

# City of Cottonwood Arizona

## Comprehensive Annual Financial Report FY 2020



Inspiring a Vibrant Community





# **City of Cottonwood, Arizona**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended June 30, 2020

Prepared by the Finance Department



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Table of Contents**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

**City of Cottonwood**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2020**

**Table of Contents**

---

|   | <u>Page</u> |
|---|-------------|
| <b><u>INTRODUCTORY SECTION (UNAUDITED)</u></b>  |             |
| Letter of Transmittal – City Management .....   | i           |
| Certificate of Achievement for Excellence in Financial Reporting - GFOA .....   | x           |
| Organization Chart .....  | xi          |
| List of Principal Officials .....   | xii         |
| <b><u>FINANCIAL SECTION</u></b>   |             |
| <b>Independent Auditors' Report on Financial Statements .....</b>   | <b>1</b>    |
| <b>Management's Discussion and Analysis (Required Supplementary Information) (Unaudited) .....</b>  | <b>5</b>    |
| <b>Basic Financial Statements:</b>  |             |
| <b>Government-Wide Financial Statements:</b>  |             |
| Statement of Net Position .....   | 20          |
| Statement of Activities .....   | 22          |
| <b>Fund Financial Statements:</b>   |             |
| <i>Governmental Fund Financial Statements:</i>  |             |
| Balance Sheet .....   | 30          |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Government-Wide Statement of Net Position .....  | 31          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances .....   | 32          |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,<br>and Changes in Fund Balance to the Government-Wide Statement of Activities ..... | 33          |
| <i>Proprietary Fund Financial Statements:</i>   |             |
| Statement of Net Position .....   | 38          |
| Statement of Revenues, Expenses, and Changes in Net Position .....  | 39          |
| Statement of Cash Flows .....   | 40          |
| <i>Fiduciary Fund Financial Statements:</i>   |             |
| Statement of Fiduciary Net Position .....   | 47          |
| Statement of Change in Fiduciary Net Position .....   | 48          |
| <b>Notes to the Basic Financial Statements .....</b>  | <b>53</b>   |
| <b>Required Supplementary Information (Unaudited):</b>  |             |
| Budgetary Information .....   | 99          |
| Budgetary Comparison Schedule – General Fund .....  | 100         |
| Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability .....  | 101         |
| Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios .....   | 108         |
| Schedules of Contributions .....  | 112         |

**City of Cottonwood**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2020**

**Table of Contents (Continued)**

---

|  | <u><b>Page</b></u> |
|--|--------------------|
| <b><u>FINANCIAL SECTION, Continued</u></b>   |                    |
| <b>Supplementary Information:</b>  |                    |
| <i>Non-Major Governmental Funds:</i>   |                    |
| Combining Balance Sheet .....  | 126                |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....    | 128                |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual: |                    |
| Debt Service Fund .....  | 131                |
| Grant Special Revenue Fund .....   | 132                |
| HURF Special Revenue Fund .....  | 133                |
| Transit Special Revenue Fund .....   | 134                |
| Capital Projects Fund .....  | 135                |
| <b><u>STATISTICAL SECTION (Unaudited)</u></b>  |                    |
| Index to Statistical Section .....   | 139                |
| <b>Financial Trends:</b>   |                    |
| Net Position by Component .....  | 140                |
| Changes in Net Position .....  | 142                |
| Fund Balances of Governmental Funds .....  | 146                |
| Changes in Fund Balances of Governmental Funds .....                                 | 148                |
| General Governmental Tax Revenues By Source .....                                    | 150                |
| <b>Revenue Capacity:</b>   |                    |
| Direct and Overlapping Sales Tax Rates .....   | 151                |
| Taxable Sales by Category .....  | 152                |
| <b>Debt Capacity:</b>  |                    |
| Outstanding Debt by Type .....   | 154                |
| Ratios of Debt Outstanding .....   | 156                |
| Direct and Overlapping Governmental Activities Debt .....                            | 157                |
| Legal Debt Margin Information .....  | 158                |
| Pledged Revenue Coverage .....   | 160                |
| <b>Demographic and Economic Information:</b>   |                    |
| Demographic and Economic Statistics .....  | 162                |
| Principal Employers .....  | 163                |



**City of Cottonwood**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2020**

**Table of Contents (Continued)**

---

|  | <u><b>Page</b></u> |
|--|--------------------|
| <u><b>STATISTICAL SECTION (Unaudited), Continued</b></u>   |                    |
| <b>Operating Information:</b>  |                    |
| Full-Time Equivalent City Government Employees by Function/Program .....   | 164                |
| Capital Asset Statistics by Function/Program .....   | 165                |
| Operating Indicators by Function/Program .....   | 166                |
| <b>Report on Internal Control Over Financial Reporting and on Compliance and<br/>Other Matters Based on an Audit of Financial Statements Performed in<br/>Accordance with <i>Government Auditing Standards</i> .....</b> |                    |
|  | 169                |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



December 31, 2020

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Cottonwood:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Cottonwood (City) for the fiscal year ended June 30, 2020.

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

The City's financial statements have been audited by The Pun Group LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2020, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Uniform Guidance designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package filed with the Federal Audit Clearinghouse.

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

## **PROFILE OF THE GOVERNMENT**

The community of Cottonwood was settled in 1879 and named after the tall stands of cottonwood trees. The first settlers were ranchers utilizing the fertile grasslands along the Verde River to feed their herds. Cottonwood developed as a farming and ranching community to support the nearby copper mining industry in Clarkdale and Jerome. The city incorporated in 1960 as the Town of Cottonwood. In 1987, the voters approved a name change from Town to City.

The City of Cottonwood, Arizona is situated in central Arizona bordering the Verde River to its north. The total geographic area is 15.75 square miles. Cottonwood is near the geographic center of Arizona adjacent to Interstate 17 on State Highways 89A and 260. The 2010 Census places the population at 11,265. Cottonwood is the retail and services center for the Verde Valley area. The main industries are tourism and wine, government services, medical and health services, retail and education.

The City of Cottonwood, Arizona has a Council-Manager form of government consisting of the Mayor and six Council Members. The Mayor is elected directly by the voters and serves a four-year term. The voters elect six City Council representatives for staggered four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committees, commissions, and board members, and appointing the positions of City Manager, City Attorney, City Clerk and Magistrate Judge. The City Council appoints a City Manager who is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the general operations of the various departments within the City.

The City of Cottonwood, Arizona provides a full range of municipal services, including law enforcement and fire suppression. Other services include road maintenance, park and recreational services, regulation of building and zoning codes, animal control, and a public library. Cottonwood offers community facilities including a swimming pool, civic center, recreation center, sports fields and community parks. The City also operates and maintains a water/wastewater utility, a cemetery, and a municipal airport.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Internal Controls.**

Management, in conjunction with those charged with governance, of the City of Cottonwood, Arizona are responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding;

- 1) Safeguarding of assets against loss from unauthorized use or disposition, and
- 2) Reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurances recognizes:

- 1) The cost of a control should not exceed the benefits likely to be derived, and
- 2) The valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are designed and operate to adequately safeguard assets and provide reasonable assurances of proper recording of financial transactions.

### **Budgetary Controls.**

The budget process is a cyclical process. A "beginning point" is the preparation of the base budget by each department head. Each budget is based on expenditures to date and the previous years' experience. The departments' base budgets, along with any requests for new positions, programs or services are then presented to the City Manager. City management then meets with each department head to review their base budget and requests for new services and/or programs. Once management has reviewed the departments' requests, a tentative budget is presented to the City Council by the City Manager in June.

In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget to the City Council for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. The City is subject to the State of Arizona's Annual Expenditure Limitation Law for Towns and Cities. This law does not permit the city to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. All appropriations lapse at year-end requiring actual fund balances to be re-budgeted each fiscal year.

The City operates under the voter-approved Alternative Expenditure Limitation as do all cities and towns in the State of Arizona. That makes a municipality subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity.

In May 21, 2013, the electorate authorized the City, in accordance with Arizona Revised Statutes, to establish a permanent base adjustment to the State imposed expenditure limit. This option allows Cottonwood to adjust the State imposed expenditure base from the original 1979-80 base of \$1,105,601 to \$7,000,000.

To ensure compliance with the state imposed expenditure limitation, a uniform expenditure report must be filed with the state each year. This report reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the state's uniform expenditure reporting system (ARS Section 41-1279.07). Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local taxpayers.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriations within the department. Transfers of appropriations between departments, however, require City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. Budget-to-actual comparisons for the General Fund and Major Special Revenue Funds, if applicable, are presented in the Required Supplementary Information section following the Notes to the Basic Financial Statements and all other funds are presented in Other Information – Fund Schedules.

### **Local Economy.**

The City of Cottonwood, Arizona continues to face many growth issues. Its citizens, governing body, and municipal government are committed to finding solutions for each of the issues. This strong commitment to the community has made 2020 a successful year, and will provide for future success. The City of Cottonwood continues to research programs that have been postponed in past years due to previous slow economies. Additionally, the City hopes to correct any deficiencies that may have occurred and is working on developing additional reserves to allow the City to fund much needed capital and maintenance projects that may have been postponed.

Although the current economic outlook is good all vacancies will be evaluated to access the need for replacement, elimination or modification to the job description as the City works towards right sizing the organization. The City will be closely monitoring its revenue sources and make adjustments accordingly.

### **Economic Outlook.**

**Retail Sales** – Not having a property tax, the City of Cottonwood, Arizona relies heavily on city transaction privilege tax (TPT), sometimes called a sales tax. Overall, city TPT revenues provide over 62% of the General Fund revenues. The city's TPT rate is currently at 3.5%, and the City also has a 3.5% Bed Tax (occupancy), a portion of which is transferred to the local Chamber of Commerce to promote economic development and tourism.

The TPT on construction projects has two parts: a 3.5% construction TPT is collected for the General Fund and an additional 1% construction TPT is collected specifically for street maintenance and goes into the Highway User Revenue Fund (HURF).

**State Shared Revenues** - The City of Cottonwood, Arizona receives significant revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, fuel tax and motor vehicle-in-lieu taxes. All but the fuel tax is placed in the City's General Fund, where it is used to sustain a large portion of the City's day-to-day activities. These revenue sources have improved recently and have increased by approximately 9.5% over the fiscal year 2019.

**Highway User Revenue Fund (HURF)** - The state shared fuel tax, as it is often called, is placed in this fund to be used specifically for street maintenance and construction. In past years, the state legislature has reduced the formula distribution of state-shared revenues to cities. The state shared revenue formulas generally allocate revenues based on official census data. (Last census: Year 2010). During FY 2018, the state enacted a special fee to help fund the Department of Public Safety and therefore had additional funds to allocate to City's and Towns for FY 2020. The City received approximately an additional \$192,000.

### **Long-Term Financial Planning.**

The City's Budget Policy has helped weather the slow economic recovery. This policy continues to require the City to internally restrict an amount equal to 16.67% of the previous year's operating revenues as part of its General Fund balance. This is also estimated to be about 60 days of expenditures coverage.

Additionally, an accumulating reserve of 10% of the .5% increase in TPT tax revenues from FY 2019 is being set aside for capital projects. FY 2020 is the second year of this reserve. There is also a Capital Projects reserve fund of over \$1,000,000 that Council capped at \$1,000,000 several years ago. Any excess revenues from this reserve are used for everyday maintenance and operational costs. In Fiscal Year 2019, Council directed staff to designate a portion of a .5% sales tax increase to General Fund reserves. During FY 2020, \$948,331 was transferred to General Fund reserves from the increase and \$734,532 was transferred to the HURF Fund.






Regular reporting to the City Manager, General Manager & Department Heads, allows for prompt shifting of priorities in order to counter downward economic pressure. This year the General Fund alone was able to maintain its costs and still accomplish its overall goals.






## **MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS**

### **For the Year.**








The following depicts the continued commitment of the City of Cottonwood to make the community a better place to live. Fiscal Year 2020 goals obtained are summarized within this list of accomplishments:

### **Facilitate Economic Growth**







-  Implemented Community Grant for outside agencies in the amount of \$100,000.
-  Updated and renewed tourism policy and the agreement with the Cottonwood Chamber of Commerce as well, meeting Council's desire for a more progressive approach to marketing Cottonwood in the future.
-  Expanded business call-backs to companies and hotel groups in-state and out-of-state identifying the theme of "Cottonwood is open for business."
-  Continued economic development efforts, which have contributed to the recognition of Cottonwood and the Verde Valley as an emerging American wine region in national articles and polls.
-  Worked with the Hang Gliding Association to identify a new landing spot outside of the secured airport operations area.

-  In conjunction with Parks & Recreation held “We Are Cottonwood” Fest in August to celebrate City Hall Selfie Day and encourage further citizen engagement.
-  Helped negotiate in-escrow sale of vacant property on 6<sup>th</sup> Street to a development group that intends to construct a new, 85-bed Springhill Suites hotel on the property, which is estimated to generate between \$200,000 and \$250,000 in additional direct tax revenues to the City.
-  Implemented extended service hours and Sunday service for the Verde LYNX public transportation service.
-  Successfully started extended hours for the Cottonwood Connect so passengers that ride the late hour Verde LYNX transportation service can get home.
-  Obtained a Section 5339 Buses and Bus Facilities Grant Program for \$550,000 with only \$82,500 matching.




### **Strengthening the Budget Process**

-  Implemented City of Cottonwood Strategic Plan.
-  Researched and developed a plan to reward employees for cost savings and sustainability ideas to promote fiscal responsibility and economic growth.
-  Produced an informative monthly budget update document to be presented to Council.
-  Proposed and implemented a conservative budget.
-  Secured Arizona Homeland Security grant money to enhance the City’s cybersecurity.
-  Decreased the net program costs of Walkin’ on Main by 46% through decreased operating expenses and increased revenues.
-  Decreased staffing costs while increasing hours of operations, including holiday hours and reducing closed days of the facility.
















### **Protecting Water Resources**

-  Completed the design phase of the new reclaimed waterline from Riverfront Park to the cemetery.
-  Worked with The Nature Conservancy to seek external funding for the construction of the new reclaimed waterline from Riverfront Park to the cemetery.
-  Completed Highway 89A waterline extension and installation of Lower 5 booster generator to satisfy mitigation requirements of Arizona Department of Environmental Quality (AZDEQ) and Arizona Department of Homeland Security (AZDHS).
-  Obtained the Underground Storage Permit (USF) from Arizona Department of Water Resources and began recharging reclaimed water.
-  Completed the installation of the Parshall flume flow-metering channel at the Mingus Wastewater Treatment Plant to comply with ADEQ permit requirements.
-  Initiated rehabilitation of Lift Station 4 of the wastewater system.







### **Promote Quality of Life**








-  Continued operation of the Cottonwood Community Garden.
-  The Safety Committee raised funds, for the purchasing and installation of two public automated external defibrillators (AEDs) on Main Street in the Old Town area.
-  Created and implemented the Public Library’s Strategic Plan.



-  Maximized hours of operation by increasing the library's opening hours in times of need and reducing hours during low-use times. Overall, an increase of three (3) operating hours a week with no increase in staffing costs.
-  Received \$4,000 of Library Services and Technology Act funding to improve Spanish language materials.
-  Added to the security of the City by installing video surveillance systems at Garrison Park/ Military Service Park and the Recreation Center.
-  Installed a "School Zone" area along Mingus Avenue, in the vicinity of the Cottonwood Community School.
-  Hosted and funded the Fall Carnival through community sponsorships with no cost to the City. Held the City's first "New Year's Eve Celebration."
-  Hosted the Arizona State Regional Little League Tournament and partnered with the National Softball Association to host the 30-team Cottonwood Classic Fast pitch Tournament for girls 18 and under.
-  Implemented a new recreation management software system that will reduce the City's transaction charges and allow for a more streamlined online registration and integration into an online platform.
-  Helped establish and participate in new Safe Housing Task Force to assist individuals and families who are displaced because of dilapidated/unsafe housing conditions.
-  Prioritized code enforcement to be more proactive and developed a task force to address dilapidated and unsafe rental housing structures that are neglected by landlords.
-  Reviewed city ordinances specific to health, safety, public peace and overall quality of life in Cottonwood as it pertains to animal issues.
-  Community Development and Police Department worked together to improve the overall beauty of Cottonwood through education, resources and enforcement of ordinance issues.
-  Created formalized training program requirements to meet GI Bill On the Job Training program.
-  Hosted "Vacation Fire School" for area youth to promote fire safety and let them explore possible fire service careers.
-  Partnered with Yavapai County Sheriff's Office (YCSO) and other communications centers to conduct and participate in regional training and in-service opportunities.
-  Snake Safety Awareness Training was provided to City employees, focusing on employees who work outside.

## **Developing and Improving Infrastructure**

-  Developed a plan to conduct internal biennial audits of fixed assets and produced a policy document for auditing the City's Assets.
-  Received a \$462,000 grant from Yavapai County Flood Control District to complete a detailed floodplain study of the Railroad Wash and the Silver Spring Gulch and to complete the city-wide Drainage Master Plan Update.
-  Completed the structural rehabilitation of the double tees and facilitated the installation of a new roof membrane at Mingus Waste Water Treatment Plant.
-  Completed the design and construction of the Camino Real Sidewalk Infill project.
-  Completed the sidewalk infrastructure map and programmed sidewalk infill projects along Camino Real, North Main Street, Cactus Street and Willard Street for construction.
-  Completed the pavement condition index maps and used them to identify roads to be treated under the FY 2020 Pavement Preservation projects.

-  Completed the sidewalk infrastructure map and programmed sidewalk infill projects along Camino Real, North Main Street, Cactus Street and Willard Street for construction.
-  Conducted routine street sweeping activities along the highway, arterial and collector streets and on City parking lots.
-  Coordinated with APS to implement new street banner locations along Main Street.
-  Completed the Sidewalk Infrastructure Map and programmed sidewalk infill projects along Camino Real, North Main Street, Cactus Street and Willard Street for construction.
-  Completed the implementation of the Main Street road ditch from Willard Street to Mingus Avenue (Phase 1).
-  Completed audit of Water and Wastewater Utilities.
-  Completed installation of radio read water meters in Verde Village 7 resulting in reduced costs and improved efficiency.

## AWARDS AND ACKNOWLEDGEMENTS

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded this certificate, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

This certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the program's requirements and we are submitting it to GFOA to determine its eligibility for the fiscal year ended 2020 certificate.

**Acknowledgments.** The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedication of the staff and Finance Department. We also wish to thank all the department heads and members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Ron Corbin  
City Manager



Kirsten L. Lennon  
Financial Services Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

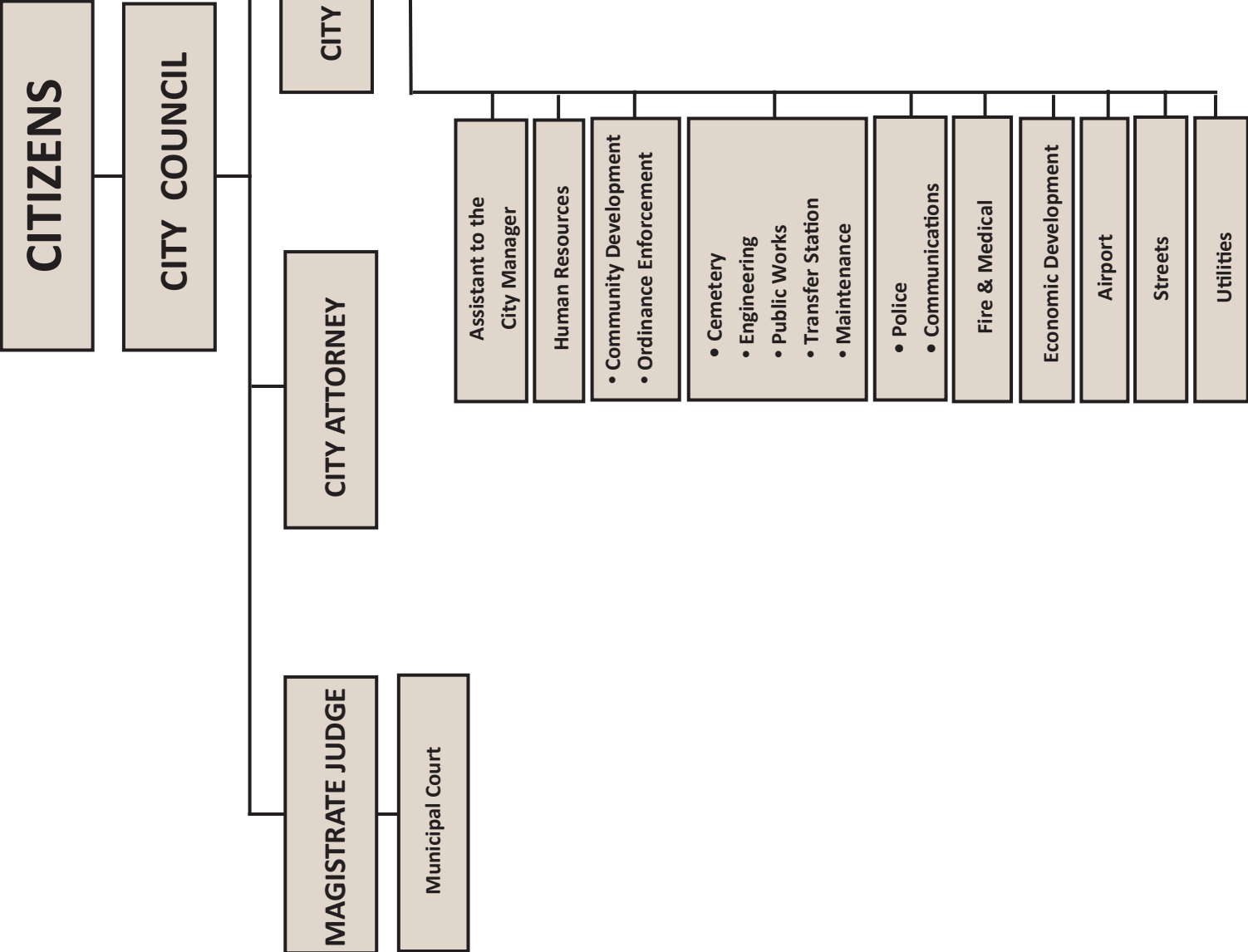
**City of Cottonwood  
Arizona**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrell*

Executive Director/CEO



# City of Cottonwood

## Comprehensive Annual Financial Report

Principal Officials as of June 30, 2020



Mayor  
Tim Elinski



Vice Mayor  
Michael Matthews



Council Member  
Tosca Henry



Council Member  
Doug Hulse



Council Member  
Jackie Nairn



Council Member  
Debbie Wilden



Council Member  
Ruben Jauregui

City Staff as of June 30, 2020

Ron Corbin, City Manager

Jesus R. Rodriguez,  
Deputy City Manager

Kirsten Lennon,  
Financial Services Director

## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members  
of the City Council of the City of Cottonwood  
Cottonwood, Arizona

### **Report on Financial Statements**

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 Cottonwood, Arizona (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to previously 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, 2020, 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.

