u>\$ 4,182,847</u>	<u>\$ -</u>	<u>\$ 13,770,178</u>	<u>\$ 1,833,420</u>

See notes to financial statements

Financial Statements
Notes to Financial Statements



City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

1. Summary of Significant Accounting Policies

The accounting policies of the City of Bullhead City, Arizona (the City) conform to U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

Reporting Entity

The City, incorporated in 1984, is a general purpose local government that is governed by an elected Mayor and Council. As required under generally accepted accounting principles, these financial statements present the activities of the City (a primary government) and its component units. Component units are legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations. Therefore, data from these component units is combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in combined financial statements to emphasize that it is legally separate from the government. The City has no discretely presented component units.

Blended Component Units

The Bullhead City Municipal Property Corporation (MPC) was formed as a nonprofit corporation that assists in the acquisition and financing of municipal projects and facilities. The City Council appoints all members of the Board of Directors. The City has no liability for the Corporations' debt. For financial reporting purposes, transactions of the Corporation are combined together and included as if they were part of the City's operations.

The Bullhead City Sewer Improvement Districts #1, 2 and 3 were formed as improvement districts that were created to fund sewer services for specific property owners. The City Council serves as the Board of Directors and has ability to significantly influence operations. The City has no liability for the Districts' debt. For financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the City's operations.

The Bullhead City Parkway Road Improvement District and East Branch Sewer District were formed as Improvement districts that were created to fund construction of a roadway and a supporting sewer line. The City Council serves as the Board of Directors and has the ability to significantly influence operations. The City has no liability for the Districts' debt. For financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the City's operations.

Financial data for each of the individual component units may be obtained at the City's administrative offices.

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment (e.g., special assessments). Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Bullhead City, Arizona

Notes to Financial Statements
June 30, 2025

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The **Capital Projects Fund** is used to account for maintenance and operations of the City's parks and other municipal facilities.

The **Special Improvement District (SID) Debt Service Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term special assessment debt of the governmental funds.

The **Excise Revenue Bond Refunding Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term excise tax debt of the governmental funds.

The City reports the following major proprietary funds:

The **Wastewater Fund** is used to account for the administration, operations and maintenance of the wastewater collection lines and treatment facility.

The **Water Fund** is used to account for the activities of the City's water utility operations.

Additionally, the City reports the following fund type:

Internal Service Funds account for the fleet management services and insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the City's wastewater function and various other functions of the City. Elimination of these charges would distort the costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from 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 wastewater and water funds, and of the City's internal service funds, are charges to customers and departments for sales and services provided. The wastewater fund also recognizes as operating revenue the tap fees intended to recover the cost of connecting new customers to the collection system. Operating expense for enterprise and internal service funds include the cost of sales and services, administration expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component unit, are reported at fair value. The Arizona State Treasurer's local government investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown net of an allowance for uncollectibles. The amount of the estimated uncollectible trade receivables at June 30, 2025 was \$870,281, which represents approximately 6.8% of the current trade receivables balance. There is no allowance for uncollectibles on special assessments receivable as the City has a subordinated lien on all properties subject to the special assessments.

Inventories and Prepaid Items

All inventories are valued at cost (determined by weighted average method) and consist of expendable supplies held for consumption. Inventories of the City are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future 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 (consumption method) rather than when purchased.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

The City's capital assets, which include land, buildings and related improvements, furniture, vehicles, equipment, construction in progress and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), including right-to-use assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported consistent with all other capital assets and are presented in the government-wide financial statements.

Intangible right-to-use lease and subscription assets are amortized over the shorter of the contract term or the useful life of the underlying asset.

Property, plant and equipment of the City, as well as its component unit, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	25 - 40
Building improvements	5 - 25
Public domain infrastructure	15 - 25
System infrastructure (wastewater system)	40 - 45
Furniture, vehicles and equipment	3 - 10

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal leave and vacation. Upon termination, the employee would be entitled to 50% - 100% of unused personal leave. Compensated absences are accrued and reported as liabilities more likely than not to be used, paid or converted after year-end in the government-wide and proprietary fund financial statements. Governmental funds report only the current portion of compensated absences payable.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Post-Employment Benefits

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

Net Position Flow Assumption

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

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

Fund Balance Policies

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

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

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

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

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

The City has adopted a policy whereby it will set a minimum unassigned fund balance, equal to 30% of current year expenditures in the General Fund, to provide for any shortfalls in the enterprise funds and for required redemptions related to special assessment debt, should the collections of special assessments not cover the current liability.

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

Special Assessments

The City has made certain special assessments, in lieu of adopting a property tax, to pay for the cost of constructing wastewater collection lines. Revenue from special assessments is recognized upon completion of the related improvement and is recorded in governmental capital project funds, to the extent available.

Intergovernmental Grants and Aid

Money received from other government agencies in the form of grants or aid based on an entitlement period is recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Leases

As lessee, the City recognizes lease liabilities with an initial, individual value of \$20,000. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is based on the average interest rate of other financing instruments with similar terms and risks as those currently entered into by the City.

As lessor, the City recognizes lease receivables with an initial, individual value of \$100,000. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The City's estimated incremental borrowing rate is calculated using the same method used on their lessee transactions above.

Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value that is sufficient to meet the criteria of the City's policy. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above for leases.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual amounts may differ from such estimates.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. The City is subject to the State of Arizona's Spending Limitation Law for City's and Cities. This law does not permit the City to spend more than the budgeted revenues plus the prior year's carryover of unrestricted cash. The limitation is applied to the total of the combined funds.

Expenditures Over Appropriations

The individual schedules of revenues, expenditures and changes in fund balance - budget and actual reports found in the required supplementary information and the supplementary information present all of the departments and funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2025, if any.

Change in Accounting Principle

Effective for the fiscal year ending June 30, 2025, the City has implemented GASB Statement No. 101, *Compensated Absences*, which supersedes GASB Statement No. 16. GASB 101 establishes a unified recognition and measurement model for all types of compensated absences, including vacation, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave and certain types of sabbatical leave based on what is more likely than not to be used, paid out, or converted after year end. The implementation of GASB 101 did not result in a material change to the accrued compensated absence balance reported.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Deficit Net Position/Fund Balance

At June 30, 2025, the following funds reported deficits in net position or fund balances:

Fund:		
Capital Project Fund	\$	4,166,862
CDBG/HTF Fund		78,623
Court Improvement Fund		942
Excise Tax Debt Service Fund		2,992,791
Flood Control Fund		323,097
Pest Abatement Fund		26,009
Police Grant Fund		40,044
SID Debt Service Fund		579,137
Special Events Fund		141,262
Street Lighting Fund		8,957
Transit Fund		1,269,286
Water Fund		3,863,448

The City anticipates resolving the deficits through transfers from other funds.

2. Deposits and Investments

State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP), interest bearing savings accounts, certificates of deposit, United States Treasury Bills, notes or bonds which have a maturity date of not more than one year, and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

Deposits

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102% of all deposits not covered by federal depository insurance. In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned.

As of June 30, 2025, the City's carrying amount of unrestricted deposits was \$3,223,526 and the bank balance was \$3,685,889. As of June 30, 2025, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name. The City also maintains petty cash for use in daily operations that totals \$10,601.

Restricted cash consists of \$21,012,381 held by a trustee for bonds outstanding. The carrying amount of restricted cash in bank was \$309,885 restricted for courts, and \$89,789 restricted for public safety and the bank balances were \$328,876 and \$89,789, respectively. As of June 30, 2025, the City's deposits for restricted cash were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name. Future use will be for one or more of the following: (1) payments on current liabilities relating to outstanding bonds payable, (2) to reduce the employer portion of required contributions to the qualified retirement plan or (3) for payments on future construction projects.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Investments

The City invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The State Board of Investments provides oversight for the State Treasurer's investment pools. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy. The LGIP is registered with the Securities Exchange Commission under the 1940 Investment Advisors Act and is rated by Standard and Poors with AAf/S1+.

The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

As of June 30, 2025, the City's deposit with the State Treasurer's Local Government Investment Pool 5 was \$24,521,825.

Custodial Credit Risk

For investments, this is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. Funds held in the State Treasurer's LGIP represent a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City does not have a formal investment policy regarding credit risk. However, the City's formal investment policy restricts investments as follows: (i) limiting investments to the safest types of securities, (ii) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business, and (iii) diversifying the investment portfolio so that potential losses on individual securities will be minimized. At June 30, 2025, credit risk for the City's investments was as follows:

	Ratings			
	Total	AAAF/S1+	AAA	Unrated
Investment type:				
Primary government:				
LGIP	\$ 24,521,825	\$ 24,521,825	\$ -	\$ -
Total	\$ 24,521,825	\$ 24,521,825	\$ -	\$ -

Interest Rate Risk

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

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

At June 30, 2025, the City had the following investments:

	Remaining Maturity 12 Months or Less
Investment type:	
Primary government	
LGIP	\$ 24,521,825
Total	\$ 24,521,825

The City has no specific policy regarding interest rate risk. State law limits investments in securities having maturities no greater than five years. Additionally, in accordance with its formal investment policy, the City manages its exposure to declines in fair values by limiting (a) structuring the investment portfolio to meet cash requirements for ongoing operations, and (b) investing operating funds primarily in short-term securities.

Concentration of Credit Risk

The City's policies do not limit the maximum amount that can be invested in any single issuer. At June 30, 2025, all of the City's investments were with the Arizona State Treasurer's local government investment pool.

Custodial Credit Risk

For investments, this is the risk that, in the event of a failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk.

3. Receivables

Receivables as of June 30, 2025 for the City's individual major funds, nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	HURF Fund	Capital Projects Fund	SID Debt Service Funds	Nonmajor Governmental Funds	Wastewater Fund	Water Fund	Marketplace Fund	Internal Service Fund	Total
Receivables:										
Accounts	\$ 1,423,648	\$ -	\$ -	\$ -	\$ 284,781	\$ 1,644,102	\$ 1,685,536	\$ 4,000	\$ 127,148	\$ 5,169,215
Taxes	-	-	-	-	3,173	-	-	-	-	3,173
Intergovernmental	2,621,186	475,479	11,622	-	272,884	-	-	-	-	3,381,171
Special assessments	-	-	-	178,492	537	-	-	-	-	179,029
Gross receivables	4,044,834	475,479	11,622	178,492	561,375	1,644,102	1,685,536	4,000	127,148	8,732,588
Less allowance for uncollectibles	-	-	-	-	-	(489,580)	(380,701)	-	-	(870,281)
Net total receivables	<u>\$ 4,044,834</u>	<u>\$ 475,479</u>	<u>\$ 11,622</u>	<u>\$ 178,492</u>	<u>\$ 561,375</u>	<u>\$ 1,154,522</u>	<u>\$ 1,304,835</u>	<u>\$ 4,000</u>	<u>\$ 127,148</u>	<u>\$ 7,862,307</u>

Revenues of the enterprise funds are reported net of uncollectible amounts. The Wastewater Fund and the Water Fund recorded no bad debt expense for the current fiscal year.

City of Bullhead City, Arizona

Notes to Financial Statements
June 30, 2025

4. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2025 is as follows (due to/from other funds):

	<u>Receivable Amount</u>	<u>Payable Amount</u>
Fund:		
General Fund	\$ 20,351,622	\$ -
Capital Projects Fund	-	4,408,427
SID Debt Service Funds	-	192,044
Nonmajor Governmental Funds	-	5,569,307
Wastewater Fund	-	2,775,939
Water Fund	-	6,244,456
Marketplace Fund	-	128,437
Internal Service Funds	-	1,033,012
	<hr/>	<hr/>
Total	<u>\$ 20,351,622</u>	<u>\$ 20,351,622</u>

The outstanding balances between funds results mainly from the time lag between the date 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. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the General Fund expects to collect in the subsequent year. All interfund balances are expected to be repaid within one year.

Internal service funds and nonmajor funds had a deficit cash balance that will be paid back to the General Fund over time.

The water fund had a deficit in cash balance related to the issuance of bonds and future commitments for projects related to utilities. These funds will be paid back to the General Fund.

5. Interfund Transfers

The composition of interfund transfers for the year ended June 30, 2025 is as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Fund:		
General Fund	\$ 1,026,540	\$ 1,052,687
HURF Fund	-	647,371
Capital Projects Fund	5,697,196	5,035,670
Excise Revenue Bond Refunding Funds	-	173,016
Nonmajor Governmental Funds	2,441,011	853,524
Marketplace Fund	-	282,209
Wastewater Fund	-	1,129,108
Water Fund	-	273,371
Governmental activities (capital transfer)	282,209	-
	<hr/>	<hr/>
Total	<u>\$ 9,446,956</u>	<u>\$ 9,446,956</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 Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

General Fund transfers relate to:

- Providing construction projects for the Capital Projects Fund.
- Payments for debt service.
- Other miscellaneous services for wastewater engineering, reducing negative fund balance and monthly bridge loan.

Nonmajor funds transfers relate to funding transferred to the Capital Projects Fund for allowable construction projection.

The Water Fund received transfers from the General Fund for debt payments and Cibola Water.

6. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 3,273,105	\$ 440,012	\$ -	\$ 3,713,117
Construction in progress	13,944,274	12,754,299	(18,043,108)	8,655,465
Total capital assets not being depreciated or amortized	17,217,379	13,194,311	(18,043,108)	12,368,582
Capital assets being depreciated or amortized:				
Buildings	21,631,115	2,550,152	(385,000)	23,796,267
Improvements, other than buildings	12,171,567	13,651,994	(583,950)	25,239,611
Furniture, vehicles and equipment	31,275,110	3,019,222	-	34,294,332
Infrastructure	166,056,910	4,391,114	-	170,448,024
Right-to-use subscription assets	1,115,938	-	-	1,115,938
Total capital assets being depreciated or amortized	232,250,640	23,612,482	(968,950)	254,894,172
Less accumulated depreciation or amortization:				
Buildings	(16,467,277)	(501,175)	161,285	(16,807,167)
Improvements, other than buildings	(5,589,649)	(586,961)	-	(6,176,610)
Furniture, vehicles and equipment	(23,533,861)	(2,875,817)	513,200	(25,896,478)
Infrastructure	(135,349,843)	(2,335,044)	-	(137,684,887)
Right-to-use subscription assets	(442,069)	(268,637)	-	(710,706)
Total accumulated depreciation or amortization	(181,382,699)	(6,567,634)	674,485	(187,275,848)
Total capital assets being depreciated or amortized, net	50,867,941	17,044,848	(294,465)	67,618,324
Governmental activities capital assets, net	\$ 68,085,320	\$ 30,239,159	\$ (18,337,573)	\$ 79,986,906

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 3,213,803	\$ -	\$ -	\$ 3,213,803
Water rights	6,716,785	-	-	6,716,785
Construction in progress	7,535,449	17,262,214	(1,554,741)	23,242,922
	<u>17,466,037</u>	<u>17,262,214</u>	<u>(1,554,741)</u>	<u>33,173,510</u>
Total capital assets not being depreciated or amortized				
Capital assets being depreciated or amortized:				
Buildings	149,647	385,000	-	534,647
Improvements, other than buildings	250,665	-	-	250,665
Equipment and vehicles	7,545,303	1,683,746	(148,382)	9,080,667
Right-of-use subscription asset	3,072,920	234,138	-	3,307,058
Wastewater facilities, equipment and collection lines	250,484,605	1,554,741	-	252,039,346
	<u>261,503,140</u>	<u>3,857,625</u>	<u>(148,382)</u>	<u>265,212,383</u>
Total capital assets being depreciated or amortized				
Less accumulated depreciation or amortization:				
Buildings	(63,600)	(165,026)	-	(228,626)
Improvements, other than buildings	(265,310)	(1,355)	-	(266,665)
Equipment and vehicles	(5,470,513)	(914,400)	148,382	(6,236,531)
Right-of-use subscription asset	(597,188)	(395,002)	-	(992,190)
Wastewater facilities, equipment and collection lines	(77,938,916)	(6,767,054)	-	(84,705,970)
	<u>(84,335,527)</u>	<u>(8,242,837)</u>	<u>148,382</u>	<u>(92,429,982)</u>
Total accumulated depreciation or amortization				
Total capital assets being depreciated or amortized, net	<u>177,167,613</u>	<u>(4,385,212)</u>	<u>-</u>	<u>172,782,401</u>
Business-type capital assets, net	<u>\$ 194,633,650</u>	<u>\$ 12,877,002</u>	<u>\$ (1,554,741)</u>	<u>\$ 205,955,911</u>

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

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

Governmental activities:	
General government	\$ 1,971,129
Highways and streets	2,378,356
Culture and recreation	994,522
Public safety	<u>1,223,627</u>
Total depreciation/amortization expense, governmental activities	<u><u>\$ 6,567,634</u></u>
Business-type activities:	
Wastewater Fund	\$ 4,228,568
Water Fund	3,754,911
Marketplace (capital contributions - transfers in of accumulated depreciation)	<u>259,358</u>
Total depreciation/amortization expense, business-type activities	<u><u>\$ 8,242,837</u></u>

7. Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2025 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds	\$ 20,195,000	\$ -	\$ (4,014,000)	\$ 16,181,000	\$ 3,662,000
Improvement bond	<u>2,720,000</u>	<u>-</u>	<u>(110,000)</u>	<u>2,610,000</u>	<u>120,000</u>
Total bonds payable	<u>22,915,000</u>	<u>-</u>	<u>(4,124,000)</u>	<u>18,791,000</u>	<u>3,782,000</u>
Notes payable, Water Infrastructure Financing Authority	598,460	-	(598,460)	-	-
Notes payable, Foothills Bank Finance purchase agreement	<u>-</u>	<u>2,441,011</u>	<u>(61,325)</u>	<u>2,379,686</u>	<u>248,700</u>
	<u>335,350</u>	<u>-</u>	<u>(58,222)</u>	<u>277,128</u>	<u>60,464</u>
Total notes payable	933,810	2,441,011	(718,007)	2,656,814	309,164
Subscription liabilities	673,869	-	(268,637)	405,232	220,356
Net pension liabilities	33,741,419	64,923	-	33,806,342	-
Compensated absences	<u>2,166,636</u>	<u>54,433</u>	<u>-</u>	<u>2,221,069</u>	<u>528,051</u>
Governmental activities long-term liabilities	<u><u>\$ 60,430,734</u></u>	<u><u>\$ 2,560,367</u></u>	<u><u>\$ (5,110,644)</u></u>	<u><u>\$ 57,880,457</u></u>	<u><u>\$ 4,839,571</u></u>
Business-type activities:					
Revenue bonds	\$ 110,785,000	\$ 8,945,000	\$ (5,050,000)	\$ 114,680,000	\$ 5,415,000
Plus deferred amounts: Issuance discounts and premiums	<u>2,119,671</u>	<u>182,464</u>	<u>(140,983)</u>	<u>2,161,152</u>	<u>-</u>
Total bonds payable	112,904,671	9,127,464	(5,190,983)	116,841,152	5,415,000
Subscription liabilities	2,475,732	234,138	(395,002)	2,314,868	407,242
Compensated absences	<u>342,473</u>	<u>49,423</u>	<u>-</u>	<u>391,896</u>	<u>97,974</u>
Business-type activities long-term liabilities	<u><u>\$ 115,722,876</u></u>	<u><u>\$ 9,411,025</u></u>	<u><u>\$ (5,585,985)</u></u>	<u><u>\$ 119,547,916</u></u>	<u><u>\$ 5,920,216</u></u>

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Internal service funds predominantly serve the governmental activities. Accordingly, long-term liabilities for all internal service funds are included as part of the above totals for governmental activities.