**4742 North 24th Street, Suite 300, Phoenix, Arizona 85016**

**Tel: 602-274-9966 • Fax: 480-522-2021**

**[www.pungroup.com](http://www.pungroup.com)**



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, Budgetary Information, Budgetary Comparison Schedule – General Fund, Schedules of Proportionate Share of the Net Pension/OPEB (Asset)/Liability, Schedules of Changes in Net Pension/OPEB (Asset)/Liability and Related Ratios, and Schedules of Contributions, as identified in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

### *Other 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 introductory section, supplementary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020, 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.

The PwC Group, LLP

Phoenix, Arizona  
December 31, 2020



# **City of Cottonwood, Arizona**

## **Management's Discussion and Analysis (Unaudited)**

### **(Required Supplementary Information)**

For the fiscal year ended June 30, 2020

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

Management of the City of Cottonwood (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year (FY) ended June 30, 2020. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net position, changes in net position and fund disclosures are discussed in more detail later in the report.

***Financial Highlights – Primary Government***

♦ *Government-Wide Highlights*

*Net Position* – Assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at fiscal year ending June 30, 2020 by \$66.6 million, this compared to \$60.0 million at fiscal year end June 30, 2019. This is an overall increase of \$6.6 million or an increase of 11% of prior year's net position. Net position for governmental activities exceeded liabilities by \$19.6 million and this compares to \$16.5 million at June 30, 2019, an increase of 19%. The amount of increase in net position was \$3.1 million. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$47.1 million compared to \$43.5 million at June 30, 2019, an increase of 8%.

*Changes in Net Position* – The City's net position increased \$6.6 million in FY 2019-2020; this compared to \$5.0 million increase in FY 2018-2019. Net position of governmental activities increased \$6.6 million compared to an increase of \$2.0 million in 2018-2019. Net position of business-type activities increased by \$3.5 million compared to a \$3.0 million increase in FY 2018-2019.

♦ *Fund Highlights*

*Governmental Funds* – At the close of FY 2019-2020 the City's total governmental funds reported a fund balance of \$12.2 million, a \$4.4 million increase from the FY 2018-2019 balance of \$7.8 million, an increase of 55.5%. The increase in fund balance was partially due to an increase of the sales tax rate by .5% approved by Council in November of FY 2019, this increase allowed the City to reserve a larger portion of revenues and to decrease transfers to non-governmental funds.

*General Fund* – The fund balance of the general fund on June 30, 2020 was \$8.0 million. The fund balance increased \$3.2 million due to the City Council raising the City's sales tax rate in FY 2019 and designating that a large portion of the revenues received be reserved along with a conservative approach in spending taken by City Staff due to the uncertainty of COVID-19.

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### ***Government-Wide Financial Statements***

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

- ♦ *Statement of Net Position* - The Statement of Net Position presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds current financial resources with capital assets and long-term obligations.
- ♦ *Statement of Activities and Changes in Net Position* - The Statement of Activities and Changes in Net Position presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, transportation, and culture and leisure services. Business type activities include operations of the water and wastewater plant.

### ***Fund Financial Statements***

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

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

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

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenses and changes in fund balance with the government-wide financial statements can be found on pages 30-33.

- ♦ *Proprietary Funds* - The City maintains two types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and wastewater. Internal service funds are used to report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units on a cost reimbursement basis. The goal of the internal service funds is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting.

The basic proprietary funds financial statements can be found on pages 38-41.

- ♦ *Fiduciary Funds* - Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-96.

### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes budgetary comparison schedules for the major funds, and information regarding the obligation to provide pension benefits to employees. This information can be found on pages 99-122.

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

**City of Cottonwood Net Position**

|                        | Governmental  |               | Business-Type |               | Total         |               |
|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                        | Activities    |               | Activities    |               |               |               |
|                        | 2020          | 2019          | 2020          | 2019          | 2020          | 2019          |
| Current & Other Assets | \$ 15,689,961 | \$ 10,808,432 | \$ 27,356,370 | \$ 23,744,314 | \$ 43,046,331 | \$ 34,552,746 |
| Capital Assets         | 46,226,384    | 48,620,332    | 41,645,114    | 42,760,717    | 87,871,498    | 91,381,049    |
| Total Assets           | 61,916,345    | 59,428,764    | 69,001,484    | 66,505,031    | 130,917,829   | 125,933,795   |
| Deferred Outflows      | 5,231,161     | 5,334,525     | 4,233,969     | 4,439,180     | 9,465,130     | 9,773,705     |
| Current Liabilities    | 4,618,136     | 4,183,108     | 2,371,146     | 2,305,428     | 6,989,282     | 6,488,536     |
| Long-term Liabilities  | 41,471,540    | 42,337,580    | 23,615,691    | 24,842,525    | 65,087,231    | 67,180,105    |
| Total Liabilities      | 46,089,676    | 46,520,688    | 25,986,837    | 27,147,953    | 72,076,513    | 73,668,641    |
| Deferred Inflows       | 1,462,910     | 1,113,504     | 193,831       | 255,952       | 1,656,741     | 1,369,456     |
| Net Investment in      |               |               |               |               |               |               |
| Capital Assets         | 27,118,419    | 27,277,629    | 27,364,275    | 27,089,493    | 54,482,694    | 54,367,122    |
| Restricted             | 4,127,464     | 3,010,461     | 7,674,983     | 7,830,805     | 11,802,447    | 10,841,266    |
| Unrestricted           | (11,650,963)  | (13,832,151)  | 12,015,527    | 8,620,008     | 364,564       | (5,212,143)   |
| Total Net Position     | \$ 19,594,920 | \$ 16,455,939 | \$ 47,054,785 | \$ 43,540,306 | \$ 66,649,705 | \$ 59,996,245 |

**Net Position**

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$66.6 million at the close of fiscal year ending June 30, 2020.

Of the City's total net position, 81.7% reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining City net position represents resources that are subject to external restrictions (e.g., capital projects, debt services and highway and streets) and resources that are unrestricted to meet the City's ongoing obligations to citizens and creditors.

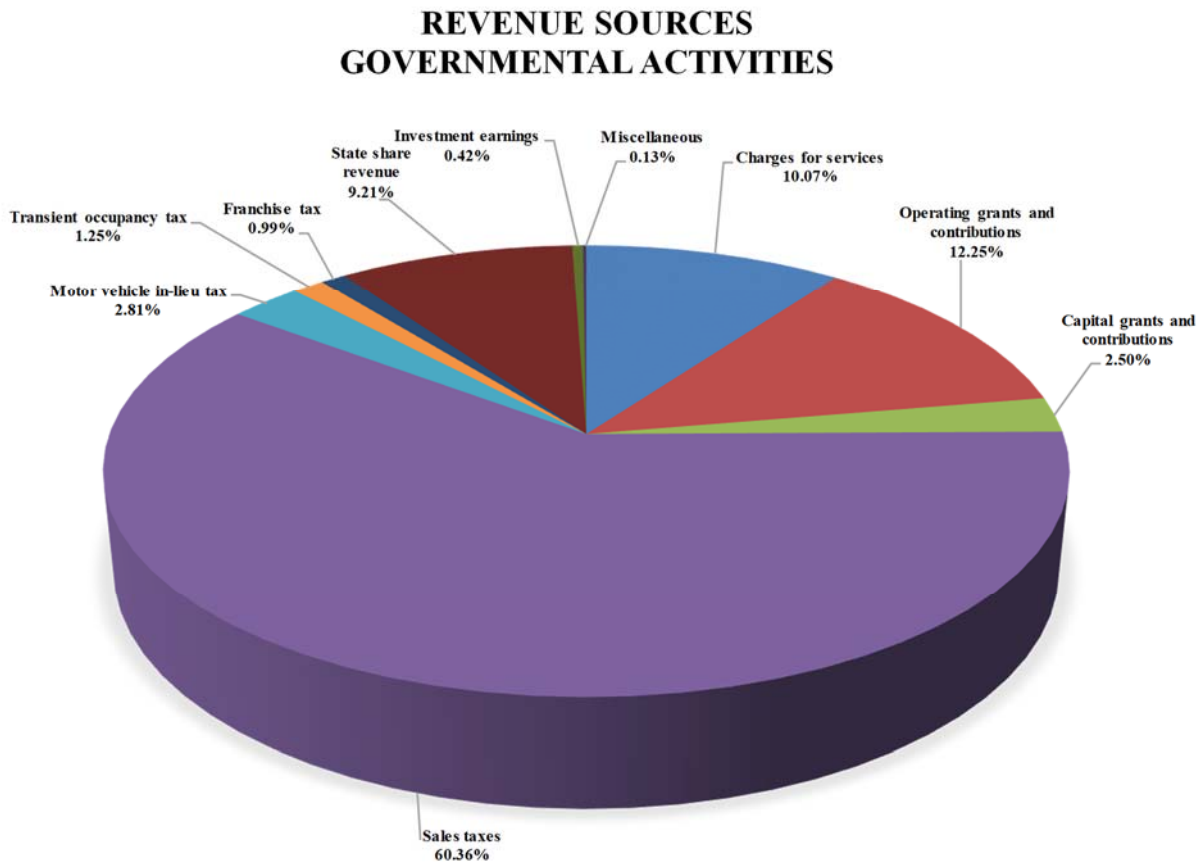
The City's net position was increased by \$6.6 million during the fiscal year, a 11% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase along with fiscally responsible spending allowed the City to increase its net position

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

***Governmental Activities***

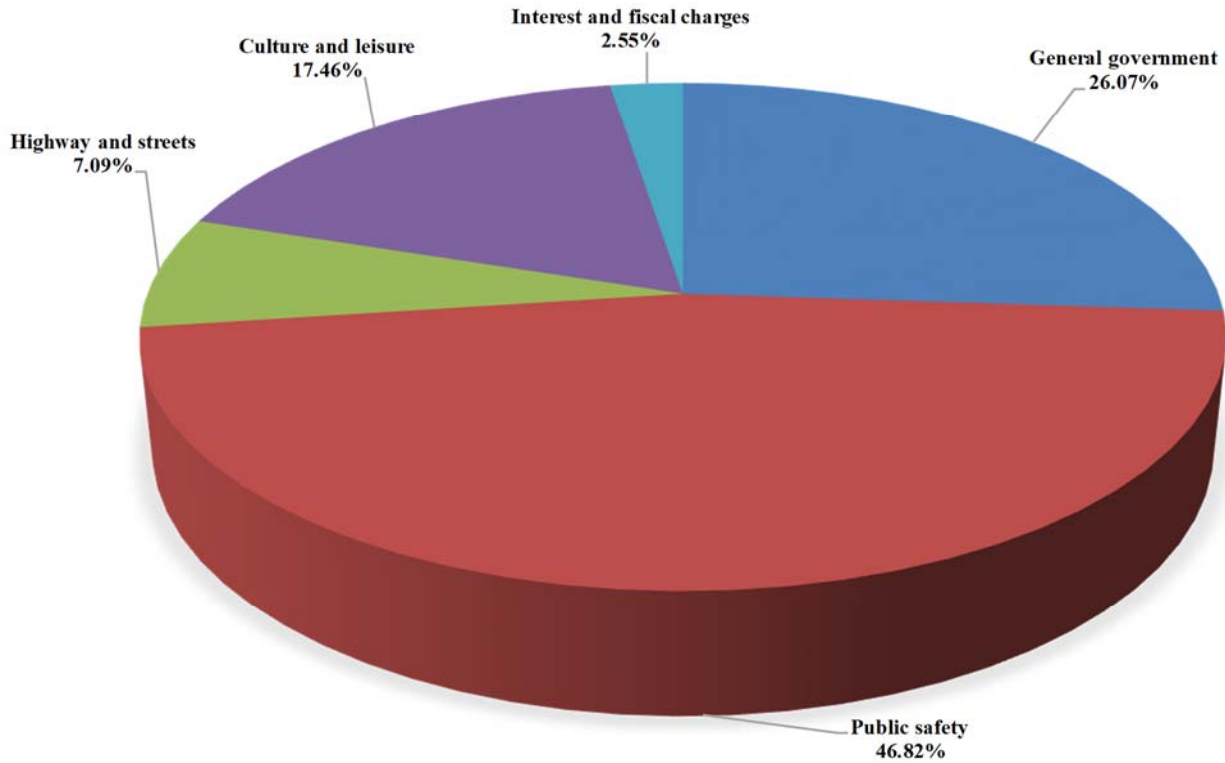
Governmental activities increased the City's net position by \$3.1 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses by function for all Governmental activities.



**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

**EXPENSES BY FUNCTION  
GOVERNMENTAL ACTIVITIES**





**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

| <b>Statement of Activities</b>          |                         |               |                          |               |               |               |  |
|---|-------------------------|---------------|--------------------------|---------------|---------------|---------------|--|
| <b>For the Year Ended June 30, 2020</b> |                         |               |                          |               |               |               |  |
|   | Governmental Activities |               | Business Type Activities |               | Total         |               |  |
|   | 2020                    | 2019          | 2020                     | 2019          | 2020          | 2019          |  |
| <b>Revenues:</b>                        |                         |               |                          |               |               |               |  |
| Program revenues:                       |                         |               |                          |               |               |               |  |
| Charges for services                    | \$ 3,102,697            | \$ 3,599,327  | \$ 11,340,094            | \$ 10,821,119 | \$ 14,442,791 | \$ 14,420,446 |  |
| Operating grants and contributions      | 3,772,457               | 3,358,972     | -                        | -             | 3,772,457     | 3,358,972     |  |
| Capital grants and contributions        | 770,600                 | 601,461       | -                        | -             | 770,600       | 601,461       |  |
| Total program revenues                  | 7,645,754               | 7,559,760     | 11,340,094               | 10,821,119    | 18,985,848    | 18,380,879    |  |
| General revenues:                       |                         |               |                          |               |               |               |  |
| Sales taxes                             | 18,588,547              | 16,453,665    | -                        | -             | 18,588,547    | 16,453,665    |  |
| Motor vehicle in-lieu tax               | 866,283                 | 848,579       | -                        | -             | 866,283       | 848,579       |  |
| Transient occupancy tax                 | 386,302                 | 288,333       | -                        | -             | 386,302       | 288,333       |  |
| Franchise tax                           | 303,659                 | 404,620       | -                        | -             | 303,659       | 404,620       |  |
| Total taxes                             | 20,144,791              | 17,995,197    | -                        | -             | 20,144,791    | 17,995,197    |  |
| State share revenue                     | 2,838,005               | 2,666,814     | -                        | -             | 2,838,005     | 2,666,814     |  |
| Investment earnings                     | 129,036                 | 135,426       | 353,649                  | 364,451       | 482,685       | 499,877       |  |
| Miscellaneous                           | 41,029                  | 48,496        | -                        | 78,225        | 41,029        | 126,721       |  |
| Gain on sale of assets                  | -                       | 74,936        | -                        | -             | -             | 74,936        |  |
| Total general revenues and transfers    | 23,152,861              | 20,920,869    | 353,649                  | 442,676       | 23,506,510    | 21,363,545    |  |
| <b>Total revenues</b>                   | 30,798,615              | 28,480,629    | 11,693,743               | 11,263,795    | 42,492,358    | 39,744,424    |  |
| <b>Expenses:</b>                        |                         |               |                          |               |               |               |  |
| General government                      | 6,651,834               | 5,947,814     | -                        | -             | 6,651,834     | 5,947,814     |  |
| Public safety                           | 11,945,539              | 12,099,647    | -                        | -             | 11,945,539    | 12,099,647    |  |
| Highway and streets                     | 1,809,652               | 1,419,997     | -                        | -             | 1,809,652     | 1,419,997     |  |
| Transportation                          | 2,147,294               | 2,300,410     | -                        | -             | 2,147,294     | 2,300,410     |  |
| Culture and leisure                     | 4,455,091               | 4,107,450     | -                        | -             | 4,455,091     | 4,107,450     |  |
| Interest and fiscal charges             | 650,224                 | 691,681       | -                        | -             | 650,224       | 691,681       |  |
| Water                                   | -                       | -             | 5,348,996                | 5,281,449     | 5,348,996     | 5,281,449     |  |
| Wastewater                              | -                       | -             | 2,830,268                | 2,896,175     | 2,830,268     | 2,896,175     |  |
| <b>Total expenses</b>                   | 27,659,634              | 26,566,999    | 8,179,264                | 8,177,624     | 35,838,898    | 34,744,623    |  |
| <b>Change in net position</b>           | 3,138,981               | 1,913,630     | 3,514,479                | 3,086,171     | 6,653,460     | 4,999,801     |  |
| Net position, beginning of year         | 16,455,939              | 14,542,309    | 43,540,306               | 40,454,135    | 59,996,245    | 54,996,444    |  |
| <b>Net position, end of year</b>        | \$ 19,594,920           | \$ 16,455,939 | \$ 47,054,785            | \$ 43,540,306 | \$ 66,649,705 | \$ 59,996,245 |  |

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

***Governmental Activities***

- ♦ Charges for services are primarily for recreation, planning, transportation, water and waste water fees.
- ♦ Operating and capital grants and contributions include grants from Federal and State grants to fund the Transit Program operations and to fund various projects including the Airport Master Plan and the Parks Master Plan.
- ♦ Sales tax includes mainly hotel, retail, and franchise fees and other special assessments.
- ♦ General government expenses include those expenses necessary for the operation of the general operation of the City. These include but are not limited to:
  - City Council
  - City Manager
  - City Clerk
  - Finance
  - Human Resources
- ♦ Public Works
- ♦ Public Safety expenses include both Police and Fire Protection Services, the Municipal Court and Legal Services
- ♦ Culture & Leisure expenses cover Parks and Recreation services including the operation of the Recreation Center, the Youth Center, the City pool and the Library.

***Business Type Activities***

The City operates two business-type activities. These are the City's Water and Wastewater System. These business-type activities increased the City's net position by \$3.5 million, compared to an increase of \$3.0 million in the prior year FY 2018-2019.

As in prior years the City's Water System and Waste Water systems were supported primarily by user fees.

**INTERNAL SERVICE FUNDS**

The Internal Service Fund includes only the activity of the Employee Benefit Trust Fund (EBT). The EBT Fund accounts for the City's partially self-funded health and accident insurance program for certain City employees and their dependents. The EBT has been inactive since fiscal year 2002-03 after the City moved to a health insurance pool. All remaining funds will be used to supplement employee benefits.

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

---

**FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS**

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-wide financial statements displayed previously, the fund financial statements that follow are not reflected on a full accrual basis.

***Governmental Funds***

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

The financial performance of the City's traditional services such as public safety, highways and streets, culture and recreation and administration is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$12.2 million, an increase of \$4.4 million primarily due to a sales tax increase and fiscally responsible spending that limited the transfers to other funds.

The General Fund comprises 65.9 percent of the total fund balance. Approximately \$6.9 million or 86.5 percent of the General Fund's fund balance is unassigned. The fund balance increased \$3.2 million due to the sales tax increase and Council direction to reserve the additional resources.

The HURF Fund comprises 22.3 percent of the total fund balance. The fund balance increased \$611,004 due to unfinished projects that will be finished in future years.