Bonds Payable

The City has pledged revenue derived from taxes collected or from the acquired or constructed assets to pay debt service on the excise tax revenue bonds.

Bonds currently outstanding at year-end are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>	<u>Maturity Date</u>
Governmental activities:				
MPC Excise Tax Revenue Bonds, Series 2015B	\$ 1,554,000	1.98 %	\$ 168,000	2026
Laughlin Ranch Improvement Bonds Series 2017	3,230,000	2.30-4.00	2,610,000	2042
Excise Tax Revenue Bonds:				
Series 2018	3,100,000	3.01	1,333,000	2028
Series 2021	4,600,000	1.97	3,975,000	2028
Series 2023	<u>14,145,000</u>	4.97	<u>10,885,000</u>	2028
Total governmental activities	<u>\$ 26,629,000</u>		<u>\$ 18,971,000</u>	
Business-type activities:				
Wastewater Revenue Bonds, Series 2013	\$ 15,845,000	3.25-5.00	\$ 2,585,000	2025
Excise Tax Revenue and Refunding Bonds:				
Series 2019	6,945,000	3.00-4.00	2,860,000	2039
Series 2021	89,255,000	0.40-2.70	82,005,000	2051
Series 2022	18,750,000	4.00-5.00	18,285,000	2052
Series 2025	<u>8,945,000</u>	4.25-5.00	<u>8,945,000</u>	2044
Total business-type activities	<u>\$ 139,740,000</u>		<u>\$ 114,680,000</u>	

Annual debt service requirements to maturity for the bonds are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Years ending June 30:				
2026	\$ 3,782,000	\$ 756,541	\$ 5,415,000	\$ 3,125,862
2027	3,263,000	592,189	4,240,000	3,002,820
2028	3,423,000	446,983	3,255,000	2,923,833
2029	3,568,000	294,297	3,340,000	2,851,863
2030	430,000	134,688	3,425,000	2,772,563
2031-2035	2,860,000	570,962	22,555,000	14,605,282
2036-2040	1,465,000	730,658	21,735,000	9,041,589
2041-2045	-	-	22,850,000	5,751,352
2046-2050	-	-	24,050,000	2,389,840
2051-2052	-	-	<u>3,815,000</u>	<u>42,800</u>
Total	<u>\$ 18,791,000</u>	<u>\$ 3,526,318</u>	<u>\$ 114,680,000</u>	<u>\$ 46,507,804</u>

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Notes Payable

The City received loans from the Water Infrastructure Financing Authority (WIFA) for the construction of wastewater collection lines and facilities. The debt is secured by, and to be repaid from, amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received, as of June 30, 2025 the WIFA loans were fully paid off.

During 2023, the City entered into a finance purchase arrangement with Empire Southwest for a new Loader financing \$288,677 through 2028 at an interest rate of 6.38%. During 2024, the City entered into a finance purchase arrangement with Empire Southwest for a new Loader financing \$123,215 through 2028 at an interest rate of 5.99%.

Notes payable at year-end are as follows:

	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Outstanding Principal</u>	<u>Maturity Date</u>
Governmental activities:				
Foothills Bank, 2025	\$ 2,441,011	7.155 %	\$ 2,379,686	2032
Finance Purchase, Empire Southwest, 2023	288,677	6.38	189,647	2028
Finance Purchase, Empire Southwest, 2024	<u>123,215</u>	5.99	<u>87,481</u>	2028
Total	<u>\$ 2,852,903</u>		<u>\$ 2,656,814</u>	

Annual debt service requirements to maturity for the notes are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Years ending June 30:		
2026	\$ 309,184	\$ 165,990
2027	368,226	156,756
2028	481,467	128,148
2029	352,303	95,639
2030	378,189	69,753
2031-2032	<u>767,445</u>	<u>53,783</u>
Total	<u>\$ 2,656,814</u>	<u>\$ 670,069</u>

During 2023, the City obtained \$6,595,000 and \$6,445,000 in additional financing from WIFA for various infrastructure projects with loan terms of 30 years. Of those loans \$1,300,000 and \$1,177,000, respectively, are forgivable principal. As of year-end, the City had not drawn on any portion of the loans.

Subscription-Based Information Technology Arrangements (SBITAs)

The City has obtained the right to use various IT software under the provisions of various subscription-based information technology arrangements.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total intangible right-to-use subscription assets	\$ 1,115,938	\$ 3,307,058
Less accumulated amortization	<u>(710,706)</u>	<u>(992,190)</u>
Total	<u>\$ 405,232</u>	<u>\$ 2,314,868</u>

The following schedule details minimum subscription payments to maturity for the City's subscriptions:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Years ending June 30:				
2026	\$ 220,356	\$ 8,863	\$ 407,242	\$ 73,440
2027	134,620	4,177	419,482	61,200
2028	50,256	-	353,676	48,960
2029	-	-	365,916	36,720
2030	-	-	378,156	24,480
2031	-	-	390,396	12,240
Total	<u>\$ 405,232</u>	<u>\$ 13,040</u>	<u>\$ 2,314,868</u>	<u>\$ 257,040</u>

8. Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City uses a combination of self-insurance and third-party insurance. The City is self-insured for general and automobile liability. An excess coverage insurance policy is available for individual claims in excess of \$75,000 and is provided by the Arizona Municipal Risk Retention Pool.

The City provides life, health, and disability benefits to its employees and their dependents through the Northwest Arizona Employee Benefit Trust, currently composed of three member cities. The Trust provides the benefits through a self-funding agreement with its participants and administers the program, and the City is responsible for paying the premium and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the City is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the City would be responsible for its proportional share of any Trust deficit. To protect the City against significant claims, a \$95,000 stop loss insurance policy is in place.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Consent Decree With Arizona Department of Environmental Quality

The City voluntarily entered into a Consent Decree with the Arizona Department of Environmental Quality (ADEQ) in 1997. This decree stipulated that the City would construct improvements and additions to the Bullhead City Wastewater System designed to expand the service area and capacity of the system.

The consent decree identified specific expansion requirements and the timeline in which those expansions must be completed. If the City fails to meet the specific performance requirements of the decree, ADEQ can impose monetary fines that range from \$1,000 to \$3,000 per day depending on the length of time that the City remains in noncompliance. The City is currently in compliance with the consent decree.

Litigation

The City is a defendant in various lawsuits, which arise in the ordinary course of its operations. The City is unable to predict the outcomes of these proceedings; therefore, no liability has been accrued in the accompanying financial statements.

Construction Commitments

The City has active construction projects and related commitments. The projects include flood control projects, traffic signals, Bullhead Parkway extension, and other city street maintenance and roadway improvement projects, temporary city engineering and design services. At year-end the City had approximately \$1,997,982 in commitments to contractors for construction projects.

9. Pensions

The City contributes to two plans as described below. For public safety personnel, state statute regulates retirement, death, long-term disability, and survivor insurance premium benefits. The plan is a component unit of the State of Arizona. Benefits for nonpublic safety personnel are established based on contributions to the plan. At June 30, 2025, the City reported the following aggregate amounts related to pensions/OPEB for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net OPEB assets	\$ 513,534
Net pension liabilities	33,806,342
Deferred outflows of resources related to pensions and OPEB	7,550,425
Deferred inflows of resources related to pensions and OPEB	552,572
Pension and OPEB expense	4,601,897

The City reported \$4,839,138 of pension/OPEB contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Defined Contribution Plan

The City has established a mandatory defined contribution deferred compensation plan for all employees not covered under the PSPRS. Contributions to the plan are administered by a third-party, ICMA Retirement Corporation (ICMA-RC). In accordance with GASB Statement No. 32, the City provides neither administrative services nor investment advice. Consequently, no fiduciary relationship exists between the City and the compensation plan. Therefore, plan assets are not included as a fund of the City.

The ICMA-RC is the plan administrator and trustee for the defined contribution plan and provides statements to participants. Reports may be obtained by writing or calling the applicable plan.

ICMA-RC
777 North Capitol Street, NE
Washington, DC 20002
(202)962-4600

Plan Description

In lieu of participating in FICA - Social Security, the City has defined contribution plan in accordance with Internal Revenue Code Section 401(a). The plan is available to all employees not covered under the Public Safety Personnel Retirement System (PSPRS). The plan is administered through ICMA Retirement Corporation (ICMA-RC), and participants are allowed to choose from various investment funds offered by the company. There are no securities of the City included in the plan assets.

Funding Policy

The plan is available to all full-time employees of the City, except police personnel who are covered under the Arizona Public Safety Personnel Retirement System (PSPRS). The plan requires participants to contribute 6.25% of their earnings and the City to contribute 9.05%. Normal retirement age is 65 (59 ½ effective July 1, 2002). Member and employee contributions are recognized in the period that the contributions are due. The employee's contributions is 100% per year of service for exempt employees and 25% per year of service for nonexempt employees. Thus, exempt employees are vested at 100% after four years of service. Employees who leave the City's employment before one year of service do not receive any of the employer contribution. The following describes the payroll and contribution requirements for the year ended June 30, 2025.

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>Percent of Covered Payroll</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>
Employer	\$ 29,225,954	\$ 19,741,138	9.05 %	\$ 1,786,573	\$ 1,786,573
Employee	-	19,741,138	6.25	1,233,821	1,233,821

Public Safety Personnel Retirement System

Plan Description

City police department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plan and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan. Although the PSPRS net OPEB asset has been recorded at June 30, 2025, the plan has not been further disclosed due to the relative insignificance to the City's financial statements. 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 City's financial statements.

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

The net OPEB asset has been recorded in the financial statements in accordance with GASB Statement No. 75, however, due to the relative insignificance of the plan, the OPEB asset has not been further disclosed in the notes to the financial statements at June 30, 2025.

Benefits Provided

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

PSPRS	Initial Membership Date	
	Before January 1, 2012	On or After January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 120 years
Benefit percent per year of service:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0%-2.5% for each year of credited service over 20 years, not to exceed 80%	1.5%-2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80%-100% of retired member's pension benefit	
Active Members	80%-100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

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

Health insurance premium benefits are available to retired or disabled members with five 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 plans' benefit terms:

	<u>PSPRS Police</u>
Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>35</u>
Total	<u><u>111</u></u>

Contributions

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

	<u>PSPRS Police</u>
Active members, pension	7.65-11.65 %
City:	
Pension	72.16 %
Health insurance premium benefit	-

In addition, the City was required by statute to contribute at the actuarially determined rate of 72.16% of the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS and employees participating in the PSPRS Tier 3 Risk Pool in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool.

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

For the agent plans, the City's contributions to the pension plan for the year ended June 30, 2025, were:

	PSPRS Police
Pension:	
Contributions made	\$ 4,839,138

During fiscal year 2025, the City paid 100% of the PSPRS pension contributions from the General Fund.

Pension Liability

At June 30, 2025, the City reported a PSPRS net pension liability of \$33,806,342.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

PSPRS:	
Actuarial valuation date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
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	N/A

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2023.

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

PSPRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. public entity	24 %	3.62 %
International public entity	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 %	

City of Bullhead City, Arizona

Notes to Financial Statements

June 30, 2025

Discount Rates

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

Changes in the Net Pension Liability

PSPRS - Police	Pension Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2024	\$ 67,741,379	\$ 33,999,960	\$ 33,741,419
Changes for the year:			
Service cost	734,191	-	734,191
Interest on the total pension liability	4,801,684	-	4,801,684
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	1,996,604	-	1,996,604
Changes of assumptions or other inputs	(3,571,039)	-	(3,571,039)
Contributions, employer	-	3,698,833	(3,698,833)
Contributions, employee	-	299,490	(299,490)
Net investment income	-	3,497,103	(3,497,103)
Benefit payments, including refunds of employee contributions	-	(3,571,039)	3,571,039
Administrative expense	-	(27,870)	27,870
Other changes	-	-	-
Net changes	3,961,440	3,896,517	64,923
Balances at June 30, 2025	\$ 71,702,819	\$ 37,896,477	\$ 33,806,342

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

The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS - Police	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Net pension liability	\$ 43,159,363	\$ 33,806,342	\$ 26,152,237

City of Bullhead City, Arizona

Notes to Financial Statements
June 30, 2025

Pension Plan Fiduciary Net Position

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

Pension Expense

For the year ended June 30, 2025, the City recognized \$4,601,897 of PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,481,603	\$ -
Changes of assumptions or other inputs	195,450	-
Net difference between projected and actual earnings on pension plan investments	-	506,504
City contributions subsequent to the measurement date	4,839,138	-
Total	\$ 4,839,138	\$ 506,504

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

	PSPRS Police
Years ending June 30:	
2026	\$ 1,454,646
2027	1,160,942
2028	(238,094)
2029	(206,945)
2030	-
Thereafter	-

City of Bullhead City, Arizona

Notes to Financial Statements
June 30, 2025

10. Net Investment in Capital Assets

The Net Investment in Capital Assets on the Statement of Net Position are Calculated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Investment in capital asset:		
Nondepreciable capital assets	\$ 12,368,582	\$ 33,173,510
Other capital and right-of-use, net of accumulated depreciation/amortization	67,618,324	172,782,401
Plus deferred amounts on refunding	-	178,057
Plus Capital borrowings related to unspent bond proceeds	1,413,308	-
Less notes-payable outstanding	2,656,814	-
Less long-term bonds outstanding	18,791,000	114,680,000
Plus non-capital debt	-	2,704,589
Less premiums on long-term debt	-	2,161,152
Less retainage payables	440,072	1,524,943
Less subscription liability outstanding	405,232	2,314,868
	<u>405,232</u>	<u>2,314,868</u>
Total	<u>\$ 59,107,096</u>	<u>\$ 88,157,594</u>