The Transit Fund comprises 1.7 percent of the total fund balance. The fund balance increased \$213,734 due to the allocation of the .5% sales tax increase to the Transit program.

The Grant Fund comprises less than 1 percent of the total fund balance, all of which is restricted. The fund balance did not change from \$11,164 to \$11,164.

The Debt Service Fund comprises 3.0 percent of the total fund balances. All of the fund balance is restricted for debt service. Revenues are allocated from other funds to cover applicable debt service requirements for the year.

The Capital Projects Fund comprises 10.4 percent of the total fund balance. All of the fund balance is assigned or restricted for capital projects. The fund balance increased \$284,327 due to the allocation of a portion of the .5% sales tax increase of FY2019 to fund future capital improvements.

***Proprietary Funds***

Net position of the Enterprise Funds and the Internal Service Fund at the end of the fiscal year amounted to \$47.0 million and \$97,325, respectively. The increase in net position in the Enterprise Funds of \$3.5 million from the prior fiscal year was primarily due to the funds not being used for capital projects in the current year but that will be needed to finish capital projects in future years.

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City revised the General Fund annual expenditure budget primarily due to changes in the council contingency reserve and projects that were not completed. The difference between the original budget and the final amended budget was a \$1.4 million increase, or 6 percent.

A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. There were no significant variances.

**Capital Assets**

As of the end of the current fiscal year, the City had invested \$87.9 million in governmental capital assets and \$68.8 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent an increase prior to depreciation of \$592 thousand for the governmental activities and a decrease prior to depreciation of \$719 thousand for the business-type activities. The increase in the governmental activities was primarily due to various street improvements and other construction projects. The increase in the business-type activities was primarily due to various water and wastewater improvements and other construction projects. Total depreciation expense for the current fiscal year was \$3.0 million for governmental activities and \$1.8 million for business-type activities.

|                                   | Government<br>Activities | Business-Type<br>Activities | Total                |
|-----------------------------------|--------------------------|-----------------------------|----------------------|
| <i>Non-Depreciable Assets:</i>    |                          |                             |                      |
| Land                              | \$ 2,587,885             | \$ 4,132,241                | \$ 6,720,126         |
| Construction in process           | 514,936                  | 2,539,519                   | 3,054,455            |
| Total non-depreciable assets, net | 3,102,821                | 6,671,760                   | 9,774,581            |
| <i>Depreciable Assets:</i>        |                          |                             |                      |
| Infrastructure                    | 29,946,665               | 45,558,993                  | 75,505,658           |
| Buildings and improvements        | 40,941,166               | 10,874,428                  | 51,815,594           |
| Vehicles, machinery and equipment | 13,924,086               | 5,771,546                   | 19,695,632           |
|                                   | 84,811,917               | 62,204,967                  | 147,016,884          |
| Less accumulated depreciation     | (41,688,354)             | (27,231,613)                | (68,919,967)         |
| Total depreciable assets, net     | 43,123,563               | 34,973,354                  | 78,096,917           |
| <b>Total capital assets</b>       | <b>\$ 46,226,384</b>     | <b>\$ 41,645,114</b>        | <b>\$ 87,871,498</b> |

Additional information on the capital assets can be found in Note 5 on pages 69-70 of this report.

**Debt Administration**

At year-end, the City had \$19.4 million in governmental long-term debt outstanding with \$1.9 million due within one year. The City had \$22.7 million in business-type long-term debt outstanding, with \$1.5 million due within one year. Long-term debt decreased by \$2.0 million for governmental and decreased by \$1.5 million for business-type activities.

**City of Cottonwood**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**(Required Supplementary Information)**  
**For the Year Ended June 30, 2020**

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves parks, playgrounds and recreational facilities. The current 20 percent debt limitation for the City is \$29.0 million. State statutes also currently limit the amount of general obligation debt a City may issue to six percent of its total assessed valuation for all other purposes. The current six percent debt limitation for the City is \$8.7 million. The City's outstanding bonds are not considered general obligation bonds subject to statutory limits because the bonds are secured by sales taxes.

Additional information on the City's long-term debt can be found in Notes 7 through 11 in the notes to the financial statements.

|                                 | Balance<br>June 30, 2019 | Additions   | Deletions             | Balance<br>June 30, 2020 | Due within<br>one year | Due in more<br>than one year |
|---------------------------------|--------------------------|-------------|-----------------------|--------------------------|------------------------|------------------------------|
| <u>Governmental Activities</u>  |                          |             |                       |                          |                        |                              |
| Capital leases                  | \$ 1,844,552             | \$ -        | \$ (465,599)          | \$ 1,378,953             | \$ 485,106             | \$ 893,847                   |
| 2015 Pledged revenue bonds      | 7,935,846                | -           | (369,408)             | 7,566,438                | 346,484                | 7,219,954                    |
| 2016 Pledged revenue bonds      | 11,562,305               | -           | (1,148,590)           | 10,413,715               | 1,030,000              | 9,383,715                    |
| Total Government Activities     | 21,342,703               | -           | (1,983,597)           | 19,359,106               | 1,861,590              | 17,497,516                   |
| <u>Business-Type Activities</u> |                          |             |                       |                          |                        |                              |
| 2015 WIFA refunding loan        | 8,331,140                | -           | (650,812)             | 7,680,328                | 665,130                | 7,015,198                    |
| 2016 WIFA refunding loan        | 12,679,921               | -           | (707,727)             | 11,972,194               | 719,786                | 11,252,408                   |
| 2015 Pledged revenue bonds      | 3,193,930                | -           | (149,015)             | 3,044,915                | 138,517                | 2,906,398                    |
| Total Business-Type Activities  | 24,204,991               | -           | (1,507,554)           | 22,697,437               | 1,523,433              | 21,174,004                   |
| <b>Total</b>                    | <b>\$ 45,547,694</b>     | <b>\$ -</b> | <b>\$ (3,491,151)</b> | <b>\$ 42,056,543</b>     | <b>\$ 3,385,023</b>    | <b>\$ 38,671,520</b>         |

***Economic Factors and Next Year's Budget***

Many factors were considered by the City's officials during the process of developing the fiscal year 2020-21 budget. Among them:

- Fiscal year 2020-21 general fund budget balance carry forward (estimated \$5.6 million).
- Employee salaries and benefits (estimated at \$21.1 million).

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Cottonwood's finances for all those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Director, 827 N. Main St., Cottonwood, Arizona 86326.

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Basic Financial Statements**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Government-Wide Financial Statements**

**City of Cottonwood**  
**Statement of Net Position**  
**June 30, 2020**

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b>ASSETS</b>   |                            |                             |               |
| Current assets:   |                            |                             |               |
| Cash and investments                                    | \$ 12,691,747              | \$ 14,523,799               | \$ 27,215,546 |
| Receivables:  |                            |                             |               |
| Accounts  | 61,799                     | 692,775                     | 754,574       |
| Taxes   | 609,282                    | -                           | 609,282       |
| Intergovernmental                                       | 977,034                    | -                           | 977,034       |
| Inventories   | 37,972                     | -                           | 37,972        |
| Prepaid items   | 79,145                     | -                           | 79,145        |
| Total current assets                                    | 14,456,979                 | 15,216,574                  | 29,673,553    |
| Noncurrent assets:                                      |                            |                             |               |
| Restricted cash and investment                          | 1,093,138                  | 12,135,342                  | 13,228,480    |
| Aggregate net pension asset                             | 6,614                      | -                           | 6,614         |
| Aggregate net OPEB asset                                | 133,230                    | 4,454                       | 137,684       |
| Capital assets:   |                            |                             |               |
| Nondepreciable  | 3,102,821                  | 6,671,760                   | 9,774,581     |
| Depreciable, net  | 43,123,563                 | 34,973,354                  | 78,096,917    |
| Total capital assets, net                               | 46,226,384                 | 41,645,114                  | 87,871,498    |
| Total noncurrent assets                                 | 47,459,366                 | 53,784,910                  | 101,244,276   |
| <b>Total assets</b>                                     | 61,916,345                 | 69,001,484                  | 130,917,829   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                   |                            |                             |               |
| Excess consideration provided for acquisitions (Note 6) | -                          | 3,956,239                   | 3,956,239     |
| Deferred loss on refunding                              | 251,141                    | -                           | 251,141       |
| OPEB-related deferred outflows                          | 105,335                    | 20,932                      | 126,267       |
| Pension-related deferred outflows                       | 4,874,685                  | 256,798                     | 5,131,483     |
| <b>Total deferred outflows of resources</b>             | 5,231,161                  | 4,233,969                   | 9,465,130     |

**City of Cottonwood**  
**Statement of Net Position (Continued)**  
**June 30, 2020**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>LIABILITIES</b>  |                            |                             |                      |
| Current liabilities:  |                            |                             |                      |
| Accounts payable  | 1,156,031                  | 267,809                     | 1,423,840            |
| Accrued payroll and related liabilities                     | 327,631                    | 56,562                      | 384,193              |
| Interest payable  | 327,474                    | 252,704                     | 580,178              |
| Deposits payable  | 55,529                     | 217,562                     | 273,091              |
| Unearned revenue  | 9,548                      | -                           | 9,548                |
| Compensated absences - due within one year                  | 880,333                    | 53,076                      | 933,409              |
| Long-term debt - due within one year                        | 1,861,590                  | 1,523,433                   | 3,385,023            |
| Total current liabilities                                   | 4,618,136                  | 2,371,146                   | 6,989,282            |
| Long-term liabilities:                                      |                            |                             |                      |
| Compensated absences - due in more than one year            | 474,527                    | 117,445                     | 591,972              |
| Long-term debt - due in more than one year                  | 17,497,516                 | 21,174,004                  | 38,671,520           |
| Aggregate net OPEB liability - due in more than one year    | 79,214                     | 10,439                      | 89,653               |
| Aggregate net pension liability - due in more than one year | 23,420,283                 | 2,313,803                   | 25,734,086           |
| Total long-term liabilities                                 | 41,471,540                 | 23,615,691                  | 65,087,231           |
| <b>Total liabilities</b>                                    | 46,089,676                 | 25,986,837                  | 72,076,513           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                        |                            |                             |                      |
| OPEB-related deferred inflows                               | 189,594                    | 11,469                      | 201,063              |
| Pension-related deferred inflows                            | 1,273,316                  | 182,362                     | 1,455,678            |
| <b>Total deferred inflows of resources</b>                  | 1,462,910                  | 193,831                     | 1,656,741            |
| <b>NET POSITION</b>   |                            |                             |                      |
| Net investment in capital assets                            | 27,118,419                 | 27,364,275                  | 54,482,694           |
| Restricted for:   |                            |                             |                      |
| Debt service  | 348,011                    | 7,674,983                   | 8,022,994            |
| Capital projects  | 842,316                    | -                           | 842,316              |
| Grants  | 11,164                     | -                           | 11,164               |
| Highways and streets  | 2,925,973                  | -                           | 2,925,973            |
| Total restricted  | 4,127,464                  | 7,674,983                   | 11,802,447           |
| Unrestricted (deficit)                                      | (11,650,963)               | 12,015,527                  | 364,564              |
| <b>Total net position</b>                                   | <u>\$ 19,594,920</u>       | <u>\$ 47,054,785</u>        | <u>\$ 66,649,705</u> |

**City of Cottonwood**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

| Functions/Programs                                  | Expenses             | Program Revenues        |  |  | Total                |
|---|----------------------|-------------------------|--|--|----------------------|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                      |
| <b>Primary government:</b>                          |                      |                         |  |  |                      |
| <b>Governmental activities:</b>                     |                      |                         |  |  |                      |
| General government                                  | \$ 6,651,834         | \$ 1,267,587            | \$ 424,419                               | \$ 125,112                             | \$ 1,817,118         |
| Public safety                                       | 11,945,539           | 905,165                 | 429,472                                  | 2,549                                  | 1,337,186            |
| Highways and streets                                | 1,809,652            | -                       | 1,236,881                                | 205,888                                | 1,442,769            |
| Transportation                                      | 2,147,294            | 154,367                 | 1,657,753                                | 214,247                                | 2,026,367            |
| Culture and leisure                                 | 4,455,091            | 775,578                 | 23,932                                   | 222,804                                | 1,022,314            |
| Interest and fiscal agent fees, net of amortization | 650,224              | -                       | -  | -                                      | -                    |
| <b>Total governmental activities</b>                | <u>27,659,634</u>    | <u>3,102,697</u>        | <u>3,772,457</u>                         | <u>770,600</u>                         | <u>7,645,754</u>     |
| <b>Business-Type activities:</b>                    |                      |                         |  |  |                      |
| Water   | 5,348,996            | 8,073,195               | -  | -                                      | 8,073,195            |
| Wastewater  | 2,830,268            | 3,266,899               | -  | -                                      | 3,266,899            |
| <b>Total business-type activities</b>               | <u>8,179,264</u>     | <u>11,340,094</u>       | <u>-</u>                                 | <u>-</u>                               | <u>11,340,094</u>    |
| <b>Total primary government</b>                     | <u>\$ 35,838,898</u> | <u>\$ 14,442,791</u>    | <u>\$ 3,772,457</u>                      | <u>\$ 770,600</u>                      | <u>\$ 18,985,848</u> |

**City of Cottonwood**  
**Statement of Activities (Continued)**  
**For the Year Ended June 30, 2020**

| Functions/Programs                                  | Net (Expense) Revenue<br>and Changes in Net Position |                             |                      |
|---|--|-----------------------------|----------------------|
|   | Governmental<br>Activities                           | Business-Type<br>Activities | Total                |
| <b>Primary government:</b>                          |  |                             |                      |
| <b>Governmental activities:</b>                     |  |                             |                      |
| General government                                  | \$ (4,834,716)                                       | \$ -                        | \$ (4,834,716)       |
| Public safety                                       | (10,608,353)   | -                           | (10,608,353)         |
| Highways and streets                                | (366,883)  | -                           | (366,883)            |
| Transportation                                      | (120,927)  | -                           | (120,927)            |
| Culture and leisure                                 | (3,432,777)  | -                           | (3,432,777)          |
| Interest and fiscal agent fees, net of amortization | (650,224)  | -                           | (650,224)            |
| <b>Total governmental activities</b>                | <b>(20,013,880)</b>                                  | <b>-</b>                    | <b>(20,013,880)</b>  |
| <b>Business-Type activities:</b>                    |  |                             |                      |
| Water   | -  | 2,724,199                   | 2,724,199            |
| Wastewater  | -  | 436,631                     | 436,631              |
| <b>Total business-type activities</b>               | <b>-</b>   | <b>3,160,830</b>            | <b>3,160,830</b>     |
| <b>Total primary government</b>                     | <b>(20,013,880)</b>                                  | <b>3,160,830</b>            | <b>(16,853,050)</b>  |
| <b>General revenues:</b>                            |  |                             |                      |
| Taxes:  |  |                             |                      |
| Sales tax   | 18,588,547   | -                           | 18,588,547           |
| Motor vehicle in-lieu taxes                         | 866,283  | -                           | 866,283              |
| Franchise tax                                       | 303,659  | -                           | 303,659              |
| Transient occupancy tax                             | 386,302  | -                           | 386,302              |
| Total taxes   | 20,144,791   | -                           | 20,144,791           |
| State share revenue                                 | 2,838,005  | -                           | 2,838,005            |
| Investment earnings                                 | 129,036  | 353,649                     | 482,685              |
| Miscellaneous                                       | 41,029   | -                           | 41,029               |
| <b>Total general revenues</b>                       | <b>23,152,861</b>                                    | <b>353,649</b>              | <b>23,506,510</b>    |
| <b>Change in net position</b>                       | <b>3,138,981</b>                                     | <b>3,514,479</b>            | <b>6,653,460</b>     |
| <b>Net position - beginning of year</b>             | <b>16,455,939</b>                                    | <b>43,540,306</b>           | <b>59,996,245</b>    |
| <b>Net position - end of year</b>                   | <b>\$ 19,594,920</b>                                 | <b>\$ 47,054,785</b>        | <b>\$ 66,649,705</b> |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Fund Financial Statements**

Governmental Fund Financial Statements  
Proprietary Fund Financial Statements  
Fiduciary Fund Financial Statements

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Governmental Fund Financial Statements**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

***The General Fund*** - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Cottonwood, these services include general government, public safety, highways and streets, and culture and recreation.

***City Debt Service Fund*** – This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the debt.

**City of Cottonwood**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

|  | Major Funds         |                        |                              |                          |
|--|---------------------|------------------------|------------------------------|--------------------------|
|  | General Fund        | City Debt Service Fund | Non-Major Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>                              |                     |                        |                              |                          |
| Cash and cash investments                  | \$ 8,179,243        | \$ 1,416,836           | \$ 2,998,343                 | \$ 12,594,422            |
| Restricted cash and cash investments       | -                   | 199,832                | 893,306                      | 1,093,138                |
| Receivables:                               |                     |                        |                              |                          |
| Accounts                                   | 41,731              | -                      | 20,068                       | 61,799                   |
| Taxes                                      | 295,772             | 136,676                | 176,834                      | 609,282                  |
| Intergovernmental                          | 119,030             | -                      | 858,004                      | 977,034                  |
| Due from other funds                       | 428,025             | -                      | -                            | 428,025                  |
| Inventories                                | 24,044              | -                      | 13,928                       | 37,972                   |
| Prepaid items                              | 62,944              | 16,201                 | -                            | 79,145                   |
| <b>Total assets</b>                        | <b>\$ 9,150,789</b> | <b>\$ 1,769,545</b>    | <b>\$ 4,960,483</b>          | <b>\$ 15,880,817</b>     |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                        |                              |                          |
| <b>Liabilities:</b>                        |                     |                        |                              |                          |
| Accounts payable                           | \$ 757,763          | \$ -                   | \$ 398,268                   | \$ 1,156,031             |
| Accrued payroll and related liabilities    | 294,995             | -                      | 32,636                       | 327,631                  |
| Due to other funds                         | -                   | -                      | 428,025                      | 428,025                  |
| Deposits payable                           | 55,529              | -                      | -                            | 55,529                   |
| Unearned revenue                           | -                   | -                      | 9,548                        | 9,548                    |
| Interest payable - current portion         | -                   | 234,779                | 92,695                       | 327,474                  |
| Principal payable - current portion        | -                   | 1,170,554              | 205,930                      | 1,376,484                |
| <b>Total liabilities</b>                   | <b>1,108,287</b>    | <b>1,405,333</b>       | <b>1,167,102</b>             | <b>3,680,722</b>         |
| <b>Fund Balances:</b>                      |                     |                        |                              |                          |
| Nonspendable                               | 86,988              | 16,201                 | 13,928                       | 117,117                  |
| Restricted                                 | -                   | 348,011                | 3,779,453                    | 4,127,464                |
| Assigned                                   | 1,000,000           | -                      | -                            | 1,000,000                |
| Unassigned                                 | 6,955,514           | -                      | -                            | 6,955,514                |
| <b>Total fund balances</b>                 | <b>8,042,502</b>    | <b>364,212</b>         | <b>3,793,381</b>             | <b>12,200,095</b>        |
| <b>Total liabilities and fund balances</b> | <b>\$ 9,150,789</b> | <b>\$ 1,769,545</b>    | <b>\$ 4,960,483</b>          | <b>\$ 15,880,817</b>     |

See accompanying Notes to Basic Financial Statements.

**City of Cottonwood**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2020**

|  |                             |
|--|-----------------------------|
| <b>Total Fund Balances - Total Governmental Funds</b>  | <u>\$ 12,200,095</u>        |
| Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.   | <u>46,226,384</u>           |
| Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.  |                             |
| Compensated absences - due within one year   | (880,333)                   |
| Compensated absences - due in more than one year   | (474,527)                   |
| Long-term debt - due within one year   | (1,861,590)                 |
| Long-term debt - due in more than one year   | (17,497,516)                |
| less amount reported in governmental fund financial statements for current portion   | <u>1,376,484</u>            |
|  | <u>(19,337,482)</u>         |
| Aggregate net pension asset in the governmental activities were not financial resources and therefore were not reported in governmental funds.   | <u>6,614</u>                |
| Aggregate net OPEB asset in the governmental activities were not financial resources and therefore were not reported in governmental funds.  | <u>133,230</u>              |
| Deferred loss on refunding in the governmental activities were not financial resources and therefore were not reported in governmental funds.  | <u>251,141</u>              |
| Actuarially determined deferred outflows of resources are reported in the government-wide statements:  |                             |
| OPEB-related deferred outflows   | 105,335                     |
| Pension-related deferred outflows  | <u>4,874,685</u>            |
|  | <u>4,980,020</u>            |
| Aggregate net OPEB liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.  | <u>(79,214)</u>             |
| Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.   | <u>(23,420,283)</u>         |
| Actuarially determined deferred inflows of resources are reported in the government-wide statements:   |                             |
| OPEB-related deferred outflows   | (189,594)                   |
| Pension-related deferred outflows  | <u>(1,273,316)</u>          |
|  | <u>(1,462,910)</u>          |
| Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were reported with governmental activities. | <u>97,325</u>               |
| <b>Net Position of Governmental Activities</b>   | <u><u>\$ 19,594,920</u></u> |

**City of Cottonwood**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

|   | Major Funds         |                           |                                    |                                |
|---|---------------------|---------------------------|------------------------------------|--------------------------------|
|   | General<br>Fund     | City Debt<br>Service Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
| <b>REVENUES:</b>  |                     |                           |                                    |                                |
| Taxes   | \$ 15,846,525       | \$ 1,642,174              | \$ 1,789,809                       | \$ 19,278,508                  |
| Intergovernmental   | 4,170,676           | -                         | 3,458,922                          | 7,629,598                      |
| Licenses and Permits  | 281,099             | -                         | -                                  | 281,099                        |
| Fines and Forfeitures   | 172,572             | -                         | -                                  | 172,572                        |
| Rents and royalties   | 129,751             | -                         | -                                  | 129,751                        |
| Investment Income   | 82,712              | 638                       | 45,686                             | 129,036                        |
| Charges for Services  | 1,802,164           | -                         | 154,367                            | 1,956,531                      |
| Contributions   | 34,050              | -                         | -                                  | 34,050                         |
| Miscellaneous   | 1,180,456           | -                         | 7,014                              | 1,187,470                      |
| <b>Total revenues</b>   | <b>23,700,005</b>   | <b>1,642,812</b>          | <b>5,455,798</b>                   | <b>30,798,615</b>              |
| <b>EXPENDITURES:</b>  |                     |                           |                                    |                                |
| Current:  |                     |                           |                                    |                                |
| General government  | 6,005,936           | -                         | 311,960                            | 6,317,896                      |
| Public safety   | 10,277,695          | -                         | -                                  | 10,277,695                     |
| Highways and streets  | -                   | -                         | 1,085,263                          | 1,085,263                      |
| Transportation  | -                   | -                         | 2,036,416                          | 2,036,416                      |
| Culture and leisure   | 3,550,868           | -                         | 59,032                             | 3,609,900                      |
| Capital outlay  | 154,909             | -                         | 437,533                            | 592,442                        |
| Debt service:   |                     |                           | -                                  |                                |
| Principal   | 425,553             | 1,170,553                 | 245,977                            | 1,842,083                      |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | 126,026             | 474,284                   | 187,179                            | 787,489                        |
| <b>Total expenditures</b>   | <b>20,540,987</b>   | <b>1,644,837</b>          | <b>4,363,360</b>                   | <b>26,549,184</b>              |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                     | <b>3,159,018</b>    | <b>(2,025)</b>            | <b>1,092,438</b>                   | <b>4,249,431</b>               |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                     |                           |                                    |                                |
| Sales of property   | 105,649             | -                         | -                                  | 105,649                        |
| Transfers in  | -                   | -                         | 230,361                            | 230,361                        |
| Transfers out   | (16,627)            | -                         | (213,734)                          | (230,361)                      |
| <b>Total other financing sources (uses)</b>                                       | <b>89,022</b>       | <b>-</b>                  | <b>16,627</b>                      | <b>105,649</b>                 |
| <b>Net changes in fund balances</b>   | <b>3,248,040</b>    | <b>(2,025)</b>            | <b>1,109,065</b>                   | <b>4,355,080</b>               |
| <b>FUND BALANCES:</b>   |                     |                           |                                    |                                |
| Beginning of year   | 4,794,462           | 366,237                   | 2,684,316                          | 7,845,015                      |
| End of year   | <u>\$ 8,042,502</u> | <u>\$ 364,212</u>         | <u>\$ 3,793,381</u>                | <u>\$ 12,200,095</u>           |

**City of Cottonwood**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance to the Government-Wide Statement of Activities**  
**For the Year Ended June 30, 2020**

|  |                            |
|--|----------------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b>  | <b>\$ 4,355,080</b>        |
| Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 592,442                    |
| Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds.   | (2,986,354)                |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.   | (36)                       |
| Accrual of long-term liabilities payable on July 1, 2020 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.   | 1,376,484                  |
| Repayment of long-term liabilities due on January 1, 2020 was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.  |                            |
| Debt retirements on the Government-Wide Statement of Net Position  | 1,814,939                  |
| Less: accrual of long-term liabilities payable on July 1, 2019   | (1,349,340)                |
| Total  | <u>465,599</u>             |
| Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.   |                            |
| Bond premium and discount  | 168,658                    |
| Deferred amounts on refunding  | (31,393)                   |
| The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.  | (838,096)                  |
| The net effect of various miscellaneous transactions involving OPEB plans (i.e. changes in the net OPEB (asset) liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.  | 31,725                     |
| Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.   |                            |
| Changes in compensated absences  | 3,091                      |
| Internal service funds were used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds was reported with governmental activities.   | <u>1,781</u>               |
| <b>Change in Net Position of Governmental Activities</b>   | <b><u>\$ 3,138,981</u></b> |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Proprietary Fund Financial Statements**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

## PROPRIETARY FUND FINANCIAL STATEMENTS

***Water Fund*** – This fund is used to account for the provision of water services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

***Wastewater Fund*** – This fund is used to account for the provision of wastewater collection and treatment services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**City of Cottonwood**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

|  | Business-Type Activities -<br>Enterprise Funds |                      |                      | Governmental<br>Activities -<br>Internal Service<br>Funds |
|--|--|----------------------|----------------------|---|
|  | Water<br>Fund                                  | Wastewater<br>Fund   | Total                |   |
| <b>ASSETS</b>                                    |  |                      |                      |   |
| <b>Current assets:</b>                           |  |                      |                      |   |
| Cash and cash investments                        | \$ 11,419,885                                  | \$ 3,103,914         | \$ 14,523,799        | \$ 97,325   |
| Receivables:                                     |  |                      |                      |   |
| Accounts   | 497,967  | 194,808              | 692,775              | -   |
| <b>Total current assets</b>                      | <u>11,917,852</u>                              | <u>3,298,722</u>     | <u>15,216,574</u>    | <u>97,325</u>   |
| <b>Noncurrent assets:</b>                        |  |                      |                      |   |
| Restricted cash and cash equivalents             | 10,727,774                                     | 1,407,568            | 12,135,342           | -   |
| Net OPEB Asset                                   | 3,092  | 1,362                | 4,454                | -   |
| Capital assets:                                  |  |                      |                      |   |
| Non-depreciable                                  | 3,189,987                                      | 3,481,773            | 6,671,760            | -   |
| Depreciable, net                                 | 10,308,809                                     | 24,664,545           | 34,973,354           | -   |
| Total capital assets                             | 13,498,796                                     | 28,146,318           | 41,645,114           | -   |
| <b>Total noncurrent assets</b>                   | <u>24,229,662</u>                              | <u>29,555,248</u>    | <u>53,784,910</u>    | <u>-</u>  |
| <b>Total assets</b>                              | <u>36,147,514</u>                              | <u>32,853,970</u>    | <u>69,001,484</u>    | <u>97,325</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>            |  |                      |                      |   |
| Excess consideration provided for acquisitions   | 3,956,239                                      | -                    | 3,956,239            | -   |
| OPEB-related deferred outflows                   | 14,531   | 6,401                | 20,932               | -   |
| Pension-related deferred outflows                | 178,275  | 78,523               | 256,798              | -   |
| <b>Total deferred outflows of resources</b>      | <u>4,149,045</u>                               | <u>84,924</u>        | <u>4,233,969</u>     | <u>-</u>  |
| <b>LIABILITIES</b>                               |  |                      |                      |   |
| <b>Current liabilities:</b>                      |  |                      |                      |   |
| Accounts payable                                 | 166,801  | 101,008              | 267,809              | -   |
| Accrued payroll and related liabilities          | 38,998   | 17,564               | 56,562               | -   |
| Interest payable                                 | 208,191  | 44,513               | 252,704              | -   |
| Deposits payable                                 | 217,562  | -                    | 217,562              | -   |
| Compensated absences - due within one year       | 42,753   | 10,323               | 53,076               | -   |
| Long-term debt - due within one year             | 1,426,580                                      | 96,853               | 1,523,433            | -   |
| <b>Total current liabilities</b>                 | <u>2,100,885</u>                               | <u>270,261</u>       | <u>2,371,146</u>     | <u>-</u>  |
| <b>Noncurrent liabilities:</b>                   |  |                      |                      |   |
| Compensated absences - due in more than one year | 99,576   | 17,869               | 117,445              | -   |
| Long term debt - due in more than one year       | 19,096,984                                     | 2,077,020            | 21,174,004           | -   |
| Aggregate net OPEB liability                     | 7,247  | 3,192                | 10,439               | -   |
| Aggregate net pension liability                  | 1,606,288                                      | 707,515              | 2,313,803            | -   |
| <b>Total noncurrent liabilities</b>              | <u>20,810,095</u>                              | <u>2,805,596</u>     | <u>23,615,691</u>    | <u>-</u>  |
| <b>Total liabilities</b>                         | <u>22,910,980</u>                              | <u>3,075,857</u>     | <u>25,986,837</u>    | <u>-</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>             |  |                      |                      |   |
| OPEB-related deferred outflows                   | 7,961  | 3,508                | 11,469               | -   |
| Pension-related deferred inflows                 | 126,599  | 55,763               | 182,362              | -   |
| <b>Total deferred inflows of resources</b>       | <u>134,560</u>                                 | <u>59,271</u>        | <u>193,831</u>       | <u>-</u>  |
| <b>NET POSITION</b>                              |  |                      |                      |   |
| Net investment in capital assets                 | 1,391,830                                      | 25,972,445           | 27,364,275           | -   |
| Restricted for:                                  |  |                      |                      |   |
| Debt service                                     | 6,267,415                                      | 1,407,568            | 7,674,983            | -   |
| Unrestricted                                     | 9,591,774                                      | 2,423,753            | 12,015,527           | 97,325  |
| <b>Total net position</b>                        | <u>\$ 17,251,019</u>                           | <u>\$ 29,803,766</u> | <u>\$ 47,054,785</u> | <u>\$ 97,325</u>  |

**City of Cottonwood**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

|   | Business-type Activities -<br>Enterprise Funds |                      |                      | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---|--|----------------------|----------------------|---|
|   | Water<br>Fund                                  | Wastewater<br>Fund   | Total                |   |
| <b>OPERATING REVENUES:</b>                    |  |                      |                      |   |
| Charges for services                          | \$ 8,048,738                                   | \$ 3,266,717         | \$ 11,315,455        | \$ -  |
| Other revenue                                 | 24,457   | 182                  | 24,639               | -   |
| <b>Total operating revenues</b>               | <b>8,073,195</b>                               | <b>3,266,899</b>     | <b>11,340,094</b>    | <b>-</b>  |
| <b>OPERATING EXPENSES:</b>                    |  |                      |                      |   |
| Salaries and benefits                         | 1,970,238                                      | 787,856              | 2,758,094            | -   |
| Materials, supplies and operational expenses  | 1,773,542                                      | 1,150,153            | 2,923,695            | -   |
| Depreciation                                  | 1,021,814                                      | 812,765              | 1,834,579            | -   |
| Amortization                                  | 155,548  | -                    | 155,548              | -   |
| <b>Total operating expenses</b>               | <b>4,921,142</b>                               | <b>2,750,774</b>     | <b>7,671,916</b>     | <b>-</b>  |
| <b>OPERATING INCOME</b>                       | <b>3,152,053</b>                               | <b>516,125</b>       | <b>3,668,178</b>     | <b>-</b>  |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |  |                      |                      |   |
| Investment income                             | 313,725  | 39,924               | 353,649              | 1,781   |
| Interest expense                              | (410,694)                                      | (79,494)             | (490,188)            | -   |
| Gain (loss) on disposal of property           | (17,160)                                       | -                    | (17,160)             | -   |
| <b>Total nonoperating revenues (expenses)</b> | <b>(114,129)</b>                               | <b>(39,570)</b>      | <b>(153,699)</b>     | <b>1,781</b>  |
| <b>Changes in net position</b>                | <b>3,037,924</b>                               | <b>476,555</b>       | <b>3,514,479</b>     | <b>1,781</b>  |
| <b>NET POSITION:</b>                          |  |                      |                      |   |
| Beginning of year                             | 14,213,095                                     | 29,327,211           | 43,540,306           | 95,544  |
| End of year                                   | <u>\$ 17,251,019</u>                           | <u>\$ 29,803,766</u> | <u>\$ 47,054,785</u> | <u>\$ 97,325</u>  |

**City of Cottonwood**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

|  | Business-type Activities -<br>Enterprise Funds |                     |                      | Governmental<br>Activities -<br>Internal Service<br>Funds |
|--|--|---------------------|----------------------|---|
|  | Water<br>Fund                                  | Wastewater<br>Fund  | Total                |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |  |                     |                      |   |
| Cash received from customers and users   | \$ 7,972,353                                   | \$ 3,248,733        | \$ 11,221,086        | \$ -  |
| Cash payments to suppliers for goods and services                                    | (1,704,786)                                    | (1,141,203)         | (2,845,989)          | -   |
| Cash payments to employees for services  | (1,725,032)                                    | (743,011)           | (2,468,043)          | -   |
| <b>Net cash provided by operating activities</b>                                     | <b>4,566,992</b>                               | <b>1,364,701</b>    | <b>5,931,693</b>     | <b>-</b>  |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES:</b>                 |  |                     |                      |   |
| Acquisition of capital assets  | (252,277)                                      | (486,660)           | (738,937)            | -   |
| Sale of capital assets   | 9,959  | 1,449               | 11,408               | -   |
| Principal paid on capital-related debt   | (1,399,386)                                    | (94,813)            | (1,494,199)          | -   |
| Interest paid on capital-related debt  | (422,222)                                      | (89,996)            | (512,218)            | -   |
| <b>Net cash (used in) capital and related<br/>financing activities</b>               | <b>(2,063,926)</b>                             | <b>(670,020)</b>    | <b>(2,733,946)</b>   | <b>-</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |  |                     |                      |   |
| Investment income  | 313,725  | 39,924              | 353,649              | 1,781   |
| <b>Net cash provided by investing activities</b>                                     | <b>313,725</b>                                 | <b>39,924</b>       | <b>353,649</b>       | <b>1,781</b>  |
| <b>Net increase in cash and cash equivalents</b>                                     | <b>2,816,791</b>                               | <b>734,605</b>      | <b>3,551,396</b>     | <b>1,781</b>  |
| <b>CASH AND CASH EQUIVALENTS:</b>  |  |                     |                      |   |
| Beginning of year  | 19,330,868                                     | 3,776,877           | 23,107,745           | 95,544  |
| End of year  | <u>\$ 22,147,659</u>                           | <u>\$ 4,511,482</u> | <u>\$ 26,659,141</u> | <u>\$ 97,325</u>  |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS<br/>TO STATEMENT OF NET POSITION:</b> |  |                     |                      |   |
| Cash and cash investments  | \$ 11,419,885                                  | \$ 3,103,914        | \$ 14,523,799        | \$ 97,325   |
| Restricted cash and investments  | 10,727,774                                     | 1,407,568           | 12,135,342           | -   |
| <b>Total cash and cash equivalents</b>   | <b>\$ 22,147,659</b>                           | <b>\$ 4,511,482</b> | <b>\$ 26,659,141</b> | <b>\$ 97,325</b>  |

**City of Cottonwood**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

|   | Business-type Activities -<br>Enterprise Funds |                     |                     | Governmental<br>Activities -<br>Internal Service<br>Funds |
|---|--|---------------------|---------------------|---|
|   | Water<br>Fund                                  | Wastewater<br>Fund  | Total               |   |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>         |  |                     |                     |   |
| Operating income  | \$ 3,152,053                                   | \$ 516,125          | \$ 3,668,178        | \$ -  |
| Adjustments to reconcile operating income to net<br>cash provided by (used in) operating activities:          |  |                     |                     |   |
| Depreciation  | 1,021,814                                      | 812,765             | 1,834,579           | -   |
| Amortization  | 155,548  | -                   | 155,548             | -   |
| Changes in current assets, deferred outflows of resources,<br>liabilities, and deferred inflows of resources: |  |                     |                     |   |
| Accounts receivable   | (43,527)                                       | (17,984)            | (61,511)            | -   |
| Aggregate net OPEB asset  | (6,652)  | (3,107)             | (9,759)             | -   |
| OPEB-related deferred outflows  | (251)  | 597                 | 346                 | -   |
| Pension-related deferred outflows   | 27,137   | 22,180              | 49,317              | -   |
| Accounts payable  | 68,756   | 8,950               | 77,706              | -   |
| Accrued payroll and related liabilities   | 10,432   | 4,333               | 14,765              | -   |
| Deposits payable  | (32,858)                                       | -                   | (32,858)            | -   |
| Compensated absences  | 3,897  | 4,595               | 8,492               | -   |
| Aggregate net OPEB liability  | 2,139  | 688                 | 2,827               | -   |
| Aggregate net pension liability   | 245,695  | 40,489              | 286,184             | -   |
| OPEB-related deferred outflows  | (2,935)  | (1,835)             | (4,770)             | -   |
| Pension-related deferred inflows  | (34,256)                                       | (23,095)            | (57,351)            | -   |
| <b>Total adjustments</b>  | <b>1,414,939</b>                               | <b>848,576</b>      | <b>2,263,515</b>    | <b>-</b>  |
| <b>Net cash provided by operating activities</b>  | <b>\$ 4,566,992</b>                            | <b>\$ 1,364,701</b> | <b>\$ 5,931,693</b> | <b>\$ -</b>   |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Fiduciary Fund Financial Statements**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

## FIDUCIARY FUND FINANCIAL STATEMENTS

***Firemen Pension Trust Fund*** - This fund accounts for the activities of the Firefighters' Relief and Pension Trust Fund, which accumulates funds for the defined contribution pension plan administered by the City and a Board of Trustees for the City's volunteer firefighters.

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

**City of Cottonwood**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2020**

---

|   | Firemen<br>Pension<br>Trust Fund |
|---|----------------------------------|
|   | <u>                    </u>      |
| <b>ASSETS</b>                               |                                  |
| Restricted cash and investments             | \$ 205,473                       |
| <b>Total assets</b>                         | <u><u>\$ 205,473</u></u>         |
| <b>NET POSITION RESTRICTED FOR PENSIONS</b> |                                  |
| Held in trust                               | \$ 205,473                       |
| <b>Total net position</b>                   | <u><u>\$ 205,473</u></u>         |

**City of Cottonwood**  
**Statement of Change in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2020**

---

|  | Firemen<br>Pension<br>Trust Fund |
|--|----------------------------------|
| <b>ADDITIONS:</b>                            |                                  |
| Investment income                            | \$ 8,713                         |
| <b>Total additions</b>                       | <u>8,713</u>                     |
| <b>DEDUCTIONS:</b>                           |                                  |
| Retirement benefits                          | 1,800                            |
| Miscellaneous expense                        | <u>5,328</u>                     |
| <b>Total deductions</b>                      | <u>7,128</u>                     |
| <b>Change in fiduciary net position</b>      | 1,585                            |
| <b>NET POSITION RESTRICTED FOR PENSIONS:</b> |                                  |
| Beginning of year                            | <u>203,888</u>                   |
| End of year                                  | <u><u>\$ 205,473</u></u>         |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Notes to the Basic Financial Statements**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



**City of Cottonwood**  
**Index to Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2020**

---

|  |           |
|--|-----------|
| <b>Note 1 – Summary of Significant Accounting Policies .....</b>       | <b>53</b> |
| A. Financial Reporting Entity .....                                    | 53        |
| B. Basis of Accounting and Measurement Focus .....                     | 54        |
| C. Cash and Investments .....  | 57        |
| D. Restricted Cash and Investments .....                               | 58        |
| E. Fair Value Measurement .....  | 58        |
| F. Excess Consideration Provided for Acquisition .....                 | 58        |
| G. Capital Assets .....  | 58        |
| H. Long-Term Debt .....  | 59        |
| I. Compensated Absences .....  | 59        |
| J. Pension Plans and Other Postemployment Benefits (OPEB) .....        | 60        |
| K. Net Position .....  | 61        |
| L. Fund Balances .....   | 61        |
| M. Use of Estimates .....  | 62        |
| N. New Governmental Accounting Standards Implemented .....             | 62        |
| O. Upcoming Governmental Accounting Standards Implementation .....     | 62        |
| <b>Note 2 – Cash and Investments .....</b>                             | <b>65</b> |
| A. Cash Deposits .....   | 66        |
| B. Investments .....   | 66        |
| C. External Investment Pool .....                                      | 66        |
| D. Risk Disclosures .....  | 67        |
| <b>Note 3 – Receivables .....</b>                                      | <b>68</b> |
| <b>Note 4 – Interfund Balances and Transactions .....</b>              | <b>68</b> |
| A. Due to and from Other Funds .....                                   | 68        |
| B. Transfers .....   | 68        |
| <b>Note 5 – Capital Assets .....</b>                                   | <b>69</b> |
| A. Governmental Activities .....                                       | 69        |
| B. Business-Type Activities .....                                      | 70        |
| <b>Note 6 – Excess Consideration Provided for Acquisition .....</b>    | <b>70</b> |
| <b>Note 7 – Long-Term Debt .....</b>                                   | <b>71</b> |
| A. Governmental Activities .....                                       | 71        |
| B. Business-Type Activities .....                                      | 73        |
| <b>Note 8 – Compensated Absences .....</b>                             | <b>76</b> |
| <b>Note 9 – Risk Management .....</b>                                  | <b>76</b> |
| <b>Note 10 – Pension Plans and Other Postemployment Benefits .....</b> | <b>77</b> |
| A. Summary – Pension and OPEB .....                                    | 77        |
| B. Arizona State Retirement System (“ASRS”) Plans .....                | 81        |
| C. Arizona Public Safety Retirement System (“PSPRS”) Plans .....       | 86        |
| D. Firefighters’ Relief and Pension Fund .....                         | 95        |

**City of Cottonwood**  
**Index to Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

|  |           |
|--|-----------|
| <b>Note 11 – Other Required Disclosures.....</b>       | <b>95</b> |
| A. Deficit Fund Balance/Net Position .....             | 95        |
| B. Expenditures Exceeding Appropriations .....         | 95        |
| <b>Note 12 – Classification of Fund Balances .....</b> | <b>96</b> |
| <b>Note 13 – Commitments and Contingencies .....</b>   | <b>96</b> |
| A. Litigation.....                                     | 96        |
| B. Grants.....   | 96        |
| C. COVID-19 Pandemic.....                              | 96        |

**City of Cottonwood**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of the City of Cottonwood, Arizona (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

**A. *Financial Reporting Entity***

The City was incorporated on November 14, 1960. The City operates under a Mayor-Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, transportation, social services, culture-leisure, public improvements, community development (planning, building and zoning), public utilities (water and wastewater), and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude its financial statements. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

**Blended Component Units**

The financial reporting entity consists of the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government’s operation and so financial statements from these units are combined with financial statements of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

Cottonwood Municipal Property Corporation (the “Corporation”) – The Corporation’s board of directors consists of three members, which are appointed by the Cottonwood City Council. The Corporation is a nonprofit corporation incorporated under the laws of the State of Arizona and was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. It has a June 30 year-end and is reported within the Water Fund. No separate financial statements are issued for Corporation.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

**Deferred Outflows of Resources** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

**Deferred Inflows of Resources** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

**Government-Wide Financial Statements**

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City, and its component units, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the statement of activities, internal service fund transactions have been eliminated.) However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

**Governmental Fund Financial Statements**

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences between fund balance in these statement and net position as presented in the government-wide financial statements. The City has presented all major funds that meet the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both “measurable” and “available” to finance expenditures of the current period.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, franchise taxes, state shared revenues, licenses and permits, charges for services, intergovernmental revenues, charges for services, and investment income. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until cash is received. Revenues are considered to be available when they are collectible within the current period as 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. Unearned revenues arise when resources are received by the City before it has a legal claim to them, such as when grant revenue is received prior to meeting all eligibility requirements imposed by the grantor.