Financial Section
Required Supplementary Information

Budgetary Comparison Schedules
General Fund
HURF Fund

Pension Schedules



City of Bullhead City, Arizona

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

General Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2024	<u>\$ 2,112,059</u>	<u>\$ 2,112,059</u>	<u>\$ 36,848,692</u>	<u>\$ 34,736,633</u>
Resources (Inflows)				
City tax revenue	23,476,957	23,476,957	22,240,861	(1,236,096)
Intergovernmental revenue	19,841,501	19,841,501	20,360,598	519,097
Charges for services	1,790,510	1,790,510	1,876,093	85,583
Licenses and permits	1,576,925	1,576,925	1,542,038	(34,887)
Fines and forfeitures	596,200	596,200	727,155	130,955
Rents	65,650	65,650	41,281	(24,369)
Investment income	1,266,334	1,266,334	1,228,120	(38,214)
Other revenue	558,500	558,500	265,520	(292,980)
	<u>49,172,577</u>	<u>49,172,577</u>	<u>48,281,666</u>	<u>(890,911)</u>
Other financing sources (uses):				
Proceeds from debt issuance	2,578,853	2,578,853	-	(2,578,853)
Proceeds from sale of fixed assets	77,000.00	77,000	64,753	(12,247)
Transfers in	-	-	1,052,687	1,052,687
Transfers out	(3,280,530)	(3,280,530)	(1,026,540)	2,253,990
	<u>(624,677)</u>	<u>(624,677)</u>	<u>90,900</u>	<u>715,577</u>
Total other financing sources (uses)				
	<u>(624,677)</u>	<u>(624,677)</u>	<u>90,900</u>	<u>715,577</u>
Amounts available for appropriations				
	<u>50,659,959</u>	<u>50,659,959</u>	<u>85,221,258</u>	<u>34,561,299</u>
Charges to Appropriations (Outflows)				
General government:				
Mayor and council	262,413	262,413	188,046	74,367
City manager	725,806	725,806	728,424	(2,618)
Information technology	2,532,308	2,532,308	1,950,268	582,040
Human resources	447,226	447,226	514,814	(67,588)
Public information	559,650	559,650	485,341	74,309
Municipal court	1,804,102	1,804,102	1,389,855	414,247
Finance	834,744	834,744	776,857	57,887
City clerk	385,285	385,285	311,720	73,565
City attorney	1,648,600	1,648,600	1,537,818	110,782
Planning	396,504	396,504	393,299	3,205
Building inspections	838,723	838,723	665,450	173,273
Code enforcement	663,133	663,133	546,095	117,038
Facilities management	1,429,855	1,429,855	1,272,419	157,436
Public works administration	669,959	669,959	769,484	(99,525)
Nondepartmental	1,402,262	1,402,262	991,369	410,893
	<u>14,600,570</u>	<u>14,600,570</u>	<u>12,521,259</u>	<u>2,079,311</u>
Total general government				

See notes to budgetary comparison schedule

City of Bullhead City, Arizona

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

General Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget - Positive (Negative)
Public safety:				
Police administration	\$ 2,230,830	\$ 2,230,830	\$ 2,168,036	\$ 62,794
Patrol	12,040,020	12,040,020	11,999,152	40,868
Criminal investigations	3,174,455	3,174,455	2,812,954	361,501
Support services	822,313	822,313	760,073	62,240
Emergency services	2,696,893	2,696,893	2,648,396	48,497
Total public safety	20,964,511	20,964,511	20,388,611	575,900
Culture and recreation:				
Recreation	1,231,125	1,231,125	1,467,938	(236,813)
Water activities	-	-	2,783	(2,783)
Suddenlink Community Center	176,260	176,260	115,576	60,684
Parks rangers	213,495	213,495	411,017	(197,522)
Parks maintenance	4,458,213	4,458,213	4,002,629	455,584
Total culture and recreation	6,079,093	6,079,093	5,999,943	79,150
Economic development:				
Economic development	271,294	271,294	173,564	97,730
Total economic development	271,294	271,294	173,564	97,730
Health and welfare:				
Animal control	683,422	683,422	597,287	86,135
Total health and welfare	683,422	683,422	597,287	86,135
Capital outlay	2,722,401	2,722,401	1,583,928	1,138,473
Debt service:				
Principal retirement	1,194,679	1,194,679	264,818	929,861
Interest and fiscal charges	710,934	710,934	44,610	666,324
Total debt service	1,905,613	1,905,613	309,428	1,596,185
Total expenditures	47,226,904	47,226,904	41,574,020	5,652,884
Budgetary Fund Balance, June 30, 2025	\$ 3,433,055	\$ 3,433,055	\$ 43,647,238	\$ 40,214,183

See notes to budgetary comparison schedule

City of Bullhead City, Arizona

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

Highway User Relief Fund (HURF)

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,943,162	\$ 4,943,162	\$ 4,813,070	\$ (130,092)
Investment earnings	56,600	56,600	171,384	114,784
Other revenues	24,158	24,158	8,010	(16,148)
Total revenues	5,023,920	5,023,920	4,992,464	(31,456)
Expenditures				
Current:				
General government	-	-	261	(261)
Health and welfare	1,800	1,800	1,800	-
Highways and streets	5,530,193	5,530,193	4,923,232	606,961
Debt service:				
Principal	297,227	297,227	52,102	245,125
Interest and fiscal charges	99,197	99,197	25,663	73,534
Capital outlay	878,090	878,090	788,406	89,684
Total expenditures	6,806,507	6,806,507	5,791,464	1,015,043
Excess (deficiency) of revenues over (under) expenditures	(1,782,587)	(1,782,587)	(799,000)	983,587
Other Financing Sources (Uses)				
Finance purchase agreement	878,090	878,090	-	(878,090)
Sale of capital assets	-	-	5,775	5,775
Transfers in	-	-	647,371	647,371
Total other financing sources (uses)	878,090	878,090	653,146	(224,944)
Net change in fund balances	(904,497)	(904,497)	(145,854)	758,643
Fund Balances, Beginning	904,497	904,497	1,130,033	225,536
Fund Balances, Ending	\$ -	\$ -	\$ 984,179	\$ 984,179

See notes to budgetary comparison schedule

City of Bullhead City, Arizona

Required Supplementary Information

Notes to Budgetary Schedules

Year Ended June 30, 2025

1. Budgetary Basis of Accounting

The City prepares its annual budget on a basis which differs from the GAAP basis. A budgetary comparison schedule for the General Fund and HURF Fund are all included as required supplementary information to provide meaningful comparison of actual results to budget on a budget basis. As a result, the budgetary schedule includes a reconciliation of the adjustments to convert the budgetary revenues and expenditures to revenues and expenditures/expenses on a GAAP basis, where the amounts are different. During the year ended June 30, 2024, there was no variance between actual expenditures/expenses (budgetary) and expenditures/expenses on a GAAP basis.

City of Bullhead City, Arizona

Required Supplementary Information
 Schedule of the Changes in the City's Net Pension Liability and Related Ratios - Agent Pension Plan - Public Safety Personnel Retirement System
 Year Ended June 30, 2025

	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	\$ 734,191	\$ 744,034	\$ 757,132	\$ 805,309	\$ 782,838	\$ 939,357	\$ 851,358	\$ 1,075,681	\$ 894,106	\$ 879,004
Interest on the total pension liability	4,801,684	4,497,589	4,287,712	4,187,578	3,913,438	3,749,335	3,530,344	3,266,637	2,977,024	2,909,607
Changes on benefit terms	-	-	-	-	-	-	-	534,607	2,485,509	-
Differences between expected and actual experience in the measurement of the pension liability	1,996,604	2,409,143	1,389,941	(276,033)	1,849,684	(208,824)	569,370	(19,158)	(323,350)	(654,635)
Changes of assumptions or other inputs	-	-	781,799	-	-	1,279,072	-	1,641,764	1,626,214	-
Benefit payments, including refunds of employee contributions	(3,571,039)	(3,263,725)	(3,681,800)	(2,912,135)	(2,714,067)	(2,606,657)	(2,404,182)	(2,066,165)	(2,171,832)	(2,393,591)
Net change in total pension liability	3,961,440	4,387,041	3,534,784	1,804,719	3,831,893	3,152,283	2,546,890	4,433,366	5,487,671	740,385
Total Pension Liability - Beginning	<u>67,741,379</u>	<u>63,354,338</u>	<u>59,819,554</u>	<u>58,014,835</u>	<u>54,182,942</u>	<u>51,030,659</u>	<u>48,483,769</u>	<u>44,050,403</u>	<u>38,562,732</u>	<u>37,822,347</u>
Total Pension Liability - Ending (a)	<u>\$ 71,702,819</u>	<u>\$ 67,741,379</u>	<u>\$ 63,354,338</u>	<u>\$ 59,819,554</u>	<u>\$ 58,014,835</u>	<u>\$ 54,182,942</u>	<u>\$ 51,030,659</u>	<u>\$ 48,483,769</u>	<u>\$ 44,050,403</u>	<u>\$ 38,562,732</u>
Plan Fiduciary Net Position										
Contributions, employer	\$ 3,698,833	\$ 3,313,732	\$ 2,803,181	\$ 2,690,885	\$ 2,731,212	\$ 2,406,560	\$ 2,300,757	\$ 1,422,995	\$ 1,391,558	\$ 1,240,272
Contributions, employee	299,490	614,175	373,071	412,284	434,462	419,847	432,249	537,250	550,490	527,323
Hall/Parker settlement	-	-	-	-	-	-	(660,764)	-	-	-
Net investment income	3,497,103	2,407,286	(1,294,356)	7,127,770	317,400	1,258,980	1,501,552	2,375,192	118,139	734,235
Benefit payments, including refunds of employee contributions	(3,571,039)	(3,263,725)	(3,681,800)	(2,912,135)	(2,714,067)	(2,606,657)	(2,404,182)	(2,066,165)	(2,171,832)	(2,393,591)
Administrative expense	(27,870)	(21,601)	(23,350)	(33,445)	(25,885)	(22,884)	(23,553)	(21,416)	(17,400)	(18,296)
Other changes	-	-	-	-	-	-	(3,990)	(95,324)	1,966	(16,165)
Net change in plan fiduciary net position	3,896,517	3,049,867	(1,823,254)	7,285,359	743,122	1,455,846	1,142,069	2,152,532	(127,079)	73,778
Plan Fiduciary Net Position, Beginning	<u>33,999,960</u>	<u>30,950,093</u>	<u>32,773,347</u>	<u>25,487,988</u>	<u>24,867,539</u>	<u>23,416,180</u>	<u>22,274,111</u>	<u>20,121,579</u>	<u>20,248,658</u>	<u>20,174,880</u>
Adjustments to beginning of year	-	-	-	-	(122,673)	(4,487)	-	-	-	-
Plan Fiduciary Net Position, Ending (b)	<u>\$ 37,896,477</u>	<u>\$ 33,999,960</u>	<u>\$ 30,950,093</u>	<u>\$ 32,773,347</u>	<u>\$ 25,487,988</u>	<u>\$ 24,867,539</u>	<u>\$ 23,416,180</u>	<u>\$ 22,274,111</u>	<u>\$ 20,121,579</u>	<u>\$ 20,248,658</u>
City's Net Pension Liability, Ending (a) - (b)	<u>\$ 33,806,342</u>	<u>\$ 33,741,419</u>	<u>\$ 32,404,245</u>	<u>\$ 27,046,207</u>	<u>\$ 32,526,847</u>	<u>\$ 29,315,403</u>	<u>\$ 27,614,479</u>	<u>\$ 26,209,658</u>	<u>\$ 23,928,824</u>	<u>\$ 18,314,074</u>

See notes to the pension plan schedules

City of Bullhead City, Arizona

Required Supplementary Information

Schedule of the Changes in the City's Net Pension Liability and Related Ratios - Agent Pension Plan - Public Safety Personnel Retirement System

Year Ended June 30, 2025

	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)
Plan fiduciary net position as a percentage of the total pension liability	52.85 %	50.19 %	48.85 %	54.79 %	43.93 %	45.90 %	45.89 %	45.94 %	45.68 %	52.51 %
Covered payroll	\$ 3,885,801	\$ 3,821,272	\$ 4,024,338	\$ 4,084,625	\$ 4,473,758	\$ 4,121,859	\$ 4,304,133	\$ 4,768,091	\$ 4,623,094	\$ 4,758,468
City's net pension liability as a percentage of covered payroll	870.00 %	882.99 %	805.21 %	662.15 %	727.06 %	711.22 %	641.58 %	549.69 %	517.59 %	384.87 %

See notes to the pension plan schedules

City of Bullhead City, Arizona

Required Supplementary Information

Schedule of City Pension Contributions - Public Safety Personnel Retirement System

Year Ended June 30, 2025

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 3,254,952	\$ 2,731,298	\$ 3,313,732	\$ 2,803,181	\$ 2,906,961	\$ 2,731,212	\$ 2,406,560	\$ 2,300,757	\$ 1,422,995	\$ 1,391,558
City's contributions in relation to the actuarially determined contribution	3,254,952	2,731,298	3,313,732	2,803,181	2,906,961	2,731,212	2,406,560	2,300,757	1,422,995	1,391,558
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	3,885,801	4,027,275	3,821,272	4,024,338	4,084,625	4,473,758	4,121,859	4,304,133	4,768,091	4,623,094
City's contributions as a percentage of covered payroll	83.77 %	67.82 %	86.72 %	69.66 %	58.44 %	61.05 %	58.39 %	0.5 %	29.84 %	30.10 %

See notes to the pension plan schedules

City of Bullhead City, Arizona

Required Supplementary Information
Notes to the Pension Plan Schedules
Year Ended June 30, 2025

1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period as of the 2023 actuarial valuation	19 years for under funded 20 years for over funded
Asset valuation method	7-year smoothed fair value; 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 was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0% - 8.0% to 3.5% - 7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 7.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3% to 6.25% for PSPRS. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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 Bullhead City, Arizona

Required Supplementary Information
Notes to the Pension Plan Schedules
Year Ended June 30, 2025

2. Factors That Affect Trends

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



Financial Section
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City of Bullhead City, Arizona

Combining Balance Sheet - All Nonmajor Governmental Funds

All Nonmajor Governmental Funds - by Fund Type

June 30, 2025

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,867,102	\$ -	\$ 2,950	\$ 1,870,052
Restricted cash	310,861	-	5,659,232	5,970,093
Receivables, net:				
Accounts	212,281	33,569	38,931	284,781
Taxes	3,173	-	-	3,173
Intergovernmental	272,884	-	-	272,884
Special assessments receivable	-	-	537	537
Inventory and prepaids	2,160	-	-	2,160
	<u>2,668,461</u>	<u>33,569</u>	<u>5,701,650</u>	<u>8,403,680</u>
Total assets	<u>\$ 2,668,461</u>	<u>\$ 33,569</u>	<u>\$ 5,701,650</u>	<u>\$ 8,403,680</u>
Liabilities				
Accounts payable	\$ 91,866	\$ 29,620	\$ -	\$ 121,486
Accrued payroll and related liabilities	58,092	2,599	-	60,691
Due to other funds	1,867,684	308,848	3,415,943	5,592,475
Other liabilities	100,660	-	-	100,660
Retainage payable	17,068	-	-	17,068
Deposits held for others	-	-	-	-
Unearned revenue	-	-	-	-
Interest payable	-	-	377,438	377,438
Matured bonds payable	-	-	4,859,000	4,859,000
	<u>2,135,370</u>	<u>341,067</u>	<u>8,652,381</u>	<u>11,128,818</u>
Total liabilities	<u>2,135,370</u>	<u>341,067</u>	<u>8,652,381</u>	<u>11,128,818</u>
Deferred Inflows of Resources				
Unavailable revenue, other	39,375	-	-	39,375
Unavailable revenue, special assessments	-	24,556	13,470	38,026
	<u>39,375</u>	<u>24,556</u>	<u>13,470</u>	<u>77,401</u>
Total deferred inflows of resources	<u>39,375</u>	<u>24,556</u>	<u>13,470</u>	<u>77,401</u>
Fund Balances				
Nonspendable:				
Inventory and prepaids	2,160	-	-	2,160
Restricted:				
Community development	1,372,355	-	-	1,372,355
Public safety	157,144	-	-	157,144
Debt service	-	-	28,590	28,590
Grants	505,972	-	-	505,972
Other purposes	12,251	-	-	12,251
Unassigned	(1,556,166)	(332,054)	(2,992,791)	(4,881,011)
	<u>493,716</u>	<u>(332,054)</u>	<u>(2,964,201)</u>	<u>(2,802,539)</u>
Total fund balances	<u>493,716</u>	<u>(332,054)</u>	<u>(2,964,201)</u>	<u>(2,802,539)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,668,461</u>	<u>\$ 33,569</u>	<u>\$ 5,701,650</u>	<u>\$ 8,403,680</u>

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Nonmajor Governmental Funds - by Fund Type

Year Ended June 30, 2025

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues				
Intergovernmental	\$ 2,414,599	\$ 1,186,668	\$ -	\$ 3,601,267
Charges for services	646,033	-	-	646,033
Special assessments	17,832	105,026	147,624	270,482
Licenses and permits	20	-	-	20
Fines and forfeitures	69,803	-	-	69,803
Investment earnings	56,926	8,593	477,900	543,419
Other revenues	169,256	-	1,231	170,487
	<u>3,374,469</u>	<u>1,300,287</u>	<u>626,755</u>	<u>5,301,511</u>
Expenditures				
Current:				
General government	2,428,695	-	-	2,428,695
Public safety	218,033	-	-	218,033
Culture and recreation	248,047	-	-	248,047
Redevelopment and housing	488,231	-	-	488,231
Highways and streets	-	336,907	-	336,907
Health and welfare	476,108	-	-	476,108
Capital outlay	81,128	718,859	-	799,987
Debt service:				
Principal	-	-	5,030,325	5,030,325
Interest and fiscal charges	-	-	807,267	807,267
	<u>3,940,242</u>	<u>1,055,766</u>	<u>5,837,592</u>	<u>10,833,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(565,773)</u>	<u>244,521</u>	<u>(5,210,837)</u>	<u>(5,532,089)</u>
Other Financing Sources (Uses)				
Sale of capital assets	96	-	-	96
Proceeds from issuance of bonds	-	-	2,441,011	2,441,011
Transfers in	135,240	-	718,284	853,524
Transfers out	-	-	(2,441,011)	(2,441,011)
	<u>135,336</u>	<u>-</u>	<u>718,284</u>	<u>853,620</u>
Net change in fund balances	(430,437)	244,521	(4,492,553)	(4,678,469)
Fund Balances, Beginning	<u>924,153</u>	<u>(576,575)</u>	<u>1,528,352</u>	<u>1,875,930</u>
Fund Balances, Ending	<u>\$ 493,716</u>	<u>\$ (332,054)</u>	<u>\$ (2,964,201)</u>	<u>\$ (2,802,539)</u>

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Special Revenue Funds

- **RICO** - This fund is used to account for the City's share of the U.S. Customs Department Asset Sharing Program. The funds may only be used for law enforcement purposes.
- **Housing** - This fund is used to account for the repayment of Housing Rehab loans.
- **Art Commission** - This fund is used to account for all revenues and expenditures for the promotion of the arts.
- **Special Assessments Administration** - This fund is used to account for the administration of the City's improvement districts.
- **Judicial Collection Enhancement Fund (JCEF)** - This fund is used to account for monies received by the court to train court personnel, improve, maintain and enhance the ability to manage administration of justice.
- **Water Impost** - This fund is used to account for all revenues and expenditures paid for by the City's water impost fees.
- **Transit** - This fund is used to account for administration and operations of the City's transit system.
- **Real Estate Owned (REO)** - This fund is used to account for the administration of City owned real property.
- **Court Enhancement** - This fund is used to account for funds collected from surcharges by the City's Municipal Court.
- **Fill the Gap** - This fund is used to account for the funds received from the State of Arizona that are for reducing delays and backlogs in criminal cases.
- **CDBG/HTF** - This fund is used to account for activities related to the City's Community Development Block Grant and other related grants.

Financial Section
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- **Special Events** - This fund is used to account for the activities related to the City's special events.
- **Veterans Memorial Park** - This fund is used to account for the funds received through donations that assist with operating, capital, and other related expenses at the City's Veteran's Memorial Park.
- **Fines/Fees and Restitution Program (FARE) Fund** - This fund is used to account for amounts received from the State of Arizona collected on overdue fines, fees, and restitutions.
- **Pest Abatement** - This fund is used to account for all revenues and expenditures of intergovernmental revenues for pest abatement.
- **Court Security Improvement Fund** - This fund is used to account for all revenues and expenditures for the improvement of the security system for the City's court.
- **Court Improvement** - This fund is used to account for all revenues and expenditures for improvements to the City's court.
- **Victim Services Grants** - This fund is used to account for all revenues and expenditures of the victim rights grant.
- **Police Grants** - This fund is used to account for all revenues and expenditures of intergovernmental grants for the police department.
- **General Grants** - This fund is used to account for the revenues and expenditures related to grant funding received by federal, state and local agencies.
- **Senior Nutrition Center** - This fund is used to account for the revenues and expenditures related to the serving of meals to the City's senior population.

City of Bullhead City, Arizona

Combining Balance Sheet - Special Revenue Funds
June 30, 2025

	RICO	Housing	Arts Commission	Special Assessments Administration	JCEF	Water Impost	Transit	REO	Court Enhancement	Fill the Gap	CDBG/HTF
Assets											
Cash and cash equivalents	\$ -	\$ 28	\$ 4,097	\$ 54,926	\$ -	\$ 1,104,263	\$ -	\$ 129,962	\$ -	\$ 22,247	\$ -
Restricted cash	89,789	-	-	-	51,399	-	-	-	137,229	25,118	-
Receivables, net:											
Accounts	-	-	-	-	-	161,308	576	-	-	1,382	-
Taxes	-	-	-	3,173	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	192,154	-	-	-	41,123
Inventory and prepaids	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 89,789	\$ 28	\$ 4,097	\$ 58,099	\$ 51,399	\$ 1,265,571	\$ 192,730	\$ 129,962	\$ 137,229	\$ 48,747	\$ 41,123
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,778	\$ 22,448	\$ 40	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	-	-	7,660	29,678	-	-	-	199
Due to other funds	25,539	-	-	-	10,111	-	1,409,447	-	85,636	-	11,701
Other liabilities	-	-	288	9,269	-	-	5	40	-	-	90,778
Retainage payable	-	-	-	-	-	-	-	-	-	-	17,068
Total liabilities	25,539	-	288	9,269	10,111	53,438	1,461,578	80	85,636	-	119,746
Deferred Inflows of Resources											
Unavailable revenue, other	-	-	-	-	-	22,327	438	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	22,327	438	-	-	-	-
Fund Balances											
Nonspendable:											
Inventory and prepaids	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Community development	-	28	3,809	48,830	-	1,189,806	-	129,882	-	-	-
Public safety	64,250	-	-	-	41,288	-	-	-	51,593	-	-
Grants	-	-	-	-	-	-	-	-	-	48,747	-
Other purposes	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,269,286)	-	-	-	(78,623)
Total fund balances	64,250	28	3,809	48,830	41,288	1,189,806	(1,269,286)	129,882	51,593	48,747	(78,623)
Total liabilities, deferred inflows of resources and fund balances	\$ 89,789	\$ 28	\$ 4,097	\$ 58,099	\$ 51,399	\$ 1,265,571	\$ 192,730	\$ 129,962	\$ 137,229	\$ 48,747	\$ 41,123

City of Bullhead City, Arizona

Combining Balance Sheet - Special Revenue Funds
June 30, 2025

	Special Events	Veterans Memorial Park	FARE	Pest Abatement	Court Security Improvement	Court Improvement	Victim Services Grants	Police Grants	General Grants	Senior Nutrition Center	Total
Assets											
Cash and cash equivalents	\$ -	\$ 1,435	\$ 3,490	\$ 700	\$ 13	\$ -	\$ -	\$ -	\$ 412,069	\$ 133,872	\$ 1,867,102
Restricted cash	-	-	7,326	-	-	-	-	-	-	-	310,861
Receivables, net:											
Accounts	9,310	-	-	-	-	-	-	-	2,270	37,435	212,281
Taxes	-	-	-	-	-	-	-	-	-	-	3,173
Intergovernmental	-	-	-	-	-	-	18,130	21,477	-	-	272,884
Inventory and prepaids	-	-	-	-	-	-	-	-	-	2,160	2,160
Total assets	\$ 9,310	\$ 1,435	\$ 10,816	\$ 700	\$ 13	\$ -	\$ 18,130	\$ 21,477	\$ 414,339	\$ 173,467	\$ 2,668,461
Liabilities											
Accounts payable	\$ 1,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,519	\$ 203	\$ 19,329	\$ 91,866
Accrued payroll and related liabilities	-	-	-	3,541	-	-	4,471	-	6,928	5,615	58,092
Due to other funds	132,133	-	-	23,168	-	942	13,659	59,002	96,346	-	1,867,684
Other liabilities	280	-	-	-	-	-	-	-	-	-	100,660
Other liabilities	-	-	-	-	-	-	-	-	-	-	17,068
Total liabilities	133,962	-	-	26,709	-	942	18,130	61,521	103,477	24,944	2,135,370
Deferred Inflows of Resources											
Unavailable revenue, other	16,610	-	-	-	-	-	-	-	-	-	39,375
Total deferred inflows of resources	16,610	-	-	-	-	-	-	-	-	-	39,375
Fund Balances											
Nonspendable:											
Inventory and prepaids	-	-	-	-	-	-	-	-	-	2,160	2,160
Restricted:											
Community development	-	-	-	-	-	-	-	-	-	-	1,372,355
Public safety	-	-	-	-	13	-	-	-	-	-	157,144
Grants	-	-	-	-	-	-	-	-	310,862	146,363	505,972
Other purposes	-	1,435	10,816	-	-	-	-	-	-	-	12,251
Unassigned	(141,262)	-	-	(26,009)	-	(942)	-	(40,044)	-	-	(1,556,166)
Total fund balances	(141,262)	1,435	10,816	(26,009)	13	(942)	-	(40,044)	310,862	148,523	493,716
Total liabilities, deferred inflows of resources of resources and fund balances	\$ 9,310	\$ 1,435	\$ 10,816	\$ 700	\$ 13	\$ -	\$ 18,130	\$ 21,477	\$ 414,339	\$ 173,467	\$ 2,668,461

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds

Year Ended June 30, 2025

	<u>RICO</u>	<u>Housing</u>	<u>Arts Commission</u>	<u>Special Assessments Administration</u>	<u>JCEF</u>	<u>Water Impost</u>	<u>Transit</u>	<u>REO</u>	<u>Court Enhancement</u>	<u>Fill the Gap</u>	<u>CDBG/HTF</u>
Revenues											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 841,230	\$ -	\$ -	\$ -	\$ 518,893
Charges for services	-	-	-	-	-	468,111	123,433	-	-	-	-
Special assessments	-	-	-	17,832	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	26,219	-	-	-	10,424	-	-	-	28,059	3,573	-
Investment earnings	5,562	1	122	1,487	-	32,918	-	3,873	-	730	2,655
Other revenues	-	-	-	-	-	-	15,415	-	-	-	44,743
Total revenues	31,781	1	122	19,319	10,424	501,029	980,078	3,873	28,059	4,303	566,291
Expenditures											
Current:											
General government	-	-	-	9,104	2,950	468,208	1,631,591	476	-	-	-
Public safety	26,250	-	-	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-	488,231
Health and welfare	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	26,250	-	-	9,104	2,950	468,208	1,631,591	476	-	-	488,231
Excess (deficiency) of revenues over (under) expenditures	5,531	1	122	10,215	7,474	32,821	(651,513)	3,397	28,059	4,303	78,060
Other Financing Sources (Uses)											
Sale of capital assets	36	-	-	-	-	-	-	60	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-
Total other financing (uses) sources	36	-	-	-	-	-	-	60	-	-	-
Net change in fund balances	5,567	1	122	10,215	7,474	32,821	(651,513)	3,457	28,059	4,303	78,060
Fund Balances, Beginning	58,683	27	3,687	38,615	33,814	1,156,985	(617,773)	126,425	23,534	44,444	(156,683)
Fund Balances, Ending	\$ 64,250	\$ 28	\$ 3,809	\$ 48,830	\$ 41,288	\$ 1,189,806	\$ (1,269,286)	\$ 129,882	\$ 51,593	\$ 48,747	\$ (78,623)

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds

Year Ended June 30, 2025

	Special Events	Veterans Memorial Park	FARE	Pest Abatement	Court Security Improvement	Court Improvement	Victim Services Grants	Police Grants	General Grants	Senior Nutrition Center	Total
Revenues											
Intergovernmental	\$ -	\$ -	\$ -	\$ 185,000	\$ -	\$ -	\$ 159,848	\$ 109,293	\$ 379,895	\$ 220,440	\$ 2,414,599
Charges for services	54,489	-	-	-	-	-	-	-	-	-	646,033
Special assessments	-	-	-	-	-	-	-	-	-	-	17,832
Licenses and permits	20	-	-	-	-	-	-	-	-	-	20
Fines and forfeitures	-	-	1,528	-	-	-	-	-	-	-	69,803
Investment earnings	119	43	121	951	-	-	-	38	3,893	4,413	56,926
Other revenues	38,250	-	-	-	-	-	-	-	-	70,848	169,256
Total revenues	92,878	43	1,649	185,951	-	-	159,848	109,331	383,788	295,701	3,374,469
Expenditures											
Current:											
General government	-	-	1,198	213,961	-	-	-	-	101,207	-	2,428,695
Public safety	-	-	-	-	-	-	159,848	31,935	-	-	218,033
Culture and recreation	248,047	-	-	-	-	-	-	-	-	-	248,047
Redevelopment and housing	-	-	-	-	-	-	-	-	-	-	488,231
Health and welfare	-	-	-	-	-	-	-	-	-	476,108	476,108
Capital outlay	-	-	-	-	-	-	-	48,420	-	32,708	81,128
Total expenditures	248,047	-	1,198	213,961	-	-	159,848	80,355	101,207	508,816	3,940,242
Excess (deficiency) of revenues over (under) expenditures	(155,169)	43	451	(28,010)	-	-	-	28,976	282,581	(213,115)	(565,773)
Other Financing Sources (Uses)											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	96
Transfers in	-	-	-	-	-	-	-	-	-	135,240	135,240
Total other financing (uses) sources	-	-	-	-	-	-	-	-	-	135,240	135,336
Net change in fund balances	(155,169)	43	451	(28,010)	-	-	-	28,976	282,581	(77,875)	(430,437)
Fund Balances, Beginning	13,907	1,392	10,365	2,001	13	(942)	-	(69,020)	28,281	226,398	924,153
Fund Balances, Ending	\$ (141,262)	\$ 1,435	\$ 10,816	\$ (26,009)	\$ 13	\$ (942)	\$ -	\$ (40,044)	\$ 310,862	\$ 148,523	\$ 493,716

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Capital Project Funds

- **Street Lighting Improvement Districts** - This fund is used to account for maintenance and operation of the City's Street Lighting Districts.
- **The Flood Control Capital Project Fund** - This fund is used to account for capital flood improvements projects.



City of Bullhead City, Arizona

Combining Balance Sheet - Capital Projects Funds
June 30, 2025

	Street Lighting Improvement Districts	Flood Control Fund	Total
Assets			
Accounts receivable	\$ 33,569	\$ -	\$ 33,569
Total assets	<u>\$ 33,569</u>	<u>\$ -</u>	<u>\$ 33,569</u>
Liabilities			
Accounts payable	\$ 8,346	\$ 21,274	\$ 29,620
Accrued payroll and related liabilities	-	2,599	2,599
Due to other funds	9,624	299,224	308,848
Total liabilities	<u>17,970</u>	<u>323,097</u>	<u>341,067</u>
Deferred Inflows of Resources			
Unavailable revenue, special assessments	24,556	-	24,556
Total deferred inflows of resources	<u>24,556</u>	<u>-</u>	<u>24,556</u>
Fund Balances			
Unassigned	(8,957)	(323,097)	(332,054)
Total fund balances	<u>(8,957)</u>	<u>(323,097)</u>	<u>(332,054)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,569</u>	<u>\$ -</u>	<u>\$ 33,569</u>

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds
Year Ended June 30, 2025

	Street Lighting Improvement Districts	Flood Control Fund	Total
Revenues			
Intergovernmental	\$ -	\$ 1,186,668	\$ 1,186,668
Special assessments	105,026	-	105,026
Investment earnings	616	7,977	8,593
	<u>105,642</u>	<u>1,194,645</u>	<u>1,300,287</u>
Total revenues			
Expenditures			
Current:			
Highways and streets	78,947	257,960	336,907
Capital outlay	-	718,859	718,859
	<u>78,947</u>	<u>976,819</u>	<u>1,055,766</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>26,695</u>	<u>217,826</u>	<u>244,521</u>
Net change in fund balances	26,695	217,826	244,521
Fund Balances, Beginning	<u>(35,652)</u>	<u>(540,923)</u>	<u>(576,575)</u>
Fund Balances, Ending	<u>\$ (8,957)</u>	<u>\$ (323,097)</u>	<u>\$ (332,054)</u>

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Debt Service Funds

- **Debt Service Fund** - This fund accounts for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.
- **East Branch Sewer Improvement District** - This fund is used to account for all debt activity on special assessment bonds for the East Branch Sewer Improvement District.
- **Excise Tax Bond Fund** - This fund is used to account for governmental fund debt activity for Excise Tax Revenue Bonds 2023 series.