Expenditures are recorded in the accounting period in which the related fund liability is incurred. However, expenditures related to compensated absences and claims and judgements, are recorded only when payment is due. As permitted by generally accepted accounting principles the City applies the “early recognition” option for debt service payments when there are sufficient resources to offset the liability. Pledged sales tax is recognized during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liability are recognized in the current period.

Major governmental funds of the City are outlined below:

**General Fund** – This fund accounts for all revenues from and expenditures for services associated with the operations of a municipal government which are not accounted for in the other funds. These services include general government, public safety, highways and streets, transportation, and culture and recreation.

**City Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the debt.

Non-major governmental funds of the City are outlined below:

**Grants Special Revenue Fund** – This fund is used to account for the City's restricted resources from federal, state, and other grants.

**HURF Special Revenue Fund** – This fund accounts for the City's share of state taxes on gasoline, diesel fuels and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of personnel, right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the principal and interest on highway and street bonds.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***B. Basis of Accounting and Measurement Focus (Continued)***

**Governmental Fund Financial Statements (Continued)**

**Transit Special Revenue Fund** – This fund accounts for the operation of the City's public transportation system.

**City Capital Projects Fund** – This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund and non-major funds in the aggregate. The City reports the following major proprietary fund types:

**Water Fund** – This fund accounts for the City's water utility.

**Wastewater Fund** – This fund accounts for the City's wastewater operations.

A separate column representing internal service funds is also presented in these statements. The City's internal service fund accounts for the activity of the Employee Benefit Trust Fund (EBT). The EBT is the City's partially self-funded health and accident insurance program for certain City employees and their dependents. The EBT has been closed since fiscal year 2002-03 after the City moved to the Arizona Public Employers Health Pool. Remaining funds are used to supplement employee benefits by providing City-wide health programming to encourage increased health awareness and healthy living. By providing additional health benefits the City hopes to also help decrease medical claims and therefore medical insurance costs. For the government-wide financial statements, the internal service fund balances and activities have been combined with the governmental activities.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal activities are charges to customers for water and wastewater services and expenditures for maintenance, operations, administration, depreciation. Revenues not meeting this definition are reported as non-operating revenues and expenses.

**Fiduciary Fund Financial Statements**

**Fireman Pension Trust Fund** – This fund accounts for the activities of the Firefighters' Relief and Pension Trust Fund, which accumulates funds for the defined contribution pension plan administered by the City and a Board of Trustees for the City's volunteer firefighters.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**C. Cash and Investments**

The City considers all highly liquid market investments (including restricted investments) with maturities of three months or less at time of purchase to be cash equivalents. Cash equivalents are reported in cash and investment and, consist of cash on hand, cash in bank, cash held by fiscal agents, and cash and investment held in the State Treasurer's Local Government Investment Pool. Money market investments are carried at cost. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Cash and investments are pooled, except for investments that are restricted under provisions of bond indentures or other restrictions that are required to be reported in the individual funds. All expenditures of the City are made out of the General Fund operations account (except for EBT) with a corresponding interfund receivable recorded in the general fund with an interfund payable recorded in the applicable borrowing fund. At the end of the month, the interfund receivable and payables are liquidated when cash is transferred. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities or duly organized school districts, improvement districts in this state, and the State Treasurer's LGIP.

The City participates in an investment pool, *State Treasurer's Local Government Investment Pool* (LGIP), managed by the State of Arizona. The LGIP has invested a portion of the pool funds in structured notes and asset-backed securities. LGIP's investments are subject to credit risk with the full faith and credit of the State of Arizona collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (the "Administrator") in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

The Arizona Government Code requires Arizona banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. Arizona law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***D. Restricted Cash and Investments***

Certain cash and investments held by a fiscal agent from bond proceeds of City issued bond and loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments because their use is limited by applicable bond indentures or loan covenants. In addition, deposits received from customers for utility services are classified as restricted assets because their use is limited to the repayment to those customers.

***E. Fair Value Measurement***

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

***F. Excess Consideration Provided for Acquisitions***

Excess consideration were amounts paid by the City over the net position of the acquired entity and is recorded as a Deferred Outflow on the Statement of Net Position of the City. Amortization is provided on a straight-line basis over the estimated useful life of 40 years.

***G. Capital Assets***

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

| Asset Category                    | Estimated Useful Life (Years) |
|-----------------------------------|-------------------------------|
| Buildings and improvements        | 15-40 years                   |
| Improvements other than buildings | 8-40 years                    |
| Infrastructure                    | 20 years                      |
| Machinery and equipment           | 5-25 years                    |
| Vehicles                          | 5-8 years                     |
| Water distribution system         | 5-30 years                    |



**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***G. Capital Assets (Continued)***

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. The carrying amount of the subsystems are not required to be separately classified and reported in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting. Infrastructure assets acquired prior to 1980 are not included in the government-wide financial statements. Infrastructure assets acquired after that date are recorded at historical cost, or estimated historical cost if actual historical cost is not available.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

***H. Long-Term Debt***

**Government-Wide Financial Statements**

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

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 premium or discount. Issuance costs are expensed in the period when incurred.

**Fund Financial Statements**

The fund financial statements do not present long-term debt but rather show it in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

When refunding bonds are issued, the difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Unamortized portions of the loss on refunding debt are reported as deferred outflows of resources.

***I. Compensated Absences***

**Government-Wide Financial Statements**

City employees have vested interest in varying levels of vacation and sick leave based on both their length of employment and their bargaining unit. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment with the City. The amount of compensated absences is accrued when earned in the government-wide financial statements.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***I. Compensated Absences (Continued)***

**Fund Financial Statements**

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. When an employee is terminated at fiscal year end, the amount of his or her reimbursable unused vacation and/or sick leave is recorded as a liability in the governmental funds. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

***J. Pensions Plans and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

The following timeframes are used for pension/OPEB reporting:

| <u>ASRS</u>        |                               |
|--------------------|-------------------------------|
| Valuation Date     | June 30, 2018                 |
| Measurement Date   | June 30, 2019                 |
| Measurement Period | July 1, 2018 to June 30, 2019 |
| <u>PSPRS</u>       |                               |
| Valuation Date     | June 30, 2019                 |
| Measurement Date   | June 30, 2019                 |
| Measurement Period | July 1, 2018 to June 30, 2019 |

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension/OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over five years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**K. Net Position**

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, increased by the deferred outflows related to excess consideration provided for acquisition, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and unspent bond proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

**L. Fund Balances**

For governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long-term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. In fiscal year ending June 30, 2012, the City Council adopted the Fund Balance Policy XVII in the Financial Operations Guide adopting the fund balance policy authorizing the Administrative Services General Manager to make the assignments.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that can report a deficit unassigned fund balance amount. In other governmental funds, it is not appropriate to report a deficit unassigned fund balance amount. However, in a governmental fund other than the general fund, expenditures incurred for a specific purpose might exceed the amounts in the fund that are restricted, committed, and assigned to that purpose and a negative residual balance for that purpose may result. If that occurs, amounts assigned to other purposes in that fund should be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or if there are no amounts assigned to other purposes, the negative residual amount is classified as unassigned fund balance.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***L. Fund Balances (Continued)***

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

The City has established a minimum fund balance policy for each governmental fund type which contains operating expenses. The minimum unassigned fund balance in the General Fund is not less than 16.66 percent and not more than 25 percent of the total revised budgeted operating expenditures. The minimum assigned fund balance for general capital purposes in the General Fund is not less than 2.67 percent of the total revised budgeted operating revenues and not more than \$1,000,000. The minimum assigned fund balance for public safety capital purposes in the General Fund is not less than \$100,000. The minimum assigned and unassigned fund balance in the Capital Projects Fund must be sufficient to fund all outstanding obligations.

***M. Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

***N. New Governmental Accounting Standards Implemented***

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2020. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

**GASB Statement No. 95**

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2020.

***O. Upcoming Governmental Accounting Standards Implementation***

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

**GASB Statement No. 84**

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Upcoming Governmental Accounting Standards Implementation (Continued)***

*GASB Statement No. 87*

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

*GASB Statement No. 89*

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

*GASB Statement No. 90*

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

*GASB Statement No. 91*

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Upcoming Governmental Accounting Standards Implementation (Continued)***

*GASB Statement No. 92*

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

*GASB Statement No. 93*

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

*GASB Statement No. 94*

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

*GASB Statement No. 96*

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***O. Upcoming Governmental Accounting Standards Implementation (Continued)***

*GASB Statement No. 97*

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement is effective for the City’s fiscal year ending June 30, 2022.

**Note 2 – Cash and Investments**

The following is a summary of cash and investments and restricted cash and investments at June 30, 2020:

|                                 | <b>Primary Government</b>          |                                     |                      | <b>Fiduciary<br/>Funds</b> | <b>Total</b>         |
|---------------------------------|------------------------------------|-------------------------------------|----------------------|----------------------------|----------------------|
|                                 | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |                            |                      |
| Cash and investments            | \$ 12,691,747                      | \$ 14,523,799                       | \$ 27,215,546        | \$ -                       | \$ 27,215,546        |
| Restricted cash and investments | 1,093,138                          | 12,135,342                          | 13,228,480           | 205,473                    | 13,433,953           |
| <b>Total</b>                    | <b>\$ 13,784,885</b>               | <b>\$ 26,659,141</b>                | <b>\$ 40,444,026</b> | <b>\$ 205,473</b>          | <b>\$ 40,649,499</b> |

Cash, cash equivalents, and investments, excluding investments with fiscal agents, consisted of the following at June 30, 2020:

|                                   |                      |
|-----------------------------------|----------------------|
| <b>Cash and cash equivalents:</b> |                      |
| Petty cash                        | \$ 3,043             |
| Demand deposits                   | 10,549,394           |
| Restricted demand deposits        | 4,768,618            |
| Money market                      | 18,007               |
| <b>Investments:</b>               |                      |
| Local Government Investment Pool  | 13,782,256           |
| Mutual funds                      | 231,351              |
| U.S. Treasuries and Agencies      | 11,296,830           |
| <b>Total</b>                      | <b>\$ 40,649,499</b> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

At June 30, 2020, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

| <u>Investments by Fair Value Level</u>                  | <u>Total</u>         | <u>Measurement</u> | <u>Valuation</u>     |
|---|----------------------|--------------------|----------------------|
| <u>Investment Type</u>                                  | <u>Fair Value</u>    | <u>Inputs</u>      | <u>Technique</u>     |
| <b>Investments:</b>                                     |                      |                    |                      |
| U.S. Treasuries and Agencies                            | \$ 11,296,830        | Level 2            | Matrix pricing model |
| Mutual Funds  | 231,351              | Uncategorized      | N/A                  |
| Total investments by fair value level                   | <u>\$ 11,528,181</u> |                    |                      |
| <b>External Investment Pools Measured at Fair Value</b> |                      |                    |                      |
| Local Government Investment Pool                        | \$ 13,782,256        | Uncategorized      |                      |
| Total investment pools, measured at fair value          | <u>13,782,256</u>    |                    |                      |
| <b>Total investments</b>                                | <u>\$ 25,310,437</u> |                    |                      |

**A. Cash Deposits**

The carrying amounts of the City's demand deposits were \$10,549,394 at June 30, 2020. Bank balances were \$11,207,250 at that date. Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

**B. Investments**

Under the provisions of the City's investment policy, and in accordance with Arizona Government Code (A.S.R.), the following investments are authorized:

- Securities of the U.S. Government or its agencies
- Interest-bearing savings accounts and certificates of deposit
- State Treasurer's Loan Government Investment Pools
- County Treasurer's investment pool
- Collateralized repurchase agreements
- Certain obligations of U.S. corporations
- Certain other securities

No current adjustments have been made to the accompanying basic financial statements because the City's investments were primarily in the State of Arizona Loan Government Investment Pool (Pool 7) and the fair value adjustment was immaterial. The fair value of the City's position in LGIP approximates the value of the pool shares.

**C. External Investment Pool**

Investments in the State Treasurer's LGIP (Pool 7), a state managed external investment pool, are valued at the pool's share price multiplied by number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.



**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 2 – Cash and Investments (Continued)**

**D. Risk Disclosures**

**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, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2020, the City's investments had the following maturities:

|                                  | Amount               | Weighted Average<br>Maturities (in Years) |                     |
|----------------------------------|----------------------|---|---------------------|
|                                  |                      | 1 year or less                            | 1 - 5 years         |
| <b>Investments:</b>              |                      |   |                     |
| Local Government Investment Pool | \$ 13,782,256        | \$ 13,782,256                             | \$ -                |
| Mutual funds                     | 231,351              | 231,351                                   | -                   |
| U.S. Treasuries and Agencies     | 11,296,830           | 6,603,624                                 | 4,693,206           |
| <b>Total</b>                     | <b>\$ 25,310,437</b> | <b>\$ 20,617,231</b>                      | <b>\$ 4,693,206</b> |

**Credit Risk**

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified thru the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only in the type of investments allowed for municipalities by the Government Code as listed on the City's investment policy and in instruments that are most credit worthy.

|                                  | Amount               | Credit Quality Ratings |                   |
|----------------------------------|----------------------|------------------------|-------------------|
|                                  |                      | Moody's                | Standard & Poor's |
| <b>Investments:</b>              |                      |                        |                   |
| Local Government Investment Pool | \$ 13,782,256        | Unrated                | Not applicable    |
| Mutual funds                     | 231,351              | Not Rated              | Not Rated         |
| U.S. Treasuries and Agencies     | 11,296,830           | Aaa                    | AA+               |
| <b>Total</b>                     | <b>\$ 25,310,437</b> |                        |                   |

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

**Concentration of Credit Risk**

In accordance with its investment policy, the City diversifies its investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Total investments in two categories may not exceed 25 percent of the investment portfolio: (1) fully insured or collateralized certificates of deposit (2) State, county, school district, and other district municipal bonds with an A rating or better. More than five percent of the City's investments are held in U.S. Treasuries and Agencies. These investments are 46 percent of the City's total investments.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 3 – Receivables**

Receivable balances, net of allowance for uncollectible accounts, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectible accounts, as of year-end for the City's individual governmental funds were as follows:

|                             | <u>General<br/>Fund</u> | <u>HURF<br/>Fund</u> | <u>HURF<br/>Fund</u> | <u>Transit<br/>Fund</u> | <u>City Capital<br/>Projects Fund</u> | <u>Total</u>      |
|-----------------------------|-------------------------|----------------------|----------------------|-------------------------|---------------------------------------|-------------------|
| Due from federal government | \$ -                    | \$ 52,515            | \$ -                 | \$ -                    | \$ -                                  | \$ 52,515         |
| Due from state government   | 107,176                 | -                    | 86,412               | 694,529                 | -                                     | 888,117           |
| Due from county government  | 11,854                  | 22,578               | -                    | -                       | 1,970                                 | 36,402            |
| <b>Total</b>                | <u>\$ 119,030</u>       | <u>\$ 75,093</u>     | <u>\$ 86,412</u>     | <u>\$ 694,529</u>       | <u>\$ 1,970</u>                       | <u>\$ 977,034</u> |

**Note 4 – Interfund Balances and Transactions**

**A. Due to and from other funds**

Due from and to other funds as of June 30, 2020, was as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>     | <u>Purpose</u> |
|------------------------|---------------------|-------------------|----------------|
| General Fund           | Transit Fund        | <u>\$ 428,025</u> | Overdrawn Cash |

Current interfund balances arise in the normal course of business and to assist funds with negative cash balances at the end of the fiscal year. They are expected to be repaid shortly after the end of the fiscal year.