City of Bullhead City, Arizona

Combining Balance Sheet - Debt Service Funds
June 30, 2025

	Debt Service	East Branch Sewer Improvement District	Excise Tax Bond	Total
Assets				
Cash and cash equivalents	\$ 2,950	\$ -	\$ -	\$ 2,950
Restricted cash	2,075,947	-	3,583,285	5,659,232
Accounts receivable	38,931	-	-	38,931
Special assessments receivable	-	537	-	537
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,117,828</u>	<u>\$ 537</u>	<u>\$ 3,583,285</u>	<u>\$ 5,701,650</u>
Liabilities				
Due to other funds	\$ -	\$ 359	\$ 3,415,584	\$ 3,415,943
Interest payable	106,946	-	270,492	377,438
Matured bonds payable	1,969,000	-	2,890,000	4,859,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>2,075,946</u>	<u>359</u>	<u>6,576,076</u>	<u>8,652,381</u>
Deferred Inflows of Resources				
Unavailable revenue, special assessments	13,470	-	-	13,470
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>13,470</u>	<u>-</u>	<u>-</u>	<u>13,470</u>
Fund Balances				
Restricted, debt service	28,412	178	-	28,590
Unassigned	-	-	(2,992,791)	(2,992,791)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>28,412</u>	<u>178</u>	<u>(2,992,791)</u>	<u>(2,964,201)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,117,828</u>	<u>\$ 537</u>	<u>\$ 3,583,285</u>	<u>\$ 5,701,650</u>

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Funds
Year Ended June 30, 2025

	Debt Service	East Branch Sewer Improvement District	Excise Tax Bond	Total
Revenues				
Special assessments	\$ 147,624	\$ -	\$ -	\$ 147,624
Investment earnings	51,515	-	426,385	477,900
Other revenues	1,231	-	-	1,231
Total revenues	200,370	-	426,385	626,755
Expenditures				
Debt service:				
Principal	2,140,325	-	2,890,000	5,030,325
Interest and fiscal charges	264,682	-	542,585	807,267
Total expenditures	2,405,007	-	3,432,585	5,837,592
Excess (deficiency) of revenues over (under) expenditures	(2,204,637)	-	(3,006,200)	(5,210,837)
Other Financing Sources (Uses)				
Proceeds from debt issuance	2,441,011	-	-	2,441,011
Transfers in	718,284	-	-	718,284
Transfers out	(2,441,011)	-	-	(2,441,011)
Total other financing sources (uses)	718,284	-	-	718,284
Net change in fund balances	(1,486,353)	-	(3,006,200)	(4,492,553)
Fund Balances, Beginning	1,514,765	178	13,409	1,528,352
Fund Balances, Ending	\$ 28,412	\$ 178	\$ (2,992,791)	\$ (2,964,201)

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City of Bullhead City, Arizona

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

Capital Projects Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 70,167,314	\$ 70,167,314	\$ 968,670	\$ (69,198,644)
Investment earnings	1,432	1,432	469	(963)
Other revenues	23,051,764	23,051,764	48,000	(23,003,764)
Total revenues	93,220,510	93,220,510	1,017,139	(92,203,371)
Expenditures				
Capital outlay	102,111,117	102,111,117	16,945,070	85,166,047
Total expenditures	102,111,117	102,111,117	16,945,070	85,166,047
Excess (deficiency) of revenues over (under) expenditures	(8,890,607)	(8,890,607)	(15,927,931)	(7,037,324)
Other Financing Sources (Uses)				
Transfers in	-	-	5,035,670	5,035,670
Transfers out	-	-	(5,697,196)	(5,697,196)
Total other financing sources (uses)	-	-	(661,526)	(661,526)
Net change in fund balances	(8,890,607)	(8,890,607)	(16,589,457)	(7,698,850)
Fund Balances, Beginning	8,000,000	8,000,000	12,422,595	4,422,595
Fund Balances, Ending	\$ (890,607)	\$ (890,607)	\$ (4,166,862)	\$ (3,276,255)

City of Bullhead City, Arizona

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

SID Debt Service Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 1,666,966	\$ 1,666,966	\$ 533,512	\$ (1,133,454)
Investment earnings	14,177	14,177	10,178	(3,999)
Total revenues	<u>1,681,143</u>	<u>1,681,143</u>	<u>543,690</u>	<u>(1,137,453)</u>
Expenditures				
Current:				
General government	13,205	13,205	1,794	11,411
Debt service:				
Principal	598,459	598,459	598,459	-
Interest and fiscal charges	14,004	14,004	7,002	7,002
Total expenditures	<u>625,668</u>	<u>625,668</u>	<u>607,255</u>	<u>18,413</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,055,475</u>	<u>1,055,475</u>	<u>(63,565)</u>	<u>(1,119,040)</u>
Net change in fund balances	1,055,475	1,055,475	(63,565)	(1,119,040)
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>(515,572)</u>	<u>(515,572)</u>
Fund Balances, Ending	<u>\$ 1,055,475</u>	<u>\$ 1,055,475</u>	<u>\$ (579,137)</u>	<u>\$ (1,634,612)</u>

City of Bullhead City, Arizona

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

Excise Revenue Bond Refunding Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 1,300	\$ 1,300	\$ 4,306	\$ 3,006
Total revenues	1,300	1,300	4,306	3,006
Expenditures				
Debt service:				
Principal	168,000	168,000	168,000	-
Interest and fiscal charges	3,327	3,326	3,326	-
Total expenditures	171,327	171,326	171,326	-
Excess (deficiency) of revenues over (under) expenditures	(170,027)	(170,026)	(167,020)	3,006
Other Financing Sources (Uses)				
Transfers in	173,027	173,027	173,016	(11)
Total other financing sources (uses)	173,027	173,027	173,016	(11)
Net change in fund balances	3,000	3,001	5,996	2,995
Fund Balances, Beginning	-	-	59,939	59,939
Fund Balances, Ending	\$ 3,000	\$ 3,001	\$ 65,935	\$ 62,934



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City of Bullhead City, Arizona

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

RICO Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 26,219	\$ 21,219
Investment earnings	3,000	3,000	5,562	2,562
Total revenues	8,000	8,000	31,781	23,781
Expenditures				
Current:				
General government	6,250	6,250	-	6,250
Public safety	31,250	31,250	26,250	5,000
Total expenditures	37,500	37,500	26,250	11,250
Excess (deficiency) of revenues over (under) expenditures	(29,500)	(29,500)	5,531	35,031
Other Financing Sources (Uses)				
Sale of capital assets	-	-	36	36
Total other financing sources (uses)	-	-	36	36
Net change in fund balances	(29,500)	(29,500)	5,567	35,067
Fund Balances, Beginning	29,500	29,500	58,683	29,183
Fund Balances, Ending	\$ -	\$ -	\$ 64,250	\$ 64,250

City of Bullhead City, Arizona

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

Housing Fund

Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Fund Balances, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28</u></u>	<u><u>\$ 28</u></u>

City of Bullhead City, Arizona

Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual

Arts Commission Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 200	\$ 200	\$ 122	\$ (78)
Total revenues	200	200	122	(78)
Expenditures				
Current:				
Culture and recreation	3,936	3,936	-	3,936
Net change in fund balances	(3,736)	(3,736)	122	3,858
Fund Balances, Beginning	3,736	3,736	3,687	(49)
Fund Balances, Ending	\$ -	\$ -	\$ 3,809	\$ 3,809

City of Bullhead City, Arizona

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

Special Assessments Administration Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 18,000	\$ 18,000	\$ 17,832	\$ (168)
Investment earnings	1,000	1,000	1,487	487
Other revenues	-	-	-	-
	<u>19,000</u>	<u>19,000</u>	<u>19,319</u>	<u>319</u>
Total revenues				
	<u>19,000</u>	<u>19,000</u>	<u>19,319</u>	<u>319</u>
Expenditures				
Current:				
General government	<u>26,195</u>	<u>26,195</u>	<u>9,104</u>	<u>17,091</u>
Net change in fund balances	(7,195)	(7,195)	10,215	17,410
Fund Balances, Beginning	<u>15,000</u>	<u>15,000</u>	<u>38,615</u>	<u>23,615</u>
Fund Balances, Ending	<u>\$ 7,805</u>	<u>\$ 7,805</u>	<u>\$ 48,830</u>	<u>\$ 41,025</u>

City of Bullhead City, Arizona

Schedule of Revenues, Expenditures and Change in Fund Balances - Budget and Actual

Judicial Collection Enhancement (JCEF) Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 8,000	\$ 8,000	\$ 10,424	\$ 2,424
Investment earnings	1,500	1,500	-	(1,500)
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>10,424</u>	<u>924</u>
Expenditures				
Current:				
General government	<u>23,330</u>	<u>23,330</u>	<u>2,950</u>	<u>20,380</u>
Net change in fund balances	(13,830)	(13,830)	7,474	21,304
Fund Balances, Beginning	<u>13,830</u>	<u>13,830</u>	<u>33,814</u>	<u>19,984</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,288</u>	<u>\$ 41,288</u>

City of Bullhead City, Arizona

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

Water Impost Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)
Charges for services	452,500	452,500	468,111	15,611
Investment earnings	36,000	36,000	32,918	(3,082)
	<u>3,488,500</u>	<u>3,488,500</u>	<u>501,029</u>	<u>(2,987,471)</u>
Total revenues				
Expenditures				
Current:				
General government	4,157,219	4,157,219	468,208	3,689,011
	<u>(668,719)</u>	<u>(668,719)</u>	<u>32,821</u>	<u>701,540</u>
Net change in fund balances				
Fund Balances, Beginning	<u>668,719</u>	<u>668,719</u>	<u>1,156,985</u>	<u>488,266</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,189,806</u>	<u>\$ 1,189,806</u>

City of Bullhead City, Arizona

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

Transit Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,150,000	\$ 1,150,000	\$ 841,230	\$ (308,770)
Charges for services	148,000	148,000	123,433	(24,567)
Investment earnings	500	500	-	(500)
Other revenues	4,200	4,200	15,415	11,215
Total revenues	<u>1,302,700</u>	<u>1,302,700</u>	<u>980,078</u>	<u>(322,622)</u>
Expenditures				
Current:				
General government	<u>1,809,628</u>	<u>1,809,628</u>	<u>1,631,591</u>	<u>178,037</u>
Total expenditures	<u>1,809,628</u>	<u>1,809,628</u>	<u>1,631,591</u>	<u>178,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(506,928)</u>	<u>(506,928)</u>	<u>(651,513)</u>	<u>(144,585)</u>
Other Financing Sources (Uses)				
Sale of capital assets	3,500	3,500	-	(3,500)
Transfers in	<u>330,595</u>	<u>330,595</u>	<u>-</u>	<u>(330,595)</u>
Total other financing sources (uses)	<u>334,095</u>	<u>334,095</u>	<u>-</u>	<u>(334,095)</u>
Net change in fund balances	(172,833)	(172,833)	(651,513)	(478,680)
Fund Balances, Beginning	<u>172,833</u>	<u>172,833</u>	<u>(617,773)</u>	<u>(790,606)</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,269,286)</u>	<u>\$ (1,269,286)</u>

City of Bullhead City, Arizona

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

Real Estate Owned (REO) Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 3,873	\$ 3,873
Other revenues	11,025	11,025	-	(11,025)
Total revenues	11,025	11,025	3,873	(7,152)
Expenditures				
Current:				
General government	26,600	26,600	475	26,125
Total expenditures	26,600	26,600	475	26,125
Excess (deficiency) of revenues over (under) expenditures	(15,575)	(15,575)	3,398	18,973
Other Financing Sources (Uses)				
Sale of capital assets	15,575	15,575	60	(15,515)
Total other financing sources (uses)	15,575	15,575	60	(15,515)
Net change in fund balances balances	-	-	3,458	3,458
Fund Balances, Beginning	-	-	126,425	126,425
Fund Balances, Ending	\$ -	\$ -	\$ 129,883	\$ 129,883

City of Bullhead City, Arizona

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

Court Enhancement Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 24,500	\$ 24,500	\$ 28,059	\$ 3,559
Investment earnings	2,500	2,500	-	(2,500)
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>28,059</u>	<u>1,059</u>
Expenditures				
Current:				
General government	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Net change in fund balances	15,000	15,000	28,059	13,059
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>23,534</u>	<u>23,534</u>
Fund Balances, Ending	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 51,593</u>	<u>\$ 36,593</u>

City of Bullhead City, Arizona

Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual

Fill The Gap Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 4,700	\$ 4,700	\$ 3,573	\$ (1,127)
Investment earnings	1,000	1,000	730	(270)
Total revenues	<u>5,700</u>	<u>5,700</u>	<u>4,303</u>	<u>(1,397)</u>
Expenditures				
Current:				
General government	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	(19,300)	(19,300)	4,303	23,603
Fund Balances, Beginning	<u>19,300</u>	<u>19,300</u>	<u>44,444</u>	<u>25,144</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,747</u>	<u>\$ 48,747</u>

City of Bullhead City, Arizona

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

CBDG/HTF Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 839,000	\$ 839,000	\$ 518,893	\$ (320,107)
Investment earnings	-	-	2,655	2,655
Other revenues	-	-	44,743	44,743
	<u>839,000</u>	<u>839,000</u>	<u>566,291</u>	<u>(272,709)</u>
Expenditures				
Current:				
Redevelopment and housing	839,000	839,000	488,231	350,769
	<u>839,000</u>	<u>839,000</u>	<u>488,231</u>	<u>350,769</u>
Net change in fund balances	-	-	78,060	78,060
Fund Balances, Beginning	-	-	(156,683)	(156,683)
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,623)</u>	<u>\$ (78,623)</u>

City of Bullhead City, Arizona

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

Special Events Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 69,150	\$ 69,150	\$ 54,489	\$ (14,661)
Licenses and permits	200	200	20	(180)
Investment earnings	250	250	119	(131)
Other revenues	170,360	170,360	38,250	(132,110)
Total revenues	239,960	239,960	92,878	(147,082)
Expenditures				
Current:				
Culture and recreation	265,396	265,396	248,047	17,349
Excess (deficiency) of revenues over (under) expenditures	(25,436)	(25,436)	(155,169)	(129,733)
Other Financing Sources (Uses)				
Transfers in	25,436	25,436	-	(25,436)
Net change in fund balances	-	-	(155,169)	(155,169)
Fund Balances, Beginning	-	-	13,907	13,907
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (141,262)</u>	<u>\$ (141,262)</u>

City of Bullhead City, Arizona

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

Veterans Memorial Park Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 20	\$ 20	\$ 43	\$ 23
Other revenues	1,379	1,379	-	(1,379)
Total revenues	1,399	1,399	43	(1,356)
Expenditures				
Capital outlay	-	-	-	-
Net change in fund balances	1,399	1,399	43	(1,356)
Fund Balances, Beginning	1,359	1,359	1,392	33
Fund Balances, Ending	<u>\$ 2,758</u>	<u>\$ 2,758</u>	<u>\$ 1,435</u>	<u>\$ (1,323)</u>

City of Bullhead City, Arizona

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

Fines/Fees and Restitution Program (FARE) Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 1,500	\$ 1,500	\$ 1,528	\$ 28
Investment earnings	150	150	121	(29)
Total revenues	<u>1,650</u>	<u>1,650</u>	<u>1,649</u>	<u>(1)</u>
Expenditures				
Current:				
General government	<u>11,836</u>	<u>11,836</u>	<u>1,198</u>	<u>10,638</u>
Net change in fund balances	(10,186)	(10,186)	451	10,637
Fund Balances, Beginning	<u>10,186</u>	<u>10,186</u>	<u>10,365</u>	<u>179</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,816</u>	<u>\$ 10,816</u>

City of Bullhead City, Arizona

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

Pest Abatement Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 185,000	\$ 185,000	\$ 185,000	\$ -
Investment earnings	1,250	1,250	951	(299)
Total revenues	186,250	186,250	185,951	(299)
Expenditures				
Current:				
General government	212,877	212,877	213,961	(1,084)
Total expenditures	212,877	212,877	213,961	(1,084)
Excess (deficiency) of revenues over (under) expenditures	(26,627)	(26,627)	(28,010)	(1,383)
Other Financing Sources (uses)				
Transfers in	(26,627)	(26,627)	-	26,627
Total other financing sources (uses)	(26,627)	(26,627)	-	26,627
Net change in fund balances	(53,254)	(53,254)	(28,010)	25,244
Fund Balances, Beginning	-	-	2,001	2,001
Fund Balances, Ending	\$ (53,254)	\$ (53,254)	\$ (26,009)	\$ 27,245

City of Bullhead City, Arizona

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

Court Security Improvement Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
General government	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances, Beginning	-	-	13	13
Fund Balances, Ending	\$ -	\$ -	\$ 13	\$ 13

City of Bullhead City, Arizona

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

Court Improvement Fund

Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
General government	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances, Beginning	-	-	(942)	(942)
Fund Balances, Ending	\$ -	\$ -	\$ (942)	\$ (942)

City of Bullhead City, Arizona

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

Victim Services Grant Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	151,134	\$ 151,134	\$ 159,848	\$ 8,714
Total revenues	151,134	151,134	159,848	8,714
Expenditures				
Current:				
Public safety	151,134	151,134	159,848	(8,714)
Total expenditures	151,134	151,134	159,848	(8,714)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -

City of Bullhead City, Arizona

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

Police Grant Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 369,255	\$ 369,255	\$ 109,293	\$ (259,962)
Investment earnings	-	-	38	38
Total revenues	<u>369,255</u>	<u>369,255</u>	<u>109,331</u>	<u>(259,924)</u>
Expenditures				
Current:				
Public safety	316,955	316,955	31,935	285,020
Capital outlay	<u>52,300</u>	<u>52,300</u>	<u>48,420</u>	<u>3,880</u>
Total expenditures	<u>369,255</u>	<u>369,255</u>	<u>80,355</u>	<u>288,900</u>
Net change in fund balances	-	-	28,976	28,976
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>(69,020)</u>	<u>(69,020)</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,044)</u>	<u>\$ (40,044)</u>

City of Bullhead City, Arizona

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

General Grant Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 15,907,308	\$ 15,907,308	\$ 379,895	\$ (15,527,413)
Other revenues	5,000	5,000	-	(5,000)
Total revenues	<u>15,912,308</u>	<u>15,912,308</u>	<u>383,788</u>	<u>(15,528,520)</u>
Expenditures				
Current:				
General government	902,308	902,308	101,207	801,101
Health and welfare	5,000	5,000	-	-
Capital outlay	<u>15,005,000</u>	<u>15,005,000</u>	<u>-</u>	<u>15,005,000</u>
Total expenditures	<u>15,912,308</u>	<u>15,912,308</u>	<u>101,207</u>	<u>15,806,101</u>
Net change in fund balances	-	-	282,581	282,581
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>28,281</u>	<u>28,281</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,862</u>	<u>\$ 310,862</u>