**B. Transfers**

At June 30, 2020, the City had the following transfers:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u>     | <u>Purpose</u>             |
|---------------------|----------------------|-------------------|----------------------------|
| Grants Fund         | General Fund         | \$ 13,179         | Grant matching funds       |
| Transit Fund        | General Fund         | 3,448             | Grant matching funds       |
| Transit Fund        | HURF Fund            | 213,734           | Cash allocation correction |
|                     | <b>Total</b>         | <u>\$ 230,361</u> |                            |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 5 – Capital Assets**

**A. Governmental Activities**

Summary of changes in capital assets for governmental activities for the year ended June 30, 2020 is as follows:

|                                      | Balance<br>July 1, 2019 | Additions      | Deletions | Transfers/<br>Reclassifications | Balance<br>June 30, 2020 |
|--------------------------------------|-------------------------|----------------|-----------|---------------------------------|--------------------------|
| <b>Nondepreciable assets:</b>        |                         |                |           |                                 |                          |
| Land                                 | \$ 2,587,885            | \$ -           | \$ -      | \$ -                            | \$ 2,587,885             |
| Construction in progress             | 467,319                 | 436,943        | -         | (389,326)                       | 514,936                  |
| <b>Total nondepreciable assets</b>   | 3,055,204               | 436,943        | -         | (389,326)                       | 3,102,821                |
| <b>Depreciable assets</b>            |                         |                |           |                                 |                          |
| Infrastructure                       | 29,682,148              | -              | -         | 264,517                         | 29,946,665               |
| Building and improvements            | 40,907,201              | 34,725         | (760)     | -                               | 40,941,166               |
| Vehicles, machinery and equipment    | 14,048,931              | 120,774        | (370,428) | 124,809                         | 13,924,086               |
| <b>Subtotal</b>                      | 84,638,280              | 155,499        | (371,188) | 389,326                         | 84,811,917               |
| <b>Less accumulated depreciation</b> |                         |                |           |                                 |                          |
| Infrastructure                       | (14,423,142)            | (954,353)      | -         | -                               | (15,377,495)             |
| Building and improvements            | (13,941,017)            | (1,067,968)    | 760       | -                               | (15,008,225)             |
| Vehicles, machinery and equipment    | (10,708,993)            | (964,033)      | 370,392   | -                               | (11,302,634)             |
| <b>Subtotal</b>                      | (39,073,152)            | (2,986,354)    | 371,152   | -                               | (41,688,354)             |
| <b>Total depreciable assets, net</b> | 45,565,128              | (2,830,855)    | (36)      | 389,326                         | 43,123,563               |
| <b>Total</b>                         | \$ 48,620,332           | \$ (2,393,912) | \$ (36)   | \$ -                            | \$ 46,226,384            |

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2020 are as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| General government                | \$ 514,929          |
| Public safety                     | 504,666             |
| Highways and streets              | 574,451             |
| Transportation                    | 574,450             |
| Culture and recreation            | 817,858             |
| <b>Total depreciation expense</b> | <u>\$ 2,986,354</u> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 5 – Capital Assets (Continued)**

**B. Business-Type Activities**

Summary of changes in capital assets for business-type activities for the year ended June 30, 2020 is as follows:

|                                      | Balance<br>July 1, 2019 | Additions             | Deletions          | Transfers/<br>Reclassifications | Balance<br>June 30, 2020 |
|--------------------------------------|-------------------------|-----------------------|--------------------|---------------------------------|--------------------------|
| <b>Nondepreciable assets:</b>        |                         |                       |                    |                                 |                          |
| Land                                 | \$ 4,132,241            | \$ -                  | \$ -               | \$ -                            | \$ 4,132,241             |
| Construction in progress             | 2,476,400               | 461,192               | -                  | (398,073)                       | 2,539,519                |
| <b>Total nondepreciable assets</b>   | <b>6,608,641</b>        | <b>461,192</b>        | <b>-</b>           | <b>(398,073)</b>                | <b>6,671,760</b>         |
| <b>Depreciable assets</b>            |                         |                       |                    |                                 |                          |
| Water distribution system            | 17,460,293              | 44,624                | (43,253)           | -                               | 17,461,664               |
| Wastewater systems                   | 28,376,322              | 56,334                | (335,327)          | -                               | 28,097,329               |
| Building and improvements            | 10,476,355              | -                     | -                  | 398,073                         | 10,874,428               |
| Vehicles, machinery and equipment    | 5,668,524               | 176,787               | (73,765)           | -                               | 5,771,546                |
| <b>Subtotal</b>                      | <b>61,981,494</b>       | <b>277,745</b>        | <b>(452,345)</b>   | <b>398,073</b>                  | <b>62,204,967</b>        |
| <b>Less accumulated depreciation</b> |                         |                       |                    |                                 |                          |
| Water distribution system            | (8,959,878)             | (636,953)             | 23,292             | -                               | (9,573,539)              |
| Wastewater systems                   | (9,663,574)             | (553,599)             | 335,327            | -                               | (9,881,846)              |
| Building and improvements            | (3,074,384)             | (256,341)             | -                  | -                               | (3,330,725)              |
| Vehicles, machinery and equipment    | (4,131,582)             | (387,686)             | 73,765             | -                               | (4,445,503)              |
| <b>Subtotal</b>                      | <b>(25,829,418)</b>     | <b>(1,834,579)</b>    | <b>432,384</b>     | <b>-</b>                        | <b>(27,231,613)</b>      |
| <b>Total depreciable assets, net</b> | <b>36,152,076</b>       | <b>(1,556,834)</b>    | <b>(19,961)</b>    | <b>398,073</b>                  | <b>34,973,354</b>        |
| <b>Total</b>                         | <b>\$ 42,760,717</b>    | <b>\$ (1,095,642)</b> | <b>\$ (19,961)</b> | <b>\$ -</b>                     | <b>\$ 41,645,114</b>     |

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2020 are as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| Water                             | 1,021,814           |
| Wastewater                        | 812,765             |
| <b>Total depreciation expense</b> | <b>\$ 1,834,579</b> |

**Note 6 – Excess Consideration Provided for Acquisition**

In the fiscal year ended June 30, 2005, the City acquired three water companies. In the fiscal year ended June 30, 2006, the City acquired one water company. The net excess of the cost of the acquired water companies over the amounts assigned to net position acquired is reported as goodwill in the City's deferred outflow of resources. Amortization expense for the fiscal year was \$155,548.

|  | 2005<br>Purchase  | 2006<br>Purchase    | Business-Type<br>Activities<br>Total |
|--|-------------------|---------------------|--------------------------------------|
| <b>Excess Consideration Provided for Acquisition</b> | \$ 1,474,221      | \$ 4,851,022        | \$ 6,325,243                         |
| <b>Less: Accumulated amortization</b>                | (579,610)         | (1,789,394)         | (2,369,004)                          |
| <b>Total</b>   | <b>\$ 894,611</b> | <b>\$ 3,061,628</b> | <b>\$ 3,956,239</b>                  |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 7 – Long-Term Debt**

**A. Governmental Activities**

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2020 is as follows:

|                                 | Balance<br>July 1, 2019 | Debt<br>Issued | Debt<br>Retired       | Balance<br>June 30, 2020 | Classification         |                              |
|---------------------------------|-------------------------|----------------|-----------------------|--------------------------|------------------------|------------------------------|
|                                 |                         |                |                       |                          | Due within<br>One Year | Due in More<br>Than One Year |
| <b>Governmental Activities:</b> |                         |                |                       |                          |                        |                              |
| Capital leases                  | \$ 1,844,552            | \$ -           | \$ (465,599)          | \$ 1,378,953             | \$ 485,106             | \$ 893,847                   |
| Revenue bonds:                  |                         |                |                       |                          |                        |                              |
| 2015 Pledged revenue bonds      | 7,454,764               | -              | (339,340)             | 7,115,424                | 346,484                | 6,768,940                    |
| Plus: unamortized premium       | 481,082                 | -              | (30,068)              | 451,014                  | -                      | 451,014                      |
| 2016 Pledged revenue bonds      | 10,315,000              | -              | (1,010,000)           | 9,305,000                | 1,030,000              | 8,275,000                    |
| Plus: unamortized premium       | 1,247,305               | -              | (138,590)             | 1,108,715                | -                      | 1,108,715                    |
| Total revenue bonds             | 19,498,151              | -              | (1,517,998)           | 17,980,153               | 1,376,484              | 16,603,669                   |
| <b>Total</b>                    | <b>\$ 21,342,703</b>    | <b>\$ -</b>    | <b>\$ (1,983,597)</b> | <b>\$ 19,359,106</b>     | <b>\$ 1,861,590</b>    | <b>\$ 17,497,516</b>         |

**Capital Leases**

The City has entered into several lease agreements for the financing of a fire truck, street sweeper, exercise equipment, and police vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception.

The annual debt service requirements for the capital leases payable outstanding at June 30, 2020 are as follows:

| Year Ending<br>June 30, | Principal           | Interest          | Total               |
|-------------------------|---------------------|-------------------|---------------------|
| 2021                    | \$ 485,106          | \$ 76,969         | \$ 562,075          |
| 2022                    | 510,647             | 49,912            | 560,559             |
| 2023                    | 334,072             | 21,615            | 355,687             |
| 2024                    | 49,128              | 967               | 50,095              |
| <b>Total</b>            | <b>\$ 1,378,953</b> | <b>\$ 149,463</b> | <b>\$ 1,528,416</b> |

The City entered into capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

|                                    |                     |
|------------------------------------|---------------------|
| Machinery, vehicles, and equipment | \$ 2,607,317        |
| Less: accumulated depreciation     | (1,140,852)         |
| <b>Total</b>                       | <b>\$ 1,466,465</b> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 7 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**2015 Pledged Revenue Bonds**

On June 16, 2015, the City issued Pledged Revenue Obligations, Series 2015, in the amount of \$11,360,000, maturing through 2034 in annual principal payments ranging in amounts from \$460,000 to \$3,350,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds provided financing for ongoing capital projects and were allocated between governmental activities (\$8.1 million) and business-type activities (\$3.2 million).

The City has pledged state shared and excise tax revenues to repay a total of \$11.4 million in revenue bonds. The government activities portion of the bonds are payable from revenues received from state shared revenues and excise taxes. The business-type activities portion of the bonds are payable from net revenues received from the City's Water System.

The bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$11.0 million and the total principal and interest remaining to be paid on the business type portion of the bonds is \$4.4 million.

The 2015 bonds requires that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

The annual debt service requirements are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2021                            | \$ 346,484          | \$ 304,995          | \$ 651,479          |
| 2022                            | 360,772             | 293,557             | 654,329             |
| 2023                            | 371,488             | 283,475             | 654,963             |
| 2024                            | 382,204             | 268,347             | 650,551             |
| 2025                            | 400,064             | 248,790             | 648,854             |
| 2026-2030                       | 2,325,372           | 914,339             | 3,239,711           |
| 2031-2035                       | 2,929,040           | 305,155             | 3,234,195           |
| <b>Total</b>                    | <b>\$ 7,115,424</b> | <b>\$ 2,618,658</b> | <b>\$ 9,734,082</b> |

**2016 Pledged Revenue Bonds**

On August 18, 2016, the City issued Pledged Revenue Refunding Obligations, Series 2016 in the amount of \$12,350,000, maturing through 2027 in annual principal payments ranging in amounts from \$980,000 to \$1,320,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds were used to refund the Greater Arizona Development Authority Loan from 2007. The bonds are secured by the City's Excise Tax Revenues and State Shared Revenues. Bonds outstanding at June 30, 2020 were \$9,305,000.

The 2016 bonds requires that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 7 – Long-Term Debt (Continued)**

**A. Governmental Activities (Continued)**

**2016 Pledged Revenue Bonds (Continued)**

The annual debt service requirements are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>         |
|---------------------------------|---------------------|---------------------|----------------------|
| 2021                            | \$ 1,030,000        | \$ 331,438          | \$ 1,361,438         |
| 2022                            | 1,055,000           | 304,025             | 1,359,025            |
| 2023                            | 1,085,000           | 261,075             | 1,346,075            |
| 2024                            | 1,145,000           | 216,775             | 1,361,775            |
| 2025                            | 1,175,000           | 176,100             | 1,351,100            |
| 2026-2028                       | 3,815,000           | 128,100             | 3,943,100            |
| <b>Total</b>                    | <b>\$ 9,305,000</b> | <b>\$ 1,417,513</b> | <b>\$ 10,722,513</b> |

**B. Business-Type Activities**

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2020 is as follows:

|                            |                         |                            |                 |                          | Classification         |                              |
|----------------------------|-------------------------|----------------------------|-----------------|--------------------------|------------------------|------------------------------|
|                            | Balance<br>July 1, 2019 | Debt Issued/<br>Adjustment | Debt<br>Retired | Balance<br>June 30, 2020 | Due within<br>One Year | Due in More<br>Than One Year |
| Business-Type Activities:  |                         |                            |                 |                          |                        |                              |
| Loans payable:             |                         |                            |                 |                          |                        |                              |
| 2015 WIFA refunding loan   | \$ 8,331,140            | \$ -                       | \$ (650,812)    | \$ 7,680,328             | \$ 665,130             | \$ 7,015,198                 |
| 2016 WIFA refunding loan   | 12,679,921              | -                          | (707,727)       | 11,972,194               | 719,786                | 11,252,408                   |
| Total loans payable        | 21,011,061              | -                          | (1,358,539)     | 19,652,522               | 1,384,916              | 18,267,606                   |
| Revenue bonds:             |                         |                            |                 |                          |                        |                              |
| 2015 Pledged revenue bonds | 2,980,236               | -                          | (135,660)       | 2,844,576                | 138,517                | 2,706,059                    |
| Plus: unamortized premium  | 213,694                 | -                          | (13,355)        | 200,339                  | -                      | 200,339                      |
| Total revenue bonds        | 3,193,930               | -                          | (149,015)       | 3,044,915                | 138,517                | 2,906,398                    |
| Total                      | \$ 24,204,991           | \$ -                       | \$ (1,507,554)  | \$ 22,697,437            | \$ 1,523,433           | \$ 21,174,004                |

**2015 Water Infrastructure Financing Authority Loan**

On June 19, 2015, the City entered into a loan with the Water Infrastructure Financing Authority (WIFA). The original loan amount as of the closing date was \$11,247,154, however, \$550,000 of this principal amount was forgiven leaving a remaining repayment amount of \$10,697,154. This loan refunded the remainder of the MPC Series 2004 revenue bonds. The refunding was undertaken to reduce total debt service payments over the next 15 years by \$2.1 million.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 7 – Long-Term Debt (Continued)**

***B. Business-Type Activities (Continued)***

**2015 Water Infrastructure Financing Authority Loan (Continued)**

Proceeds of the loan provided financing for the replacement of water lines along Mingus Avenue as well as refunded the remainder of the MPC Series 2004 revenue bonds. The loan is secured solely from a pledge of net system water revenues and debt service payments are payable through 2030. The remaining principal balance on the MPC Series 2004 revenues bonds was \$6.8 million as of June 30, 2020.

The total principal and interest remaining to be paid on the loan is \$8.6 million. The debt principal and interest paid on this debt during fiscal year 2020 was \$826,938 (approximately six percent of pledged revenues).

The loan agreement requires that the City maintain a 1.35 times coverage ratio of net water system revenues to current year debt service payments. The City has met its coverage requirements.

The annual requirements to amortize the bonds outstanding at June 30, 2020, are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|---------------------------------|---------------------|-------------------|---------------------|
| 2021                            | \$ 665,130          | \$ 161,651        | \$ 826,781          |
| 2022                            | 679,763             | 146,857           | 826,620             |
| 2023                            | 694,718             | 131,738           | 826,456             |
| 2024                            | 710,001             | 116,286           | 826,287             |
| 2025                            | 725,621             | 100,494           | 826,115             |
| 2026-2030                       | 3,874,703           | 253,161           | 4,127,864           |
| 2031                            | 330,392             | 3,634             | 334,026             |
| <b>Total</b>                    | <b>\$ 7,680,328</b> | <b>\$ 913,821</b> | <b>\$ 8,594,149</b> |

**2016 Water Infrastructure Financing Authority Loan**

On May 20, 2016, the City entered into a refunding loan with WIFA. The original loan amount as of the closing date was \$16,000,000, however, \$800,000 of this principal amount was forgiven leaving a remaining repayment amount of \$15,200,000. The forgivable portion of the loan proceeds along with \$1,140,000 of unforgivable loan proceeds have not been drawn down as of June 30, 2018. The net proceeds from the refunding loan of \$20,581,226 were used to purchase securities which remain in a cash account held by the trustee at June 30, 2018. The securities purchased will provide for all future debt service payments of the MPC Series 2006 revenue bonds. Accordingly, the MPC Series 2006 revenue bonds are considered defeased as of July 1, 2016. A portion of the net proceeds, \$5,500,000, was also used to defease the Town of Clarkdale's portion of the MPC Series 2006 bonds which paid off the City's receivable from the Town of Clarkdale. The refunding was undertaken to reduce total debt service payments over the next 19 years by \$5.0 million. The remaining principal balance on the MPC Series 2006 revenues bonds was \$17.4 million as of June 30, 2020.

Proceeds of the loan also provided financing to equip the State Route 260 well site and construct a water line. The loan is secured solely from a pledge of net system water revenues and are debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$14.4 million. The debt principal and interest paid on this debt during fiscal year 2020 was \$917,763 (approximately five percent of pledged revenues).

The loan agreement requires that the City maintain a 1.35 times coverage ratio of net water system revenues to current year debt service payments. The City has met its coverage requirements.



**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 7 – Long-Term Debt (Continued)**

**B. Business-Type Activities (Continued)**

**2016 Water Infrastructure Financing Authority Loan (Continued)**

The annual requirements to amortize the bonds outstanding at June 30, 2020, are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>     | <b>Interest</b>     | <b>Total</b>         |
|---------------------------------|----------------------|---------------------|----------------------|
| 2021                            | \$ 719,786           | \$ 197,874          | \$ 917,660           |
| 2022                            | 732,051              | 185,504             | 917,555              |
| 2023                            | 744,526              | 172,924             | 917,450              |
| 2024                            | 757,212              | 160,129             | 917,341              |
| 2025                            | 770,115              | 147,116             | 917,231              |
| 2026-2030                       | 4,051,947            | 532,492             | 4,584,439            |
| 2031-2035                       | 4,196,557            | 174,067             | 4,370,624            |
| <b>Total</b>                    | <b>\$ 11,972,194</b> | <b>\$ 1,570,106</b> | <b>\$ 13,542,300</b> |

**2015 Pledged Revenue Bonds**

On June 16, 2015, the City issued Pledged Revenue Obligations, Series 2015, in the amount of \$11,360,000, maturing through 2034 in annual principal payments ranging in amounts from \$460,000 to \$3,350,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds provided financing for ongoing capital projects and were allocated between governmental activities (\$8.1 million) and business-type activities (\$3.2 million).

The City has pledged state shared and excise tax revenues to repay a total of \$11.4 million in revenue bonds issued in 2015. The government activities portion of the bonds are payable from revenues received from state shared and excise tax revenues. The business-type activities portion of the bonds are payable from net revenues received from the City Water System.

The bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$9.7 million and the total principal and interest remaining to be paid on the business type portion of the bonds is \$3.9 million. The 2015 bonds require that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

The annual debt service requirements are as follows:

| <b>Year Ending<br/>June 30,</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>        |
|---------------------------------|---------------------|---------------------|---------------------|
| 2021                            | \$ 138,517          | \$ 121,930          | \$ 260,447          |
| 2022                            | 144,229             | 117,357             | 261,586             |
| 2023                            | 148,512             | 113,327             | 261,839             |
| 2024                            | 152,797             | 107,279             | 260,076             |
| 2025                            | 159,936             | 99,460              | 259,396             |
| 2026-2030                       | 929,629             | 365,531             | 1,295,160           |
| 2031-2035                       | 1,170,956           | 121,994             | 1,292,950           |
| <b>Total</b>                    | <b>\$ 2,844,576</b> | <b>\$ 1,046,878</b> | <b>\$ 3,891,454</b> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 8 – Compensated Absences**

The City's liability for vested and unpaid compensated absences (accrued vacation and sick leave) has been accrued and amounts to \$1,525,381 at June 30, 2020. Summary of changes in compensated absences for the year ended June 30, 2020 is as follows:

|                                   | <b>Balance<br/>July 1, 2019</b> | <b>Increases</b>  | <b>Decreases</b>    | <b>Balance<br/>June 30, 2020</b> | <b>Classification</b>          |                                      |
|-----------------------------------|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|--------------------------------------|
|                                   |                                 |                   |                     |                                  | <b>Due within<br/>One Year</b> | <b>Due in More<br/>Than One Year</b> |
| <b>Compensated absences:</b>      |                                 |                   |                     |                                  |                                |                                      |
| Governmental Activities           | \$ 1,357,951                    | \$ 860,887        | \$ (863,978)        | \$ 1,354,860                     | \$ 880,333                     | \$ 474,527                           |
| Business-Type Activities          | 162,029                         | 128,001           | (119,509)           | 170,521                          | 53,076                         | 117,445                              |
| <b>Total compensated absences</b> | <b>\$ 1,519,980</b>             | <b>\$ 988,888</b> | <b>\$ (983,487)</b> | <b>\$ 1,525,381</b>              | <b>\$ 933,409</b>              | <b>\$ 591,972</b>                    |

For the Governmental Activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

**Note 9 – Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the City joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its' members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The City joined the Arizona Public Employers Health Pool (APEHP) for risks of loss related to employee health and accident claims. APEHP is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City pays monthly premiums to APEHP for its employee health and accident insurance coverage. The agreement provides that APEHP will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The City joined the Arizona Municipal Workers' Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers' compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

The City continues to carry commercial airport insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits**

**A. Summary – Pension and OPEB**

**Deferred Outflows of Resources**

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b> |
|--|------------------------------------|-------------------------------------|--------------|
| <b>Pension-related deferred outflows of resources:</b>   |                                    |                                     |              |
| Pension contributions made after measurement date:   |                                    |                                     |              |
| ASRS   | \$ 771,186                         | \$ 195,644                          | \$ 966,830   |
| PSPRS - Police Plan - Tier 1 & 2   | 878,499                            | -                                   | 878,499      |
| PSPRS - Fire Plan - Tier 1 & 2   | 392,866                            | -                                   | 392,866      |
| PSPRS - Police Plan - Tier 3   | 4,933                              | -                                   | 4,933        |
| PSPRS - Fire Plan - Tier 3   | 28,740                             | -                                   | 28,740       |
| Total pension contributions made after measurement date  | 2,076,224                          | 195,644                             | 2,271,868    |
| Projected earnings on pension plan investments in excess of actual earnings:                                       |                                    |                                     |              |
| PSPRS - Police Plan - Tier 1 & 2   | 65,405                             | -                                   | 65,405       |
| PSPRS - Fire Plan - Tier 1 & 2   | 84,968                             | -                                   | 84,968       |
| Total projected earnings on pension plan investments in excess of actual earnings                                  | 150,373                            | -                                   | 150,373      |
| Change in assumptions:   |                                    |                                     |              |
| ASRS   | 38,553                             | 9,780                               | 48,333       |
| PSPRS - Police Plan - Tier 1 & 2   | 1,009,963                          | -                                   | 1,009,963    |
| PSPRS - Fire Plan - Tier 1 & 2   | 775,762                            | -                                   | 775,762      |
| PSPRS - Police Plan - Tier 3   | 185                                | -                                   | 185          |
| PSPRS - Fire Plan - Tier 3   | 206                                | -                                   | 206          |
| Total change in assumption   | 1,824,669                          | 9,780                               | 1,834,449    |
| Difference between expected and actual experience  |                                    |                                     |              |
| ASRS   | 164,764                            | 41,800                              | 206,564      |
| PSPRS - Police Plan - Tier 1 & 2   | 561,359                            | -                                   | 561,359      |
| PSPRS - Fire Plan - Tier 1 & 2   | 40,200                             | -                                   | 40,200       |
| PSPRS - Police Plan - Tier 3   | 7,450                              | -                                   | 7,450        |
| PSPRS - Fire Plan - Tier 3   | 8,302                              | -                                   | 8,302        |
| Total difference between expected and actual experience  | 782,075                            | 41,800                              | 823,875      |
| Change in proportion and differences between employer contributions and proportionate share of contributions       |                                    |                                     |              |
| ASRS   | 37,741                             | 9,574                               | 47,315       |
| PSPRS - Police Plan - Tier 3   | 3,603                              | -                                   | 3,603        |
| Total change in proportion and differences between employer contributions and proportionate share of contributions | 41,344                             | 9,574                               | 50,918       |
| Total pension-related deferred outflows of resources   |                                    |                                     |              |
| ASRS   | 1,012,244                          | 256,798                             | 1,269,042    |
| PSPRS - Police Plan - Tier 1 & 2   | 2,515,226                          | -                                   | 2,515,226    |
| PSPRS - Fire Plan - Tier 1 & 2   | 1,293,796                          | -                                   | 1,293,796    |
| PSPRS - Police Plan - Tier 3   | 16,171                             | -                                   | 16,171       |
| PSPRS - Fire Plan - Tier 3   | 37,248                             | -                                   | 37,248       |
| Total pension-related deferred outflows of resources   | \$ 4,874,685                       | \$ 256,798                          | \$ 5,131,483 |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**A. Summary – Pension and OPEB (Continued)**

**Deferred Outflows of Resources (Continued)**

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b> |
|--|------------------------------------|-------------------------------------|--------------|
| <b>OPEB-related deferred outflows of resources:</b>  |                                    |                                     |              |
| OPEB contributions made after measurement date:  |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | \$ 25,540                          | \$ 6,479                            | \$ 32,019    |
| ASRS - Long-Term Disability Plan   | 11,272                             | 2,859                               | 14,131       |
| PSPRS - Police Plan - Tier 1 & 2   | 6,146                              | -                                   | 6,146        |
| PSPRS - Fire Plan - Tier 1 & 2   | 3,179                              | -                                   | 3,179        |
| PSPRS - Police Plan - Tier 3   | 106                                | -                                   | 106          |
| PSPRS - Fire Plan - Tier 3   | 616                                | -                                   | 616          |
| Total OPEB contributions made after measurement date   | 46,859                             | 9,338                               | 56,197       |
| Projected earnings on OPEB plan investments in excess of actual earnings:  |                                    |                                     |              |
| PSPRS - Police Plan - Tier 1 & 2   | 1,198                              | -                                   | 1,198        |
| PSPRS - Fire Plan - Tier 1 & 2   | 719                                | -                                   | 719          |
| Total projected earnings on OPEB plan investments in excess of actual earnings                                     | 1,917                              | -                                   | 1,917        |
| Change in assumptions:   |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 34,528                             | 8,760                               | 43,288       |
| ASRS - Long-Term Disability Plan   | 6,155                              | 1,562                               | 7,717        |
| PSPRS - Police Plan - Tier 1 & 2   | 4,990                              | -                                   | 4,990        |
| PSPRS - Fire Plan - Tier 1 & 2   | 2,056                              | -                                   | 2,056        |
| Total change in assumption   | 47,729                             | 10,322                              | 58,051       |
| Difference between expected and actual experience  |                                    |                                     |              |
| ASRS - Long-Term Disability Plan   | 4,862                              | 1,233                               | 6,095        |
| PSPRS - Fire Plan - Tier 1 & 2   | 3,511                              | -                                   | 3,511        |
| PSPRS - Police Plan - Tier 3   | 66                                 | -                                   | 66           |
| PSPRS - Fire Plan - Tier 3   | 129                                | -                                   | 129          |
| Total difference between expected and actual experience  | 8,568                              | 1,233                               | 9,801        |
| Change in proportion and differences between employer contributions and proportionate share of contributions       |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 7                                  | 2                                   | 9            |
| ASRS - Long-Term Disability Plan   | 146                                | 37                                  | 183          |
| PSPRS - Police Plan - Tier 3   | 109                                | -                                   | 109          |
| Total change in proportion and differences between employer contributions and proportionate share of contributions | 262                                | 39                                  | 301          |
| Total OPEB-related deferred outflows of resources  |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 60,075                             | 15,241                              | 75,316       |
| ASRS - Long-Term Disability Plan   | 22,435                             | 5,691                               | 28,126       |
| PSPRS - Police Plan - Tier 1 & 2   | 12,334                             | -                                   | 12,334       |
| PSPRS - Fire Plan - Tier 1 & 2   | 9,465                              | -                                   | 9,465        |
| PSPRS - Police Plan - Tier 3   | 281                                | -                                   | 281          |
| PSPRS - Fire Plan - Tier 3   | 745                                | -                                   | 745          |
| Total OPEB-related deferred outflows of resources  | \$ 105,335                         | \$ 20,932                           | \$ 126,267   |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**A. Summary – Pension and OPEB (Continued)**

**Pension/OPEB Assets and Liabilities**

|                                       | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
|---------------------------------------|------------------------------------|-------------------------------------|----------------------|
| <b>Net Pension asset</b>              |                                    |                                     |                      |
| PSPRS - Police Plan - Tier 3          | \$ 3,128                           | \$ -                                | \$ 3,128             |
| PSPRS - Fire Plan - Tier 3            | 3,486                              | -                                   | 3,486                |
| Total net pension liability           | <u>\$ 6,614</u>                    | <u>\$ -</u>                         | <u>\$ 6,614</u>      |
| <b>Net Pension liability</b>          |                                    |                                     |                      |
| ASRS                                  | \$ 9,120,501                       | \$ 2,313,803                        | \$ 11,434,304        |
| PSPRS - Police Plan - Tier 1 & 2      | 11,362,279                         | -                                   | 11,362,279           |
| PSPRS - Fire Plan - Tier 1 & 2        | 2,937,503                          | -                                   | 2,937,503            |
| Total net pension liability           | <u>\$ 23,420,283</u>               | <u>\$ 2,313,803</u>                 | <u>\$ 25,734,086</u> |
| <b>Net OPEB asset</b>                 |                                    |                                     |                      |
| ASRS - Health Benefit Supplement Plan | \$ 17,558                          | \$ 4,454                            | \$ 22,012            |
| PSPRS - Police Plan - Tier 1 & 2      | 114,842                            | -                                   | 114,842              |
| PSPRS - Police Plan - Tier 3          | 281                                | -                                   | 281                  |
| PSPRS - Fire Plan - Tier 3            | 549                                | -                                   | 549                  |
| Total Net OPEB asset                  | <u>\$ 133,230</u>                  | <u>\$ 4,454</u>                     | <u>\$ 137,684</u>    |
| <b>Net OPEB liability</b>             |                                    |                                     |                      |
| ASRS - Long-Term Disability Plan      | \$ 41,149                          | \$ 10,439                           | \$ 51,588            |
| PSPRS - Fire Plan - Tier 1 & 2        | 38,065                             | -                                   | 38,065               |
| Total Net OPEB liability              | <u>\$ 79,214</u>                   | <u>\$ 10,439</u>                    | <u>\$ 89,653</u>     |

**Deferred Inflows of Resources**

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>        |
|--|------------------------------------|-------------------------------------|---------------------|
| <b>Pension-related deferred inflows of resources:</b>  |                                    |                                     |                     |
| Projected earnings on pension plan investments in excess of actual earnings:                                       |                                    |                                     |                     |
| ASRS   | \$ 204,998                         | \$ 52,006                           | \$ 257,004          |
| PSPRS - Police Plan - Tier 3   | 96                                 | -                                   | 96                  |
| PSPRS - Fire Plan - Tier 3   | 107                                | -                                   | 107                 |
| Total projected earnings on pension plan investments in excess of actual earnings                                  | <u>205,201</u>                     | <u>52,006</u>                       | <u>257,207</u>      |
| Change in assumptions:   |                                    |                                     |                     |
| ASRS   | 363,196                            | 92,140                              | 455,336             |
| Total change in assumption   | <u>363,196</u>                     | <u>92,140</u>                       | <u>455,336</u>      |
| Difference between expected and actual experience  |                                    |                                     |                     |
| ASRS   | 1,715                              | 435                                 | 2,150               |
| PSPRS - Police Plan - Tier 1 & 2   | 4,627                              | -                                   | 4,627               |
| PSPRS - Fire Plan - Tier 1 & 2   | 546,835                            | -                                   | 546,835             |
| Total difference between expected and actual experience  | <u>553,177</u>                     | <u>435</u>                          | <u>553,612</u>      |
| Change in proportion and differences between employer contributions and proportionate share of contributions       |                                    |                                     |                     |
| ASRS   | 148,922                            | 37,781                              | 186,703             |
| PSPRS - Fire Plan - Tier 3   | 2,820                              | -                                   | 2,820               |
| Total change in proportion and differences between employer contributions and proportionate share of contributions | <u>151,742</u>                     | <u>37,781</u>                       | <u>189,523</u>      |
| Total pension-related deferred inflows of resources  |                                    |                                     |                     |
| ASRS   | 718,831                            | 182,362                             | 901,193             |
| PSPRS - Police Plan - Tier 1 & 2   | 4,627                              | -                                   | 4,627               |
| PSPRS - Fire Plan - Tier 1 & 2   | 546,835                            | -                                   | 546,835             |
| PSPRS - Police Plan - Tier 3   | 96                                 | -                                   | 96                  |
| PSPRS - Fire Plan - Tier 3   | 2,927                              | -                                   | 2,927               |
| Total pension-related deferred inflows of resources  | <u>\$ 1,273,316</u>                | <u>\$ 182,362</u>                   | <u>\$ 1,455,678</u> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**A. Summary – Pension and OPEB (Continued)**

**Deferred Inflows of Resources**

|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b> |
|--|------------------------------------|-------------------------------------|--------------|
| <b>OPEB-related deferred inflows of resources:</b>   |                                    |                                     |              |
| Projected earnings on pension plan investments in excess of actual earnings:                                       |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | \$ 22,833                          | \$ 5,792                            | \$ 28,625    |
| ASRS - Long-Term Disability Plan   | 877                                | 223                                 | 1,100        |
| PSPRS - Police Plan - Tier 3   | 6                                  | -                                   | 6            |
| PSPRS - Fire Plan - Tier 3   | 11                                 | -                                   | 11           |
| Total projected earnings on pension plan investments in excess of actual earnings                                  | 23,727                             | 6,015                               | 29,742       |
| Change in assumptions:   |                                    |                                     |              |
| PSPRS - Police Plan - Tier 1 & 2   | 7,269                              | -                                   | 7,269        |
| PSPRS - Fire Plan - Tier 1 & 2   | 3,069                              | -                                   | 3,069        |
| PSPRS - Police Plan - Tier 3   | 1                                  | -                                   | 1            |
| PSPRS - Fire Plan - Tier 3   | 1                                  | -                                   | 1            |
| Total change in assumption   | 10,340                             | -                                   | 10,340       |
| Difference between expected and actual experience  |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 20,988                             | 5,324                               | 26,312       |
| PSPRS - Police Plan - Tier 1 & 2   | 75,880                             | -                                   | 75,880       |
| PSPRS - Fire Plan - Tier 1 & 2   | 57,882                             | -                                   | 57,882       |
| PSPRS - Police Plan - Tier 3   | 47                                 | -                                   | 47           |
| PSPRS - Fire Plan - Tier 3   | 91                                 | -                                   | 91           |
| Total difference between expected and actual experience  | 154,888                            | 5,324                               | 160,212      |
| Change in proportion and differences between employer contributions and proportionate share of contributions       |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 42                                 | 11                                  | 53           |
| ASRS - Long-Term Disability Plan   | 468                                | 119                                 | 587          |
| PSPRS - Fire Plan - Tier 3   | 129                                | -                                   | 129          |
| Total change in proportion and differences between employer contributions and proportionate share of contributions | 639                                | 130                                 | 769          |
| Total OPEB-related deferred inflows of resources   |                                    |                                     |              |
| ASRS - Health Benefit Supplement Plan  | 43,863                             | 11,127                              | 54,990       |
| ASRS - Long-Term Disability Plan   | 1,345                              | 342                                 | 1,687        |
| PSPRS - Police Plan - Tier 1 & 2   | 83,149                             | -                                   | 83,149       |
| PSPRS - Fire Plan - Tier 1 & 2   | 60,951                             | -                                   | 60,951       |
| PSPRS - Police Plan - Tier 3   | 54                                 | -                                   | 54           |
| PSPRS - Fire Plan - Tier 3   | 232                                | -                                   | 232          |
| Total OPEB-related deferred inflows of resources   | \$ 189,594                         | \$ 11,469                           | \$ 201,063   |

**Pension/OPEB Expenses**

|                                  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b> |
|----------------------------------|------------------------------------|-------------------------------------|--------------|
| <b>Pension expenses:</b>         |                                    |                                     |              |
| ASRS                             | \$ 946,787                         | \$ 240,193                          | \$ 1,186,980 |
| PSPRS - Police Plan - Tier 1 & 2 | 1,792,486                          | -                                   | 1,792,486    |
| PSPRS - Fire Plan - Tier 1 & 2   | 1,455,140                          | -                                   | 1,455,140    |
| PSPRS - Police Plan - Tier 3     | 935                                | -                                   | 935          |
| PSPRS - Fire Plan - Tier 3       | 516                                | -                                   | 516          |
| Total net pension expenses       | \$ 4,195,864                       | \$ 240,193                          | \$ 4,436,057 |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**A. Summary – Pension and OPEB (Continued)**

**Pension/OPEB Expenses (Continued)**

|                                       | Governmental<br>Activities | Business-Type<br>Activities | Total            |
|---------------------------------------|----------------------------|-----------------------------|------------------|
| OPEB expenses/(income):               |                            |                             |                  |
| ASRS - Health Benefit Supplement Plan | \$ 22,010                  | \$ 5,584                    | \$ 27,594        |
| ASRS - Long-Term Disability Plan      | 13,265                     | 3,365                       | 16,630           |
| PSPRS - Police Plan - Tier 1 & 2      | (13,903)                   | -                           | (13,903)         |
| PSPRS - Fire Plan - Tier 1 & 2        | 5,064                      | -                           | 5,064            |
| PSPRS - Police Plan - Tier 3          | 7                          | -                           | 7                |
| PSPRS - Fire Plan - Tier 3            | (7)                        | -                           | (7)              |
| Total net OPEB expenses               | <u>\$ 26,436</u>           | <u>\$ 8,949</u>             | <u>\$ 35,385</u> |

**B. Arizona State Retirement System (“ASRS”) Plans**

**Plan Description**

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

**Benefits Provided**

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

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

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

***B. Arizona State Retirement System (“ASRS”) Plans (Continued)***

**Benefits Provided (Continued)**

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

**Employees Covered**

At June 30, 2020 the City had 172 active and contributing employees were covered by the benefit terms the Plan. As of the date of the audit report, the City was unable to determine the number of transferred/separated employees not receiving benefits or the number of retired employees receiving benefits.

**Contributions**

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020, were:

|                                | <b>Contributions -<br/>employer</b> |
|--------------------------------|-------------------------------------|
| Pension Plan                   | \$ 966,830                          |
| Health Benefit Supplement Plan | 32,019                              |
| Long-Term Disability Plan      | 14,131                              |
| Total                          | <u>\$ 1,012,980</u>                 |



**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**B. Arizona State Retirement System (“ASRS”) Plans (Continued)**

**Contributions (Continued)**

During fiscal year 2020, the City paid for ASRS pension and OPEB contributions as follows: 80 percent from the Governmental Funds, 14 percent from the Water Fund, and 6 percent from the Wastewater Fund.

**Assets, Liabilities, Expenses and Deferred Outflows/Inflows of Resources Related to Pension/OPEB Plans**

At June 30, 2020, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

|                                | Net<br>pension/OPEB<br>(asset) liability |
|--------------------------------|--|
| Pension Plan                   | \$ 11,434,304                            |
| Health Benefit Supplement Plan | (22,012)                                 |
| Long-Term Disability Plan      | 51,588                                   |
| Total                          | <u>\$ 11,463,880</u>                     |

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The City’s proportion of the net asset or net liability was based on the City’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2019. The City’s proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

|                              | <u>Pension Plan</u> | <u>Health Benefit<br/>Supplement Plan</u> | <u>Long-Term<br/>Disability Plan</u> |
|------------------------------|---------------------|---|--------------------------------------|
| Proportion June 30, 2017     | 0.0804900%          | 0.0815600%                                | 0.0806600%                           |
| Proportion June 30, 2018     | 0.0785800%          | 0.0796500%                                | 0.0791900%                           |
| Change - Increase (Decrease) | <u>-0.0019100%</u>  | <u>-0.0019100%</u>                        | <u>-0.0014700%</u>                   |

As of June 30, 2020, the City reported net pension and OPEB liability/(asset) for its proportionate shares of the net pension and OPEB liability/(asset) of the Arizona State Retirement System Plans as follows:

|  | <u>Plan's Net Pension and OPEB Liability/(Asset)</u> |   |                                      |
|--|--|---|--------------------------------------|
|  | <u>Pension Plan</u>                                  | <u>Health Benefit<br/>Supplement Plan</u> | <u>Long-Term<br/>Disability Plan</u> |
| Balance at: 6/30/18 (Valuation date)   | \$ 11,225,522  | \$ (29,369)                               | \$ 42,145                            |
| Balance at: 6/30/19 (Measurement date) | 11,434,304   | (22,012)                                  | 51,588                               |
| Net Changes during 2018-2019           | <u>(208,782)</u>                                     | <u>(7,357)</u>                            | <u>(9,443)</u>                       |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**B. Arizona State Retirement System (“ASRS”) Plans (Continued)**

**Assets, Liabilities, Expenses and Deferred Outflows/Inflows of Resources Related to Pension/OPEB Plans (Continued)**

The City recognized the following pension/OPEB expenses for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020:

|                                | <b>Pension/OPEB<br/>expenses</b> |
|--------------------------------|----------------------------------|
| Pension Plan                   | \$ 1,186,980                     |
| Health Benefit Supplement Plan | 27,594                           |
| Long-Term Disability Plan      | 16,630                           |
| Total                          | <u>\$ 1,231,204</u>              |

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

|   | <b>Pension Plan</b>                       |  | <b>Health Benefit Supplement Plan</b>     |  | <b>Long-Term Disability Plan</b>          |  |
|---|---|--|---|--|---|--|
|   | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> |
| Contributions made subsequent to measurement date   | \$ 966,830                                | \$ -                                     | \$ 32,019                                 | \$ -                                     | \$ 14,131                                 | \$ -                                     |
| Difference between projected and actual earning on pension plan investments                                   | -   | (257,004)                                | -   | (28,625)                                 | -   | (1,100)                                  |
| Changes in assumptions  | 48,333                                    | (455,336)                                | 43,288                                    | -  | 7,717                                     | -  |
| Difference between actual and expected experience   | 206,564                                   | (2,150)                                  | -   | (26,312)                                 | 6,095                                     | -  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 47,315                                    | (186,703)                                | 9   | (53)                                     | 183                                       | (587)                                    |
| Total   | <u>\$ 1,269,042</u>                       | <u>\$ (901,193)</u>                      | <u>\$ 75,316</u>                          | <u>\$ (54,990)</u>                       | <u>\$ 28,126</u>                          | <u>\$ (1,687)</u>                        |

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

|                     | <b>Deferred Outflows/ (Inflows) of Resources</b> |                                       |                                  |
|---------------------|--|---------------------------------------|----------------------------------|
|                     | <b>Pension Plan</b>                              | <b>Health Benefit Supplement Plan</b> | <b>Long-Term Disability Plan</b> |
| Year Ended June 30, |  |                                       |                                  |
| 2021                | \$ (225,419)                                     | \$ (9,538)                            | \$ 1,197                         |
| 2022                | (393,039)  | (9,538)                               | 1,198                            |
| 2023                | (49,356)   | 2,667                                 | 2,272                            |
| 2024                | 68,833   | 5,338                                 | 2,469                            |
| 2025                | -  | (622)                                 | 2,060                            |
| Thereafter          | -  | -                                     | 3,112                            |
|                     | <u>\$ (598,981)</u>                              | <u>\$ (11,693)</u>                    | <u>\$ 12,308</u>                 |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**B. Arizona State Retirement System (“ASRS”) Plans (Continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension and OPEB Liability**

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. Both the June 30, 2018 and the June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

|                             |   |
|-----------------------------|---|
| Actuarial Cost Method       | Entry Age Normal in accordance with the requirement of GASB Statement No. 68/ |
| Actuarial valuation date    | June 30, 2018   |
| Actuarial roll forward date | June 30, 2019   |
| Actuarial Assumptions:      |   |
| Investment rate of return   | 7.5%  |
| Projected salary increases  | 2.7–7.2% for pensions/not applicable for OPEB                                 |
| Inflation                   | 2.3%  |
| Permanent benefit increase  | Included for pensions/not applicable for OPEB                                 |
| Mortality rates             | 2017 SRA Scale U-MP for pensions and health insurance premium benefit         |
| Recovery rates              | 2012 GLDT for long-term disability  |
| Healthcare cost trend rate  | Not applicable  |

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class                   | Target Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
|-------------------------------|-------------------|------------------------------|--|
| Equity                        | 50.00%            | 6.09%                        | 3.05%  |
| Credit                        | 20.00%            | 5.36%                        | 1.07%  |
| Interest Rate Sensitive Bonds | 10.00%            | 1.62%                        | 0.16%  |
| Real Estate                   | 20.00%            | 5.85%                        | 1.17%  |
| <b>Total</b>                  | <b>100%</b>       |                              | <b>5.45%</b>                                     |

**Discount Rate**

The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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/OPEB liability

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

***B. Arizona State Retirement System (“ASRS”) Plans (Continued)***

**Discount Rate (Continued)**

Sensitivity of the County’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the County’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

|                                | <b>Aggregate Net Pension and OPEB Liability/(Asset)</b> |                                      |                                   |
|--------------------------------|---|--------------------------------------|-----------------------------------|
|                                | <b>Discount Rate - 1% (6.50%)</b>                       | <b>Current Discount Rate (7.50%)</b> | <b>Discount Rate + 1% (8.50%)</b> |
| Pension Plan                   | \$ 16,273,664   | \$ 11,434,304                        | \$ 7,389,845                      |
| Health Benefit Supplement Plan | \$ 111,499  | \$ (22,012)                          | \$ (135,769)                      |
| Long-Term Disability Plan      | \$ 57,094   | \$ 51,588                            | \$ 46,249                         |
| Total                          | \$ 16,442,257   | \$ 11,463,880                        | \$ 7,300,325                      |

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued report at [www.azasrs.gov](http://www.azasrs.gov).