City of Bullhead City, Arizona

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

Senior Nutrition Center Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 221,030	\$ 221,030	\$ 220,440	\$ (590)
Investment earnings	5,000	5,000	4,413	(587)
Other revenues	55,000	55,000	70,848	15,848
Total revenues	281,030	281,030	295,701	14,671
Expenditures				
Current:				
Health and welfare	517,692	517,692	476,108	-
Capital outlay	32,709	32,708	32,708	-
Total expenditures	550,401	550,400	508,816	-
Excess (deficiency) of revenues over (under) expenditures	(269,371)	(269,370)	(213,115)	56,255
Other Financing Sources (Uses)				
Transfers in	135,241	135,241	135,240	(1)
Net change in fund balances	(134,130)	(134,129)	(77,875)	56,254
Fund Balances, Beginning	141,421	141,421	226,398	84,977
Fund Balances, Ending	\$ 7,291	\$ 7,292	\$ 148,523	\$ 141,231



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Budgetary Comparison Schedules
Nonmajor Capital Project Funds



City of Bullhead City, Arizona

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

Street Lighting Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 105,056	\$ 105,056	\$ 105,026	\$ (30)
Total revenues	105,056	105,056	105,642	586
Expenditures				
Current:				
Highways and streets	89,675	89,675	78,947	10,728
Net change in fund balances	15,381	15,381	26,695	11,314
Fund Balances, Beginning	-	-	(35,652)	(35,652)
Fund Balances, Ending	\$ 15,381	\$ 15,381	\$ (8,957)	\$ (24,338)

City of Bullhead City, Arizona

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

Flood Control Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 1,186,000	\$ 1,186,000	\$ 1,186,668	\$ 668
Investment earnings	13,000	13,000	7,977	(5,023)
Total revenues	<u>1,199,000</u>	<u>1,199,000</u>	<u>1,194,645</u>	<u>(4,355)</u>
Expenditures				
Current:				
General government	194,971	194,971	-	194,971
Highways and streets	241,592	241,592	257,960	(16,368)
Capital outlay	<u>828,755</u>	<u>828,755</u>	<u>718,859</u>	<u>109,896</u>
Total expenditures	<u>1,265,318</u>	<u>1,265,318</u>	<u>976,819</u>	<u>288,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,318)</u>	<u>(66,318)</u>	<u>217,826</u>	<u>284,144</u>
Other Financing Sources (Uses)				
Transfers in	<u>(66,318)</u>	<u>(66,318)</u>	<u>-</u>	<u>66,318</u>
Total other financing sources (uses)	<u>(66,318)</u>	<u>(66,318)</u>	<u>-</u>	<u>66,318</u>
Net change in fund balances	(132,636)	(132,636)	217,826	350,462
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>(540,923)</u>	<u>(540,923)</u>
Fund Balances, Ending	<u>\$ (132,636)</u>	<u>\$ (132,636)</u>	<u>\$ (323,097)</u>	<u>\$ (190,461)</u>

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Nonmajor Debt Service Funds



City of Bullhead City, Arizona

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

Debt Service Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 213,456	\$ 213,456	\$ 147,624	\$ (65,832)
Investment earnings	700	700	51,515	50,815
Total revenues	<u>214,156</u>	<u>214,156</u>	<u>200,370</u>	<u>(13,786)</u>
Expenditures				
Current:				
Debt service:				
Principal	714,000	714,000	2,140,325	(1,426,325)
Interest and fiscal charges	215,600	215,600	264,682	(49,082)
Total expenditures	<u>929,600</u>	<u>929,600</u>	<u>2,405,007</u>	<u>(1,475,407)</u>
Excess (deficiency) of revenues over (under) expenditures	(715,444)	(715,444)	(2,204,637)	(1,489,193)
Other Financing Sources (Uses)				
Debt issuance	-	-	2,441,011	2,441,011
Transfers in	718,286	718,286	718,284	(2)
Transfers out	-	-	(2,441,011)	(2,441,011)
Total other financing sources (uses)	<u>718,286</u>	<u>718,286</u>	<u>718,284</u>	<u>(2)</u>
Net change in fund balances	2,842	2,842	(1,486,353)	(1,489,195)
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>1,514,765</u>	<u>1,514,765</u>
Fund Balances, Ending	<u>\$ 2,842</u>	<u>\$ 2,842</u>	<u>\$ 28,412</u>	<u>\$ 25,570</u>

City of Bullhead City, Arizona

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
East Branch Sewer Improvement District Fund
Year Ended June 30, 2025

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>178</u>	<u>178</u>
Fund Balances, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 178</u></u>	<u><u>\$ 178</u></u>

City of Bullhead City, Arizona

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

Excise Tax Debt Service Fund

Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ -	\$ -	\$ 426,385	\$ 426,385
Total revenues	-	-	426,385	426,385
Expenditures				
Principal	-	-	2,890,000	(2,890,000)
Interest and fiscal charges	-	-	542,585	(542,585)
Total expenditures	-	-	3,432,585	(3,432,585)
Net change in fund balances	-	-	(3,006,200)	(3,006,200)
Fund Balances, Beginning	-	-	13,409	13,409
Fund Balances, Ending	\$ -	\$ -	\$ (2,992,791)	\$ (2,992,791)



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Combining Financial Statements

Internal Service Funds

- **Fleet Services** - This fund is used to account for the activities relating to the purchasing and operations of the City's vehicle and heavy equipment fleet.
- **Risk Management** - This fund is used to account for the activities relating to the City's self-insurance program.
- **Employee Benefit Trust** - This fund is used to account for the activities relating to the operation of the City's health insurance program.



City of Bullhead City, ArizonaCombining Statement of Net Position - Internal Service Funds
June 30, 2025

	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 555,837	\$ 1,277,583	\$ -	\$ 1,833,420
Accounts receivable, net	1,548	-	125,600	127,148
Inventory	28,777	-	-	28,777
Prepaid expenses	-	14,679	3,179,676	3,194,355
	<u>586,162</u>	<u>1,292,262</u>	<u>3,305,276</u>	<u>5,183,700</u>
Total current assets				
Liabilities				
Current liabilities:				
Accounts payable	39,619	207,628	432,148	679,395
Accrued payroll and related liabilities	9,933	5,361	-	15,294
Due to other funds	-	-	1,033,012	1,033,012
Other liabilities	2,689	1,820	-	4,509
	<u>52,241</u>	<u>214,809</u>	<u>1,465,160</u>	<u>1,732,210</u>
Total current liabilities				
Net Position				
Unrestricted (deficit)	<u>533,921</u>	<u>1,077,453</u>	<u>1,840,116</u>	<u>3,451,490</u>
Total net position	<u>\$ 533,921</u>	<u>\$ 1,077,453</u>	<u>\$ 1,840,116</u>	<u>\$ 3,451,490</u>

City of Bullhead City, Arizona

Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds
Year Ended June 30, 2025

	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 2,241,975	\$ 1,073,796	\$ 4,351,026	\$ 7,666,797
Other revenues	3,320	97,204	502,708	603,232
Total operating revenues	<u>2,245,295</u>	<u>1,171,000</u>	<u>4,853,734</u>	<u>8,270,029</u>
Operating Expenses				
Salaries and related expenses	403,679	174,917	-	578,596
Medical claims and self-insurance	-	1,097,524	4,884,249	5,981,773
Administration	1,051,798	1,065,958	3,082	2,120,838
Utilities	48,801	-	-	48,801
Maintenance, supplies and equipment	58,459	-	-	58,459
Other	338	25,676	-	26,014
Total operating expenses	<u>1,563,075</u>	<u>2,364,075</u>	<u>4,887,331</u>	<u>8,814,481</u>
Operating income	<u>682,220</u>	<u>(1,193,075)</u>	<u>(33,597)</u>	<u>(544,452)</u>
Nonoperating Revenues				
Investment income	6,589	49,646	47	56,282
Total nonoperating revenue	<u>6,589</u>	<u>49,646</u>	<u>47</u>	<u>56,282</u>
Change in net position	688,809	(1,143,429)	(33,550)	(488,170)
Net Position, Beginning	<u>(154,888)</u>	<u>2,220,882</u>	<u>1,873,666</u>	<u>3,939,660</u>
Net Position, Ending	<u>\$ 533,921</u>	<u>\$ 1,077,453</u>	<u>\$ 1,840,116</u>	<u>\$ 3,451,490</u>

City of Bullhead City, ArizonaCombining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2025

	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
Cash Flows From Operating Activities				
Receipts from interfund services	\$ 2,241,502	\$ 1,382,557	\$ 4,411,196	\$ 8,035,255
Other operating receipts	3,320	97,204	502,708	603,232
Payments to suppliers	(1,142,229)	(2,012,987)	(5,023,639)	(8,178,855)
Payments to employees	<u>(405,192)</u>	<u>(173,917)</u>	<u>-</u>	<u>(579,109)</u>
Cash flows provided by (used in) operating activities	<u>697,401</u>	<u>(707,143)</u>	<u>(109,735)</u>	<u>(119,477)</u>
Cash Flows From Noncapital Financing Activities				
Interfund borrowings from	(148,153)	-	-	(148,153)
Interfund borrowings to	<u>-</u>	<u>-</u>	<u>109,688</u>	<u>109,688</u>
Cash flows provided by (used in) noncapital financing activities	<u>(148,153)</u>	<u>-</u>	<u>109,688</u>	<u>(38,465)</u>
Cash Flows From Investing Activities				
Interest received	<u>6,589</u>	<u>49,646</u>	<u>47</u>	<u>56,282</u>
Cash flows provided by (used in) investing activities	<u>6,589</u>	<u>49,646</u>	<u>47</u>	<u>56,282</u>
Net change in cash and cash equivalents	555,837	(657,497)	-	(101,660)
Cash and Cash Equivalents, Beginning	<u>-</u>	<u>1,935,080</u>	<u>-</u>	<u>1,935,080</u>
Cash and Cash Equivalents, Ending	<u>\$ 555,837</u>	<u>\$ 1,277,583</u>	<u>\$ -</u>	<u>\$ 1,833,420</u>

City of Bullhead City, ArizonaCombining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2025

	<u>Fleet Services</u>	<u>Risk Management</u>	<u>Employee Benefit Trust</u>	<u>Total</u>
Reconciliation of Operating Income (loss) to Net Cash				
Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 682,220	\$ (1,193,075)	\$ (33,597)	\$ (544,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation/amortization expense	-	-	-	-
Provision for bad debt	-	-	-	-
Nonoperating receipts	-	-	-	-
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(473)	308,761	60,170	368,458
Intergovernmental receivable	-	-	-	-
Inventory and prepaid items	4,392	(14,679)	(167,373)	(177,660)
Prepaid expenses	-	-	-	-
Increase (decrease) in:				
Accounts payable	12,775	190,850	31,065	234,690
Accrued payroll and related liabilities	(1,513)	1,000	-	(513)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) operating activities	<u>\$ 697,401</u>	<u>\$ (707,143)</u>	<u>\$ (109,735)</u>	<u>\$ (119,477)</u>

OBLIGATIONS DOCUMENTS SUMMARIES

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

Definitions

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

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

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

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

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

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

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

“Defeasance Obligations” means, to the extent permitted by law, (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), or (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or any combination thereof.

“Depository Trustee” means any financial institution meeting the requirements as a successor Trustee under Section 8.6 of the Indenture that may be designated by the City.

“Fiscal Year” means the 12-month period used by the City for its general accounting purposes as the same may be changed from time to time, said fiscal year currently extending from July 1 to June 30.

“Holder” means the registered owner of any Obligation.

“Interest Requirement” means (i) with respect to the 2022 CW Loan, as of any date of calculation, the interest amount on the 2022 CW Loan due during the then-current Bond Year, (ii) with respect to the 2022 DW Loan, as of any date of calculation, the interest amount on the 2022 DW Loan due during the then-current Bond Year, (iii) with respect to the Purchase Agreement, as of any date of calculation, the interest amount on the Purchase Agreement due during the then-current Bond Year, and (iv) with respect to any Additional Obligations, as of any date of calculation, the amount required to be paid by the City during the then-current Bond Year with respect to interest on such Additional Obligations. In the case of Variable Rate Obligations Outstanding or proposed to be incurred, the Interest Requirement shall be computed with the Assumed Interest Rate.

“Improvements Fund” means the fund of that name created pursuant to Section 2.2 of the Purchase Agreement.

“Indenture Event of Default” means any one of those events set forth in Section 7.1 of the Indenture.

“Interest Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Fund” means the fund of that name created pursuant to Section 5.1 of the Indenture.

“Obligation Payment Date” means each January 1 and July 1, commencing, January 1, 2027*, so long as any Obligations are Outstanding.

“Opinion of Counsel” means a written opinion of an attorney or firm of attorneys who or which (except as otherwise expressly provided in the Indenture or in the Purchase Agreement) may be counsel for the City or the Trustee, provided that such attorney or firm of attorneys may not be an employee of the Trustee.

“Outstanding” means when used with reference to the Obligations, as of any date of determination, all Obligations theretofore executed and delivered except:

- (i) Obligations theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Obligations that are deemed paid and no longer Outstanding as provided in the Indenture, including as a result of irrevocable instructions being provided by the City for the redemption thereof;
- (iii) Obligations in lieu of which other Obligations have been executed and delivered pursuant to the provisions of the Indenture relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Trustee has been received that any such Obligation is held by a bona fide purchaser; and
- (iv) For purposes of any consent or other action to be taken under the Indenture or under the Purchase Agreement by the Holders of a specified percentage in principal amount of Obligations, Obligations held by or for the account of the City, or any Person controlling, controlled by, or under common control with any of them.

“Parity Lien Test Debt Service” means the highest aggregate Principal Requirement and Interest Requirement of the WIFA Loans and all Outstanding Obligations and Additional Obligations to fall due and payable in the current or any future Bond Year.

* *Subject to change.*

“Principal Requirement” means (i) with respect to the 2022 CW Loan, as of any date of calculation, the principal amount of the 2022 CW Loan maturing during the then-current Bond Year, (ii) with respect to the 2022 DW Loan, as of any date of calculation, the principal amount of the 2022 DW Loan maturing during the then-current Bond Year, (iii) with respect to the Purchase Agreement, as of any date of calculation, the principal amount of the Obligations maturing or subject to mandatory redemption pursuant to the Indenture during the then-current Bond Year, and (iv) with respect to any Additional Obligations, as of any date of calculation, the principal amount required to be paid by the City during the then-current Bond Year with respect to the Additional Obligations. In computing the Principal Requirement for such Additional Obligations, an amount of such Additional Obligations required to be redeemed pursuant to mandatory redemption in each year shall be deemed to fall due in that year and (except in case of default in observing a mandatory redemption requirement) shall be deducted from the amount of the Additional Obligations maturing on the scheduled maturity date.

“Paying Agent” means the banks or trust companies and their successors designated as the paying agencies or places of payment for the Obligations. The Trustee is designated as the initial Paying Agent for the Obligations.

“Permitted Investments” means any investment permitted by Section 35-323, Arizona Revised Statutes, as amended, or any successor provision thereto.

“Person” shall include an individual, an association, unincorporated organization, a corporation, partnership, joint venture, or government or agency or political subdivision thereof.

“Principal Account” means the account of the Obligation Fund of that name created pursuant to Section 5.1 of the Indenture.

“Principal Installment” means, for any particular date, the aggregate of the principal amount of Obligations that are due on such date.

“Purchase Event of Default” means one of the events defined as such in Section 7.1 of the Purchase Agreement.

“Purchase Price” means the sum of the payments paid pursuant to Sections 5.4(i) and (ii) of the Indenture from amounts to be paid by or on behalf of the City as the purchase price for the Projects.

“Special Counsel” means an attorney or a firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the City.

“Special Counsel’s Opinion” means an opinion signed by Special Counsel.

“Variable Rate Obligations” means any Additional Obligations which may, in the future, bear interest at rates which cannot be determined with specificity on their original incurrence.

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

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

The Purchase Agreement

* * * * *

Section 2.1. Agreement to Cause Execution and Delivery of Obligations; Application of Obligation Proceeds. In order to provide funds to finance the costs of the acquisition, construction and improvement of the Projects, the Obligations shall be executed and delivered under the Indenture.

Section 2.2. Improvements Fund.

(a) The City shall establish and maintain a separate fund known as the “*Improvements Fund*,” which shall be funded from amounts transferred to the City by the Trustee pursuant to the Indenture. Moneys in the Improvements Fund shall be disbursed by the City for the following purposes and for no other purposes:

(i) to the extent not paid by the Trustee from the Costs of Issuance Fund established under the Indenture, the costs described in the Indenture;

(ii) payment for labor, services, materials and other necessities used or furnished in the acquisition, improvement and construction of the Projects, and all real and personal property deemed necessary in connection with the Projects and for the miscellaneous expenses incidental to any of the foregoing including the premium on each performance and payment bond;

(iii) reimbursement of capital expenditures relating to the Projects advanced prior to the execution and delivery of the Obligations; and

(iv) payment of the portion of the Purchase Price representing interest on the Obligations during the acquisition, construction and improvement of the Projects.

(b) Before any of the foregoing payments may be made, the City shall maintain a record with respect to each such payment to the effect that: (i) none of the items for which the payment is proposed to be made has formed the basis for any payment previously made from the Improvements Fund; (ii) each item for which payment is proposed to be made is or was necessary in connection with the Projects; and (iii) each item for which payment is proposed to be made is for a purpose permitted by the Purchase Agreement.

(c) In the case of any contract providing for the retention of a portion of the contract price, subject to Sections 2.3 and 2.4, the City may pay from the Improvements Fund only the net amount remaining after deduction of any such portion.

(d) The City shall notify the Trustee of the completion date of the Projects by delivery of a certificate signed by the City Representative stating that (i) acquisition, construction and improvement of the Projects has been completed, and (ii) all obligations and costs in connection with the Projects and payable out of the Improvements Fund have been paid and discharged, except for amounts retained by the City for payment of costs of the Projects not yet due and payable. Any moneys held in the Improvements Fund upon delivery of such certificate that are not needed to pay costs of the Projects shall be transferred by the City to the Trustee for deposit to the Interest Account or the Principal Account as indicated in such certificate.

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Section 3.3. Amounts Payable After Execution and Delivery of Obligations. After providing for any amounts due pursuant to Section 2.4(c) of the Purchase Agreement, the Net Revenues received pursuant to Section 4.1 of the Purchase Agreement shall be paid for the following purposes and in the following order of priority, after decreasing any such payment for any interest income or gain received, or increasing such payment for any loss realized, during the preceding month in the account to which such payment is to be deposited:

(i) Fees and expenses of the Trustee in accordance with the provisions of Section 8.8 of the Indenture to the Trustee.

(ii) The payments on the dates and in the amounts set forth in the Schedules attached to the Purchase Agreement for deposit to the Interest Account and/or the Principal Account, as applicable.

In the event the City should fail to make when due any of the payments required by this Section, the installment so in default shall continue as an obligation of the City, payable solely from the Net Revenues, until the amount in default shall have been fully paid, and the City shall pay the same with interest thereon at the rate applicable to the corresponding maturities of Obligations, from the date said payment was to be made to the date of payment by the City until paid. The Purchase Agreement shall be deemed and construed to be a "net purchase agreement," and the payments provided for in this Section shall be an absolute net return to the Seller, free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Purchase Agreement. The City shall cause an amount of Revenues to be included in the annual budget for every Fiscal Year sufficient to meet all requirements of the Purchase Agreement.

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Section 4.1. Limitation of Source of City Payments.

(a) The Purchase Agreement is a limited, special obligation of the City, payable solely and secured as to the payment in accordance with the terms and the provisions of the Purchase Agreement.

(b) All amounts to be paid by the City pursuant to Section 3.3 (or under any other section of the Purchase Agreement) shall be payable solely from the Net Revenues. Nothing, however, shall preclude the City, in the sole and absolute discretion of the Mayor and Council of the City, from paying such amounts from other moneys of the City. Under no circumstances shall amounts paid under the Purchase Agreement from such moneys constitute a pledge thereof, and amounts payable by the City hereunder (except the Net Revenues) shall never constitute a general obligation of the City or a pledge of *ad valorem* property taxes by the City.

(c) The City pledges pursuant to the Purchase Agreement and shall raise and apply the Net Revenues in such amounts and in such manner as required in the Purchase Agreement to make the payments required to be made by the City under the Purchase Agreement and covenants to make said payments from the Net Revenues. This pledge shall be a first lien and on a parity to the pledge thereof and lien thereon for the Obligations. All of the Net Revenues shall be immediately subject to such pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all persons having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such persons have notice thereof. Nothing contained in this Section shall be construed as limiting any authority granted elsewhere herein to incur the WIFA Loans, the Purchase Agreement or Additional Obligations nor be deemed a limitation upon the issuance of bonds, notes or other obligations under any law pertaining to the City secured by moneys, income and funds other than the Net Revenues and other moneys and investments pledged hereunder or under the Indenture. After the application of the Net Revenues for the purposes in the Purchase Agreement, they may be used for any lawful purpose.

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Section 4.3. Prior Lien Obligations. The City shall not incur any obligations payable from the Net Revenues ranking prior to the obligations of the City under the Purchase Agreement.

* * * * *

Section 5.1. Utilities; Maintenance of the Systems in Good Condition; Repair and Replacement Fund. All maintenance and repair of the Projects and utilities therefor shall be the responsibility of the City. (In exchange for the payment of the amounts due under the Purchase Agreement, the Seller shall provide nothing more than the Projects.) The City shall (a) maintain the Systems in good condition, (b) operate the same in a proper and economical manner and at reasonable cost, and (c) faithfully and punctually perform all duties with reference to the Systems required by the Constitution and laws of the State.

Section 5.2. Insurance. The City shall maintain insurance on the Systems (which may take the form of or include an adequately-funded program of self-insurance), for the benefit of the Holder or Holders of the

Obligations payable wholly or in part from the Revenues, for the full insurable value of all buildings and machinery and equipment therein, against loss or damage by fire, lightning, tornado or winds, and all other combustible property against loss or damage by fire or lightning, and other coverages and amounts of insurance (including public liability and damage to property of others to the extent deemed prudent by the City), normally carried by others on similar operations. The cost of such insurance may be paid as an Operating Expense. All money received for losses under any such insurance policies, except public liability policies, is pledged by the City as security for the payment of the Purchase Agreement until and unless such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, including repairing the Systems. Self-insurance may be maintained for the Systems either separately or in connection with any general self-insurance retention program or other insurance program maintained by the City; provided that (a) any such program has been adopted by the City and (b) the City's risk manager or other appropriate office of the City reviews any such program every five years to confirm such program is adequate and actuarially sound. All proceeds of any condemnation awards with respect to the Systems shall be deposited with the Trustee and applied to the *pro rata* payment of the Obligations.

Section 5.3. No Sale; Lease or Encumbrance Exceptions.

(a) The City shall not sell, lease, encumber or in any manner dispose of the Systems as a whole until all of the Obligations and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Indenture.

(b) The City may sell, lease or otherwise dispose of any of the property comprising a part of the Systems in the following manner, if any one of the following conditions exists: (a) such property is not necessary for the operation of the Systems, (b) such property is not useful in the operation of the Systems, (c) such property is not profitable in the operation of the Systems, or (d) the disposition of such property will be advantageous to the Systems and will not adversely affect the security for the Holders of the Obligations. In addition, the City may sell to any municipality or political subdivision of the State or any agency of any one or more of them, any portion of the Systems if there is filed with the City Clerk a certificate executed by the Consultant showing that, in opinion of such Consultant, the proposed sale will not reduce the Net Revenues to be received in the full Fiscal Year next succeeding such sale to an amount less 120 percent of Parity Lien Test Debt Service. In making such computation, the Consultant shall consider such matters as such Consultant deems appropriate including: (i) anticipated diminution of Revenues; (ii) anticipated increase or decrease in Operating Expenses attributable to the sale; and (iii) reduction, if any, in annual principal and interest requirements attributable to the application of the sale proceeds for payment of Obligations then Outstanding.

(c) The City may sell or otherwise transfer the Systems as a whole to any municipality or political subdivision or agency of one or more political subdivisions of the State to which may be delegated the legal authority to own and operate the Systems on behalf of the public, and that undertakes in writing, filed with the City Clerk, the City's obligations under the Purchase Agreement; provided that there shall be first filed with the City Clerk (1) a Special Counsel's Opinion to the effect that (A) such sale will not cause interest on any of the Obligations to become subject to federal income taxation, (B) such sale will not materially diminish the security of the Holders of the Obligations (which opinion may be based on the Consultant's report described in clause (2), below), and (C) the obligations of the City under the Purchase Agreement have been validly assumed by such transferee and are the valid and legally binding obligations of such transferee, and (2) an opinion of a Consultant expressing the view that such transfer in and of itself will not result in any diminution of the Net Revenues to the extent that in the full Fiscal Year next succeeding such transfer the Net Revenues will be less than 120 percent of Parity Lien Test Debt Service. In reaching this conclusion, the Consultant shall take into consideration such factors as he may deem significant including any rate schedule to be imposed by said political subdivision or agency.

(d) Notwithstanding the above provisions, the City may sell or lease all or any part of the Systems in connection with the issuance of any Additional Obligations to finance additional improvements to the Systems or refinance the WIFA Loans, the Obligations or any Additional Obligations provided that such sale or lease does not permit foreclosure, or other loss by the City, of such portion of the Systems.

* * * * *

Section 5.6. Disconnection of Service for Non-Payment; No Free Service.

(a) The City shall diligently enforce payment of all bills for services supplied by the Systems. If a bill becomes delinquent and remains so for a period to be determined in accordance with City policy from time to time, the City shall discontinue service in accordance with the laws of the State to any premises the owner or occupant of which shall be so delinquent, and will not recommence such service to such premises until all delinquent charges with penalties shall have been paid in full or provisions for payment satisfactory to the City shall have been made. The City shall do all things and exercise all remedies reasonably available to assure the prompt payment of charges for all services supplied by the Systems.

(b) No free service shall be furnished by the Systems to the City or any department thereof or to any person, firm or corporation, public or private, or to any public agency or instrumentality, except as provided in the Purchase Agreement. The reasonable cost and value of all service rendered to the City and its various departments by the Systems shall be charged against the City and will be paid for as the service occurs from the City's current funds. All payments so made shall be considered Revenues and shall be applied in the manner provided in the Purchase Agreement for the application of the Revenues of the Systems.

Section 5.7. No Competing System. The City shall not, to the extent permitted by law, grant a franchise or permit for the operation of any competing system within, in whole or in part, the service areas of the Systems.

* * * * *

Section 7.1. Purchase Events of Default. Any one or more of the following events ("Purchase Events of Default") shall constitute a default under the Purchase Agreement:

(a) The City shall fail to make any payment when due under Section 3.3(ii) of the Purchase Agreement; or

(b) The City shall fail to make any payment under Section 3.3(i) of the Purchase Agreement for a period of 30 days after notice of such failure shall have been given in writing to the City by the Seller or by the Trustee; or

(c) The City shall fail to perform any other covenant in the Purchase Agreement for a period of 30 days after written notice specifying such default shall have been given to the City by the Seller or the Trustee, provided that if such failure is a type that it cannot be remedied within such 30 day period, it shall not be deemed a Purchase Event of Default so long as the City diligently tries to remedy the same, which it shall certify in writing to the Trustee; or

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the federal bankruptcy statutes, as amended, or under any similar acts that may be enacted after execution of the Purchase Agreement.

Section 7.2. Remedies on Default by City. Upon the occurrence of a Purchase Event of Default, the Seller shall, but only if requested to do so by the Trustee, without further demand or notice, exercise any of the available remedies at law or in equity, including, but not limited to, specific performance, however under no circumstances may amounts due under the Purchase Agreement be accelerated. Upon the filing of suit by the Trustee, any court having jurisdiction of the action may appoint a receiver to administer the Systems for the City with power to charge and collect fees sufficient to pay all of the Operating Expenses and to make all required payments under the Purchase Agreement. The Seller may assign any or all of its rights and privileges under this Section to the Trustee, and upon furnishing evidence of such assignment to the City, the Trustee may exercise any or all of such rights or privileges as it may deem advisable.

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Section 8.12. Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Purchase Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Purchase Agreement and that provides that the City may within three years after its execution cancel any contract (including the Purchase Agreement) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

The Indenture

Granting Clauses. Pursuant to the Indenture, the Trustee has been granted a security interest in and the following described property has been released, assigned, transferred, pledged mortgaged, granted and conveyed to the Trustee:

A. All rights and interests of the Seller in, under and pursuant to the Purchase Agreement as assigned, mortgaged, hypothecated and pledged to the Trustee pursuant to the Purchase Agreement, provided that the assignment made by this clause shall not include any right to limitation of liability, indemnification of liability, or payment or reimbursement of fees, costs or expenses,

B. Amounts on deposit from time to time in the funds and accounts created pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, and

C. Any and all other real or personal property of any kind from time to time after execution of the Indenture by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security under the Indenture for the Obligations, by the City or by anyone on its behalf or with its written consent, in favor of the Trustee.

* * * * *

Section 1.3. All Obligations Equally and Ratably Secured; Obligations Not General Obligations of the City. All of the Obligations executed and delivered under the Indenture and at any time Outstanding shall in all respects be equally and ratably secured by the Indenture, without preference, priority, or distinction on account of the date or dates or the actual time or times of the execution and delivery or maturity of the Obligations, so that all Obligations at any time Outstanding under the Indenture shall have the same right, lien and preference under the Indenture and shall all be equally and ratably secured by the Indenture. The Obligations shall be payable solely out of the revenues and other security pledged by the Indenture and shall not constitute an indebtedness or general obligation of the City within the meaning of any State constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or be a charge against its general credit or a charge against the general credit or the taxing powers of the State or any political subdivision thereof.

* * * * *

Section 5.3. Flow of Funds into the Obligation Fund. The following payments to the Trustee shall be applied in the following manner:

(i) The Trustee shall deposit to the Interest Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Interest Account.)

(ii) The Trustee shall deposit to the Principal Account amounts paid pursuant to Section 3.3(ii) of the Purchase Agreement as well as the total of any amounts received for any redemption of Obligations. (Amounts transferred pursuant to Section 2.2(d) of the Purchase Agreement shall also be deposited in the Principal Account.)

Section 5.4. Flow of Funds out of the Obligation Fund. Amounts in the following accounts shall be applied in the following manner:

- (i) Amounts in the Interest Account shall be used to pay interest on the Obligations as it becomes due.
- (ii) Amounts in the Principal Account shall be used to retire Obligations by payment at their scheduled maturity date or redemption date.

* * * * *

Section 5.6. Investment of Moneys Held by Trustee.

(a) Moneys in all funds and accounts held by the Trustee shall be invested by the Trustee, as soon as possible upon receipt of immediately available funds at its designated corporate trust office, to the fullest amount possible, in Permitted Investments as directed, in writing, by the City Representative; provided that the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the funds or accounts for which the investments were made will be required for the purposes thereof. In the event no investment direction is given to the Trustee by the City, then the Trustee shall hold such funds uninvested in cash.

(b) Amounts credited to a fund or account may be invested, together with amounts credited to one or more other funds or accounts, in the same Permitted Investment, provided that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each fund or account for which the joint investment is made and (ii) the Trustee maintains separate records for each fund and account and such investments are accurately reflected therein.

* * * * *

Section 7.1. Events of Default. Each of the following is declared an “Indenture Event of Default” under the Indenture:

- (a) If payment of any installment of interest on any Obligation is not made in full when the same becomes due and payable;
- (b) If payment of the principal of any Obligation is not made in full when the same becomes due and payable;
- (c) If, under the provisions of any law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of all or any part of the interests pledged under the Indenture and such custody or control continues for more than 60 days;
- (d) If the City defaults in the due and punctual performance of any other covenants, conditions, agreements or provisions on its part to be performed as provided in the Indenture or in the Obligations and such default continues for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Trustee, unless within such 30 days the City commences and diligently pursues in good faith appropriate corrective action, and certify as such to the Trustee and such failure does not continue for a period of more than 60 days; the Trustee may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than 25 percent in principal amount of the Obligations then Outstanding; or
- (e) If any event of default provided by Section 7.1 of the Purchase Agreement occurs.

Section 7.2. Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuance of any Indenture Event of Default and in accordance with the Indenture and the Purchase Agreement, the Trustee may, and upon the written request of the Holders of not less than

a majority in principal amount of the Obligations Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall, protect and enforce its rights and the rights of the Holders under the Indenture and the Purchase Agreement by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to, an action for the recovery of any amounts due under the Indenture or for damages for the breach of the Indenture, and the Trustee may pursue any other remedy which the law affords, including the remedy of specific performance. The Trustee shall also have those remedies provided pursuant to the Purchase Agreement subject to any limitations on such remedies set forth therein.

(b) Regardless of the happening of an Indenture Event of Default and subject to Section 7.7 of the Indenture, the Trustee, if requested in writing by the Holders of not less than a majority in principal amount of the Obligations then outstanding shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it deems necessary or expedient (i) to prevent any impairment of the security under the Indenture by any acts that may be unlawful or in violation of the Indenture, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interest of the Holders of Obligations not making such request.

Section 7.3. No Acceleration. In no event shall the Trustee have the right to accelerate or cause to become immediately due and payable, or payable in advance of their scheduled maturity dates, other than because of optional redemption pursuant to the Indenture and then only to the extent of the amount to be so redeemed amounts due under the Indenture.

Section 7.4. Application of Revenues and Other Moneys After Default.

(a) During the continuance of an Indenture Event of Default all moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be deposited in the Obligation Fund, and all amounts held by the Trustee under the Indenture shall be applied as follows provided, that if the amount available shall not be sufficient to pay in full any amount or amounts then due, then to the payment thereof ratably in a manner consistent with Section 3.3 of the Purchase Agreement, according to the amounts due to the Persons entitled thereto, without any discrimination or preference:

- First: To the payment of all installments of interest then due (including interest on amounts not paid when due on the Obligations); and
- Second: To the payment of the unpaid Principal Installments or redemption price that shall have become due, whether at maturity or by call for redemption, in the order of their due dates.

(b) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal of the Obligations to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation is presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

(c) Whenever all principal of and interest on the Obligations that has become due has been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and the Obligation Fund contains the amounts then required to be credited thereto, any balance remaining shall be paid to the City.

* * * * *

Section 7.7. Individual Holder Action Restricted.

(a) No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust or for any remedy under the Indenture except for the right to institute any suit, action or proceeding in equity or at law for the enforcement of the Trustee's duties and powers under the Indenture upon the occurrence of all of the following events:

(i) The Holders of at least a majority in principal amount of Obligations Outstanding have made written request to the Trustee to proceed to exercise the powers granted in the Indenture; and

(ii) Such Holders have offered to indemnify the Trustee as provided in Section 8.2(v) of the Indenture; and

(iii) The Trustee has failed or refused to exercise the duties or powers granted in the Indenture for a period of 60 days after receipt by it of such request and offer of indemnity; and

(iv) During such 60-day period no direction inconsistent with such written request has been delivered to the Trustee by the Holders of a greater majority in principal amount of Obligations then Outstanding.

(b) No one or more Holders of Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice the security thereof or to enforce any right under the Indenture except in the manner provided in the Indenture and for the equal benefit of the Holders of all Obligations Outstanding.

(c) Nothing contained in the Indenture shall affect or impair, or be construed to affect or impair, the right of the Holder of any Obligation (i) to receive payment of the principal of or interest on such Obligation, as the case may be, on or after the due date thereof or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Obligation may institute or prosecute any such suit if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the moneys, funds and properties pledged under the Indenture for the equal and ratable benefit of all Holders of Obligations.

* * * * *

Section 7.9. Waiver of Indenture Event of Default.

(a) No delay or omission of the Trustee or of the Holder of any Obligations to exercise any right or power accruing upon any Indenture Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Indenture Event of Default or an acquiescence therein. Every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

(b) The Trustee may waive any Indenture Event of Default that in its opinion has been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under, the provisions of the Indenture, or before the completion of the enforcement of any other remedy under the Indenture.

(c) In case of any waiver by the Trustee of an Indenture Event of Default under the Indenture, the City, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other Indenture Event of Default. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Indenture Event of Default in accordance with this Section.

* * * * *

Section 8.1. Certain Duties and Responsibilities of Trustee.

(a) Except during the continuance of an Indenture Event of Default:

(i) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(ii) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which are required by any provision of the Indenture or the Purchase Agreement, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture or the Purchase Agreement on their face.

(b) In case an Indenture Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct or breach of trust, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a);

(ii) the Trustee shall not be liable for any error of judgment made in good faith and without negligence, willful misconduct or breach of trust by a president or vice-president of the board of directors, the president or vice-president of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any associate or senior associate, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers or, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and without negligence in accordance with the direction of the Holders of the Outstanding Obligations as provided in the Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture and

(iv) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it. The Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment properly to be done by it as the Trustee, without prior assurance of indemnity, and in such case shall be entitled to reimbursement by the City for all reasonable costs, expenses, attorneys' and other fees and expenses, and all other reasonable disbursements, including its own fees and expenses, and for all liability and damages suffered by the Trustee in connection therewith except for the Trustee's negligence, willful misconduct or breach of trust.

(d) Whether or not therein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 8.2. Certain Rights of Trustee. Except as otherwise provided in Section 8.1 of the Indenture:

* * * * *

(v) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders pursuant to the Indenture unless such Holders shall have offered to the Trustee satisfactory security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

* * * * *

Section 8.6. Removal and Resignation of Trustee.

(a) The Trustee may resign at any time from the trusts created by the Indenture by giving written notice of the resignation to the City and any Paying Agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the register it maintains with respect to the Obligations at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City and any Paying Agents and signed by (i) the City Representative or (ii) by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Obligations then Outstanding. The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by an instrument signed by the City or by any court of competent jurisdiction upon the application of the City, or the Holders of not less a majority in aggregate principal amount of the Obligations then Outstanding under the Indenture. Any removal shall not take effect until a successor Trustee has been appointed. In the event a successor Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Trustee may apply, at the expense of the City, to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

(c) In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the City shall be entitled to appoint a successor Trustee acceptable to the City.

(d) If the Holders of a majority of the principal amount of Obligations then Outstanding object to the successor Trustee so appointed by the City and if such Holders designate another Person qualified to act as the Trustee, the City shall then appoint as the Trustee the Person so designated by the Holders.

* * * * *

Section 8.8. Trustee's Fees and Expenses.

(a) The Trustee shall be entitled to be paid from time to time reasonable compensation for all services rendered by it under the Indenture; to reimbursement upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith or willful misconduct or breach of trust; and, together with the Trustee's officers, directors, agents and employees, to be indemnified by the City, for, from and against any loss, liability or expense arising out of or in connection with the acceptance or administration of the trust or its duties under the Indenture.

* * * * *

Section 9.1. Supplements Not Requiring Consent of Holders. The City acting through the City Representative and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more supplements to the Indenture for one or more of the following purposes:

- (i) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture that is inconsistent with any other provision in the Indenture, or to make any other provisions with respect to matters or questions arising under the Indenture provided such action shall, in the opinion of counsel, which may be counsel to the City, delivered to the Trustee, not materially adversely affect the interests of the Holders;
- (ii) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (iii) to secure additional revenues or provide additional security or reserves for payment of the Obligations and necessary, related provisions therefor;
- (iv) to comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;
- (v) to provide for the appointment of a successor trustee or co-trustee pursuant to the terms of the Indenture;
- (vi) to permit Obligations in bearer form if the City and the Trustee receive a Special Counsel's Opinion that such action will not cause the interest on any Obligations to become includible in gross income for purposes of federal income taxes;
- (vii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur obligations (specifically not limited to the Obligations) the interest on which is likewise exempt from federal and State income taxes;
- (viii) to adopt procedures for the disclosure of information to Holders and to others in accordance with any guidelines for such purpose promulgated by the American Bankers Association or some other similar national organization, as such guidelines may be made applicable to the Indenture by agreement of the Trustee and the City; and
- (ix) to provide for additions or modifications to the Projects.

Section 9.2. Supplements Requiring Consent of Holders.

(a) Other than supplements to the Indenture referred to in Section 9.1 of the Indenture and subject to the terms and provisions and limitations contained in the Indenture and not otherwise, the Holders of not less than a majority in principal amount of the Obligations then Outstanding shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the City Representative and the Trustee of such supplement as shall be deemed necessary and desirable by the City and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, nothing in this Section or Section 9.1 of the Indenture shall permit or be construed as permitting a supplement to the Indenture that would:

- (i) extend the stated maturity of or time for paying interest on any Obligation or reduce the principal amount of or rate of interest payable on any Obligation without the consent of the Holder of such Obligation;
- (ii) prefer or give a priority to any Obligation over any other Obligation without the consent of the Holder of such Obligation;
- (iii) reduce the principal amount of Obligations then outstanding the consent of the Holders of which is required to authorize such supplement without the consent of the Holders of all Obligations then Outstanding;

(iv) increase the principal amount of Obligations then Outstanding, the request of the Holders of which is required by Section 7.1(d) of the Indenture, without the consent of the Holders of all Obligations then Outstanding; or

(v) reduce the redemption price of any Obligation upon optional redemption or reduce any period of time prior to commencement of any optional redemption period set forth in Section 3.2 of the Indenture without the consent of the Holder of such Obligation.

(b) If at any time the City requests the Trustee to enter into a supplement pursuant to this Section, the Trustee shall, upon being satisfactorily and specifically indemnified by the City with respect to expenses with respect to such supplement, cause notice of the proposed execution of such supplement to be mailed by first class mail, postage pre-paid, to all registered Holders of Obligations then Outstanding at their addresses as they appear on the registration books for the Obligations. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such supplement when consented to and approved as provided in this Section. Such notice shall be prepared by the City, briefly set forth the nature of the proposed supplement and state that copies thereof are on file at the office of the Trustee for inspection by all Holders.

* * * * *

Section 9.4. Amendments to Purchase Agreement Not Requiring Consent of Holders. The Trustee may, without the consent of or notice to any of the Holders, consent to and join with the City in the execution and delivery of any amendment, change or modification of the Purchase Agreement that is required (i) by the provisions of the Purchase Agreement; (ii) to cure any ambiguity or formal defect or omission or to correct or supplement any provision of the Purchase Agreement that is inconsistent with any other provision of the Purchase Agreement, or to make any other provisions with respect to matters or questions arising under the Purchase Agreement provided that the modification, in the opinion of counsel delivered to the Trustee under this Section, does not materially adversely affect the interests of the Holders; and (iii) to preserve the exclusion of the interest on the Obligations from gross income for purposes of federal or State income taxes and to preserve the power of the City to continue to incur bonds or other obligations (specifically not limited to the Obligations authorized by the Indenture) the interest on which is likewise exempt from federal and State income taxes; and (vi) in connection with any other change in the Purchase Agreement that, in the opinion of counsel delivered to the Trustee, will not materially adversely affect the interests of the Holders or, in the opinion of the Trustee, the Trustee. In executing any amendment to the Purchase Agreement, the Trustee shall be entitled to receive and rely on an Opinion of Counsel, which may be counsel to the City, stating that such amendment is authorized or permitted under the Indenture and under the Purchase Agreement and, if applicable, will not materially adversely affect the interests of the Holders.

Section 9.5. Amendments to Purchase Agreement Requiring Consent of Holders.

(a) Except for amendments, changes or modification to the Purchase Agreement referred to in Section 9.4 of the Indenture and subject to the terms, provisions and limitations contained in the Indenture and not otherwise, the Trustee may consent to and join with the City in the execution and delivery of any amendment, change or modification to the Purchase Agreement only with the consent of the Holders of not less than a majority in principal amount of Obligations then Outstanding, given as provided in this Section, provided, however, no such amendment, change or modification may affect the obligation of the City to make payments, under the Purchase Agreement or reduce the amount of or extend the time for making such payments without the consent of the Holders of all Obligations then Outstanding.

* * * * *

Section 10.1. Discharge of Indenture.

(a) If payment of all principal of and premium, if any, and interest on all of the Obligations in accordance with their terms and as provided in the Indenture and in the Purchase Agreement is made, or is provided for in accordance with Article 10 of the Indenture, and if all other sums, if any, payable under the Indenture shall be paid, then the liens, estates and security interests granted by the Indenture shall cease. Thereupon, upon the request

of the City, and upon receipt by the Trustee of an Opinion of Counsel addressed to the City and the Trustee stating that all conditions precedent to the satisfaction and discharge of the lien of the Indenture have been satisfied, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee shall transfer all property held by it under the Indenture, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Obligations, to the City or such other Person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection with the Indenture.

(b) The City may at any time surrender to the Trustee for cancellation any Obligations previously executed and delivered that the City may have acquired in any manner whatsoever and such Obligations upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.2. Providing for Payment of Obligations.

(a) Payment of all or any part of the Obligations in authorized denominations may be provided for by the deposit with the Trustee or a Depository Trustee of moneys or Defeasance Obligations that are not redeemable in advance of their maturity dates. The moneys and the maturing principal and interest income on such Defeasance Obligations, if any, shall be sufficient, as evidenced by a certificate or report of an independent nationally recognized certified public accountant or firm of such accountants selected by the City, to pay when due the principal or redemption price of and interest on such Obligations. The moneys and Defeasance Obligations shall be held by the Trustee or such Depository Trustee irrevocably in trust for the Holders of such Obligations solely for the purpose of paying the principal or redemption price of and interest on such Obligations as the same shall mature, come due or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee or such Depository Trustee as to the dates upon which any such Obligations are to be redeemed prior to their respective dates.

* * * * *

(c) If payment of Obligations is so provided for, the Trustee or the Depository Trustee shall mail a notice so stating to each Holder of an Obligation so provided for.

(d) Obligations, the payment of which has been provided for, in accordance with this Section, shall no longer be deemed outstanding under or secured by the Indenture. The obligation in respect of such Obligations shall nevertheless continue but the Holders of those Obligations will thereafter be entitled to payment only from the moneys or Defeasance Obligations deposited with the Trustee or such Depository Trustee to provide for the payment of such Obligations.

(e) No Obligation may be so provided for if, as a result thereof or of any other action in connection with which the provisions for payment of Obligation is made, the interest payable on any Obligation is made includible in gross income for purposes of federal income taxes. The Trustee and the City may rely upon a Special Counsel's Opinion to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Obligations.

* * * * *

Section 11.10 Certain Statutory Notices.

(a) To the extent applicable by provision of law, the Trustee acknowledges that the Indenture is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated in the Indenture and which provides that the City may within three years after its execution cancel any contract (including the Indenture) without penalty or further obligation made by the City if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the City is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

* * * * *

FORM OF CONTINUING DISCLOSURE UNDERTAKING

\$12,000,000*
 CITY OF BULLHEAD CITY, ARIZONA
 WATER AND WASTEWATER SYSTEM REVENUE OBLIGATIONS,
 SERIES 2026

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “*Undertaking*”) is executed and delivered by the City of Bullhead City, Arizona (the “*City*”), in connection with the execution and delivery of \$12,000,000* principal amount of Water and Wastewater System Revenue Obligations, Series 2026 (the “*Obligations*”). The Obligations are being executed and delivered pursuant to the Series 2026 Obligation Indenture, dated as of June 1, 2026* (the “*Indenture*”), by and between the City and U.S. Bank Trust Company, National Association, as trustee (the “*Trustee*”). The City covenants and agrees as follows:

1. **Definitions.** In addition to those defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

“*Annual Financial Information*” means the financial information and operating data set forth in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

“*Audited Financial Statements*” means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at <http://emma.msrb.org>.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Final Official Statement*” means the Final Official Statement relating to the Obligations, dated June __, 2026.

“*Financial Obligation*” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

* *Subject to change.*

“GAAP” means generally accepted accounting principles, as applied to governmental units as modified by the laws of the State.

“Listed Event” means the occurrence of events set forth in Exhibit II.

“Listed Events Disclosure” means dissemination of disclosure concerning a Listed Event as set forth in Section 5.

“MSRB” means the Municipal Securities Rulemaking Board.

“Participating Underwriter” means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Obligations.

“Purchase Agreement” means the Series 2026 Purchase Agreement, dated as of June 1, 2026*, by and between the City and the Trustee, in its separate capacity as “Seller.”

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Exchange Act.

“State” means the State of Arizona.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City represents that it will be the only obligated person with respect to the Obligations at the time the Obligations are delivered to the Participating Underwriter and that no other person is expected to become so committed at any time after such delivery of the Obligations.

3. CUSIP Number. The CUSIP Numbers of the Obligations are as follows:

CUSIP (Base No. _____)	Maturity Date (July 1)
_____	_____

4. Annual Financial Information Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate its Annual Financial Information and its Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), through EMMA.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. Listed Events Disclosure. Subject to Section 8 of this Undertaking, the City shall disseminate in a timely manner, but in not more than ten (10) business days after the occurrence of the event, its Listed Events Disclosure through EMMA. Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

* *Subject to change.*

6. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner through EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Obligation may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Purchase Agreement or the Indenture, and the sole remedy available to such owners of the Obligations under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the City by certified resolution or ordinance authorizing such amendment or waiver, may amend this Undertaking, and any provision of this Undertaking may be waived only if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Obligations, as determined by parties unaffiliated with the City (such as the Trustee) or by approving vote of the owners of the Obligations pursuant to the Indenture at the time of the amendment.

The Annual Financial Information containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying GAAP to be followed in preparing financial statements and such changes are material, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles in the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. If the accounting principles of the City change or the fiscal year of the City changes, the City shall file a notice of such change in the same manner as for a notice of Listed Event.

8. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation on or relating to repayment of the Obligations under the Indenture.

9. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information Disclosure or Listed Events Disclosure.

11. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the

Dissemination Agent, if any, and the beneficial owners of the Obligations, and shall create no rights in any other person or entity.

12. Recordkeeping. The City shall maintain records of all Annual Financial Information Disclosure and Listed Events Disclosure including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. Assignment. The City shall not transfer obligations under the Purchase Agreement unless the transferee agrees to assume all obligations of the City under this Undertaking or to execute an undertaking meeting the requirements of the Rule.

14. Governing Law. This Undertaking shall be governed by the laws of the State.

Dated: [Closing Date]

CITY OF BULLHEAD CITY, ARIZONA

By.....
City Manager

ATTEST:

.....
City Clerk

APPROVED AS TO FORM:

.....
City Attorney

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“Annual Financial Information” means financial information and operating data of the type contained in the Final Official Statement under the heading “HISTORICAL, PROJECTED AND BUDGETED NET REVENUES AND DEBT SERVICE COVERAGE” and in TABLES A-1 “Number of Utility Accounts”, A-9 “Revenues from Other Fees and Charges” and A-10 “Top Ten Customers of the Systems” (in each case, actual results for most recently completed fiscal year only).

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted through EMMA or filed with the Commission. If the information included by reference is contained in a final official statement, the final official statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be provided through EMMA by February 1 of each year, commencing February 1, 2027. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by Audited Financial Statements within 30 days after availability to the City.

Audited Financial Statements will be prepared according to GAAP.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or GAAP.

EXHIBIT II

EVENTS FOR WHICH LISTED EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the security, or other material events affecting the tax status of the security.
7. Modifications to the rights of security holders, if material.
8. Bond calls, if material, or tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar events of the City, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.
13. The consummation of a merger, consolidation or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation certificate will be issued for each maturity of the Obligations, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC’s records. The ownership interest of each actual purchaser of each Obligation (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee

holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Obligations purchased or tendered, through its Participant, to a remarketing agent, and shall effect delivery of such Obligations by causing the Direct Participant to transfer the Participant's interest in the Obligations, on DTC's records, to a remarketing agent. The requirement for physical delivery of Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Obligations to a remarketing agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Obligations at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligation certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but none of the City, the Underwriter or their agents and counsel take responsibility for the accuracy thereof.