**Payable to the Pension Plan**

At June 30, 2020, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

***C. Arizona Public Safety Retirement System (“PSPRS”) Plans***

**Plan Description**

The City’s public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-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).

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Benefits Provided**

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

|   | Retirement Initial<br>Membership Date:  |  |  |
|---|---|--|--|
|   | Before January 1, 2012  | On or After January 1, 2012<br>and Before July 1, 2017           | On or After July 1, 2017   |
| Years of service and age<br>required to receive benefit | 20 years of service, any age<br>15 years of service, age 62   | 25 years of service or 15 years<br>of credited service, age 52.5 | 15 years of credited service, age 52.5*<br>15 or more years of service, age 55 |
| Final average salary is based on                        | Highest 36 consecutive months of last<br>20 years<br>50% less 2.0% for each year of<br>credited service less than 20 years or<br>plus 2.0% to 2.5% for each year of<br>credited service over 20 years, not to<br>exceed 80% | Highest 60 consecutive months of last<br>20 years                | Highest 60 consecutive months of last<br>15 years                              |
| Normal retirement                                       |   | 1.5% to 2.5% per year of credited service, not to exceed 80%     |  |
| Accidental disability retirement                        | 50% or normal retirement, whichever is greater  |  |  |
| Catastrophic disability retirement                      | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater   |  |  |
| Ordinary disability retirement                          | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater,<br>multiplied by years of credited service (not to exceed 20 years) divided by 20                 |  |  |
| Survivor benefit  |   |  |  |
| Retired members   | 80% to 100% of retired member's pension benefit   |  |  |
| Active members  | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the<br>result of injuries received on the job  |  |  |

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

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

**Employees Covered**

At June 30, 2019, the following employees were covered by the benefit terms for each Plan:

|   | Police Plan<br>(Tier 1 & 2) |           | Fire Plan<br>(Tier 1 & 2) |           | Police Plan<br>(Tier 3) |          | Fire Plan<br>(Tier 3) |          |
|---|-----------------------------|-----------|---------------------------|-----------|-------------------------|----------|-----------------------|----------|
|   | Pension                     | Health    | Pension                   | Health    | Pension                 | Health   | Pension               | Health   |
| Active employees                        | 25                          | 25        | 23                        | 23        | 1                       | 1        | 2                     | 2        |
| Transferred and<br>terminated employees | 6                           | 1         | 1                         | 1         | 1                       | 1        | 0                     | 0        |
| Retired employees<br>and beneficiaries  | 19                          | 19        | 5                         | 5         | 0                       | 0        | 0                     | 0        |
| <b>Total</b>                            | <b>50</b>                   | <b>45</b> | <b>29</b>                 | <b>29</b> | <b>2</b>                | <b>2</b> | <b>2</b>              | <b>2</b> |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**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, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

|                              | <b>Police Plan<br/>(Tier 1 &amp; 2)</b> | <b>Fire Plan<br/>(Tier 1 &amp; 2)</b> | <b>Police Plan<br/>(Tier 3)</b> | <b>Fire Plan<br/>(Tier 3)</b> |
|------------------------------|---|---------------------------------------|---------------------------------|-------------------------------|
|                              | (Tier 1) 7.65%                          |                                       |                                 |                               |
| Active members - pension     | (Tier 2 - hired after 7/2011) 11.65%    |                                       | 10.51%                          |                               |
| City of Cottonwood, Arizona: |   |                                       |                                 |                               |
| Pension                      | 48.60%                                  | 25.24%                                | 44.98%                          | 20.18%                        |
| Health Insurance             | 0.34%                                   | 0.69%                                 | 1.51%                           | 1.51%                         |

Also statutes required the City was required to contribute at the actuarially determined rate for Police Tier 1 & 2, Police Tier 3, Fire Tier 1 & 2, Fire Tier 3 of 48.94%, 46.49%, 25.93%, and 21.69%, respectively, of annual covered payroll for Police Plan and Fire Plan retired members, respectively who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

For the year ended June 30, 2020, the City’s contributions made for each Plan was as follows:

|                          | <b>Police Plan<br/>(Tier 1 &amp; 2)</b> |               | <b>Fire Plan<br/>(Tier 1 &amp; 2)</b> |               | <b>Police Plan<br/>(Tier 3)</b> |               | <b>Fire Plan<br/>(Tier 3)</b> |               |
|--------------------------|---|---------------|---------------------------------------|---------------|---------------------------------|---------------|-------------------------------|---------------|
|                          | <b>Pension</b>                          | <b>Health</b> | <b>Pension</b>                        | <b>Health</b> | <b>Pension</b>                  | <b>Health</b> | <b>Pension</b>                | <b>Health</b> |
| Contributions - employer | \$ 878,499                              | \$ 6,146      | \$ 392,866                            | \$ 3,179      | \$ 4,933                        | \$ 106        | \$ 28,740                     | \$ 616        |

During fiscal year 2020, the City paid for the total PSPRS pension and OPEB contributions from the general fund.

**Net Pension and OPEB Liability/(Asset)**

The City’s net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

The City’s proportions measured as of June 30, 2019, for the PSPRS Tier 3 Police and Fire Pension/OPEB plans, were:

|                          | <b>Police Pension Plan<br/>(Tier 3)</b> | <b>Police OPEB Plan<br/>(Tier 3)</b> | <b>Fire Pension Plan<br/>(Tier 3)</b> | <b>Fire OPEB Plan<br/>(Tier 3)</b> |
|--------------------------|---|--------------------------------------|---------------------------------------|------------------------------------|
| Proportion June 30, 2018 | 0.2178110%                              | 0.19159%                             | 0.2427230%                            | 0.3735360%                         |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Actuarial Assumptions**

The total pension and liabilities/(assets) in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

|                                  |   |
|----------------------------------|---|
| Actuarial Cost Method            | Entry Age Normal in accordance with the requirement of GASB Statement   |
| Actuarial Assumptions:           |   |
| Discount Rate                    | 7.30%   |
| Inflation                        | 2.50%; No explicit price inflation assumption   |
| Salary Increases                 | 4.00% to 8.00% including inflation  |
| Investment Rate of Return        | 7.30%, net of investment and administrative expenses  |
| Mortality Rate Table             | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).  |
| Post Retirement Benefit Increase | The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of |

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class     | New Strategic Allocation | Long-Term Expected Real Rate of Return <sup>1</sup> |
|-----------------|--------------------------|---|
| Short Term Inv. | 2.00%                    | 0.01%   |
| Risk Parity     | 4.00%                    | 0.16%   |
| Fixed Income    | 5.00%                    | 0.15%   |
| Real Assets     | 9.00%                    | 0.61%   |
| Real Estate     | 10.00%                   | 0.45%   |
| Private Equity  | 12.00%                   | 1.00%   |
| GTS             | 12.00%                   | 0.48%   |
| Non-U.S. Equity | 14.00%                   | 0.70%   |
| U.S. Equity     | 16.00%                   | 0.76%   |
| Private Credit  | 16.00%                   | 0.86%   |
|                 | <u>100.00%</u>           |   |

<sup>1</sup>An expected inflation of 2.75% used for this period

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Discount Rate**

At June 30, 2020, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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/OPEB liability.

**Changes in the Net Pension and OPEB Liability/(Asset)**

The following table shows the changes in net pension liability recognized over the measurement period:

|  | <b>Police Plan - 066</b>           |  |                                  |                                 |  |   |
|--|------------------------------------|--|----------------------------------|---------------------------------|--|---|
|  | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability</b> | <b>Total OPEB<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net OPEB<br/>Liability<br/>(Asset)</b> |
| Balance at June 30, 2018 (Valuation Date)                    | \$ 17,613,014                      | \$ 7,279,466                           | \$ 10,333,548                    | \$ 293,507                      | \$ 334,869                             | \$ (41,362)                               |
| Changes in the year:   |                                    |  |                                  |                                 |  |   |
| Service cost   | 414,083                            | -                                      | 414,083                          | 6,658                           | -                                      | 6,658                                     |
| Interest on the total pension liabilities                    | 1,304,328                          | -                                      | 1,304,328                        | 21,966                          | -                                      | 21,966                                    |
| Changes of Benefit Terms                                     | -                                  | -                                      | -                                | -                               | -                                      | -   |
| Differences between expected and actual experience           | 301,392                            | -                                      | 301,392                          | (77,946)                        | -                                      | (77,946)                                  |
| Changes of Assumptions                                       | 665,480                            | -                                      | 665,480                          | 5,987                           | -                                      | 5,987                                     |
| Benefit payments, including refunds of members contributions | (802,098)                          | (802,098)                              | -                                | (6,661)                         | (6,661)                                | -   |
| Contributions - employer                                     | -                                  | 1,072,824                              | (1,072,824)                      | -                               | 6,629                                  | (6,629)                                   |
| Contributions - employee                                     | -                                  | 166,941                                | (166,941)                        | -                               | -                                      | -   |
| Net investment income  | -                                  | 430,937                                | (430,937)                        | -                               | 18,162                                 | (18,162)                                  |
| Administrative expenses                                      | -                                  | (8,482)                                | 8,482                            | -                               | (314)                                  | 314                                       |
| Other changes  | -                                  | (5,668)                                | 5,668                            | -                               | 5,668                                  | (5,668)                                   |
| Net changes  | 1,883,185                          | 854,454                                | 1,028,731                        | (49,996)                        | 23,484                                 | (73,480)                                  |
| Balance at June 30, 2019 (Measurement Date)                  | \$ 19,496,199                      | \$ 8,133,920                           | \$ 11,362,279                    | \$ 243,511                      | \$ 358,353                             | \$ (114,842)                              |



**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Changes in the Net Pension and OPEB Liability/(Asset) (Continued)**

| <b>Fire Plan - 102</b>                                       |                            |                                |                          |                         |                                |                                  |
|--|----------------------------|--------------------------------|--------------------------|-------------------------|--------------------------------|----------------------------------|
|  | Total Pension<br>Liability | Plan Fiduciary<br>Net Position | Net Pension<br>Liability | Total OPEB<br>Liability | Plan Fiduciary<br>Net Position | Net OPEB<br>Liability<br>(Asset) |
| Balance at June 30, 2018 (Valuation Date)                    | \$ 9,547,020               | \$ 6,832,123                   | \$ 2,714,897             | \$ 246,298              | \$ 163,086                     | \$ 83,212                        |
| Changes in the year:   |                            |                                |                          |                         |                                |                                  |
| Service cost   | 383,528                    | -                              | 383,528                  | 6,215                   | -                              | 6,215                            |
| Interest on the total pension liabilities                    | 727,986                    | -                              | 727,986                  | 18,429                  | -                              | 18,429                           |
| Changes of Benefit Terms                                     | -                          | -                              | -                        | -                       | -                              | -                                |
| Differences between expected and actual experience           | (70,820)                   | -                              | (70,820)                 | (45,117)                | -                              | (45,117)                         |
| Changes of Assumptions                                       | 187,461                    | -                              | 187,461                  | 2,311                   | -                              | 2,311                            |
| Benefit payments, including refunds of members contributions | (185,811)                  | (185,811)                      | -                        | (6,957)                 | (6,957)                        | -                                |
| Contributions - employer                                     | -                          | 487,369                        | (487,369)                | -                       | 12,994                         | (12,994)                         |
| Contributions - employee                                     | -                          | 141,988                        | (141,988)                | -                       | -                              | -                                |
| Net investment income  | -                          | 389,112                        | (389,112)                | -                       | 8,985                          | (8,985)                          |
| Administrative expenses                                      | -                          | (7,759)                        | 7,759                    | -                       | (155)                          | 155                              |
| Other changes  | -                          | (5,161)                        | 5,161                    | -                       | 5,161                          | (5,161)                          |
| Net changes  | 1,042,344                  | 819,738                        | 222,606                  | (25,119)                | 20,028                         | (45,147)                         |
| Balance at June 30, 2019 (Measurement Date)                  | <u>\$ 10,589,364</u>       | <u>\$ 7,651,861</u>            | <u>\$ 2,937,503</u>      | <u>\$ 221,179</u>       | <u>\$ 183,114</u>              | <u>\$ 38,065</u>                 |

**Sensitivity of the Net Pension and OPEB Liability/(Asset) to Changes in the Discount Rate**

Sensitivity of the County’s net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the County’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

|                                  | <b>Plan's Aggregate Net Pension/OPEB (Asset) Liability</b> |  |                                       |
|----------------------------------|--|--|---------------------------------------|
|                                  | <b>Discount Rate - 1%<br/>(6.30%)</b>                      | <b>Current Discount<br/>Rate (7.30%)</b> | <b>Discount Rate + 1%<br/>(8.30%)</b> |
| Police Pension Plan (Tier 1 & 2) | \$ 14,250,530  | \$ 11,362,279                            | \$ 9,041,457                          |
| Police OPEB Plan (Tier 1 & 2)    | \$ (82,298)  | \$ (114,842)                             | \$ (141,845)                          |
| Fire Pension Plan (Tier 1 & 2)   | \$ 4,584,450   | \$ 2,937,503                             | \$ 1,608,066                          |
| Fire OPEB Plan (Tier 1 & 2)      | \$ 65,394  | \$ 38,065                                | \$ 15,115                             |
| <b>Aggregate Total</b>           | <u>\$ 18,818,076</u>                                       | <u>\$ 14,223,005</u>                     | <u>\$ 10,522,793</u>                  |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Sensitivity of the Net Pension and OPEB Liability/(Asset) to Changes in the Discount Rate (Continued)**

|                              | Plan's Aggregate Proportionate Share of |                                  |                               |
|------------------------------|---|----------------------------------|-------------------------------|
|                              | Net Pension/OPEB (Asset) Liability      |                                  |                               |
|                              | Discount Rate - 1%<br>(6.40%)           | Current Discount<br>Rate (7.40%) | Discount Rate + 1%<br>(8.40%) |
| Police Pension Plan (Tier 3) | \$ (1,743)                              | \$ (3,128)                       | \$ 6,739                      |
| Police OPEB Plan (Tier 3)    | \$ (218)                                | \$ (281)                         | \$ (331)                      |
| Fire Pension Plan (Tier 3)   | \$ (1,942)                              | \$ (3,486)                       | \$ 7,510                      |
| Fire OPEB Plan (Tier 3)      | \$ (425)                                | \$ (549)                         | \$ (646)                      |
| <b>Aggregate Total</b>       | <b>\$ (4,328)</b>                       | <b>\$ (7,444)</b>                | <b>\$ 13,272</b>              |

**Pension Plan Fiduciary Net Position**

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

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension/OPEB Plans**

For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

|                                    | Pension/OPEB expense/(income) |
|------------------------------------|-------------------------------|
| Pension Plan - Police (Tier 1 & 2) | \$ 1,792,486                  |
| Pension Plan - Fire (Tier 1 & 2)   | 1,455,140                     |
| Pension Plan - Police (Tier 3)     | 935                           |
| Pension Plan - Fire (Tier 3)       | 516                           |
| OPEB Plan - Police (Tier 1 & 2)    | (13,903)                      |
| OPEB Plan - Fire (Tier 1 & 2)      | 5,064                         |
| OPEB Plan - Police (Tier 3)        | 7                             |
| OPEB Plan - Fire (Tier 3)          | (7)                           |
| <b>Total</b>                       | <b>\$ 3,240,238</b>           |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension/OPEB Plans (Continued)**

At June 30, 2020 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Police Plan (Tier 1 &amp; 2)</b>  |   |  |   |  |
|--|---|--|---|--|
|  | <b>Pension Plan</b>                       |  | <b>OPEB Plan</b>                          |  |
|  | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> |
| Pension contributions made subsequent to measurement date                      | \$ 878,499                                | \$ -                                     | \$ 6,146                                  | \$ -                                     |
| Difference between projected and actual earning on<br>pension plan investments | 65,405                                    | -  | 1,198                                     | -  |
| Changes in assumptions   | 1,009,963                                 | -  | 4,990                                     | (7,269)                                  |
| Difference between actual and expected experience                              | 561,359                                   | (4,627)                                  | -   | (75,880)                                 |
| Total  | <u>\$ 2,515,226</u>                       | <u>\$ (4,627)</u>                        | <u>\$ 12,334</u>                          | <u>\$ (83,149)</u>                       |

| <b>Fire Plan (Tier 1 &amp; 2)</b>  |   |  |   |  |
|--|---|--|---|--|
|  | <b>Pension Plan</b>                       |  | <b>OPEB Plan</b>                          |  |
|  | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> |
| Pension contributions made subsequent to measurement date                      | \$ 392,866                                | \$ -                                     | \$ 3,179                                  | \$ -                                     |
| Difference between projected and actual earning on<br>pension plan investments | 84,968                                    | -  | 719                                       | -  |
| Changes in assumptions   | 775,762                                   | -  | 2,056                                     | (3,069)                                  |
| Difference between actual and expected experience                              | 40,200                                    | (546,835)                                | 3,511                                     | (57,882)                                 |
| Total  | <u>\$ 1,293,796</u>                       | <u>\$ (546,835)</u>                      | <u>\$ 9,465</u>                           | <u>\$ (60,951)</u>                       |

| <b>Police Plan (Tier 3)</b>   |   |  |   |  |
|---|---|--|---|--|
|   | <b>Pension Plan</b>                       |  | <b>OPEB Plan</b>                          |  |
|   | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> | <b>Deferred outflows<br/>of Resources</b> | <b>Deferred inflows<br/>of Resources</b> |
| Pension contributions made subsequent to measurement date   | \$ 4,933                                  | \$ -                                     | \$ 106                                    | \$ -                                     |
| Difference between projected and actual earning on<br>pension plan investments                                      | -   | (96)                                     | -   | (6)                                      |
| Changes in assumptions  | 185                                       | -  | -   | (1)                                      |
| Difference between actual and expected experience   | 7,450                                     | -  | 66  | (47)                                     |
| Changes in proportion and<br>differences between employer contributions and<br>proportionate share of contributions | 3,603                                     | -  | 109                                       | -  |
| Total   | <u>\$ 16,171</u>                          | <u>\$ (96)</u>                           | <u>\$ 281</u>                             | <u>\$ (54)</u>                           |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

**C. Arizona Public Safety Retirement System (“PSPRS”) Plans (Continued)**

**Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension/OPEB Plans (Continued)**

|   | Fire Plan (Tier 3)                |                                  |                                   |                                  |
|---|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|   | Pension Plan                      |                                  | OPEB Plan                         |                                  |
|   | Deferred outflows<br>of Resources | Deferred inflows<br>of Resources | Deferred outflows<br>of Resources | Deferred inflows<br>of Resources |
| Pension contributions made subsequent to measurement date   | \$ 28,740                         | \$ -                             | \$ 616                            | \$ -                             |
| Difference between projected and actual earning on pension plan investments                                   | -                                 | (107)                            | -                                 | (11)                             |
| Changes in assumptions  | 206                               | -                                | -                                 | (1)                              |
| Difference between actual and expected experience   | 8,302                             | -                                | 129                               | (91)                             |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | -                                 | (2,820)                          | -                                 | (129)                            |
| Total   | \$ 37,248                         | \$ (2,927)                       | \$ 745                            | \$ (232)                         |

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |                                   |                                  |                                |
|---------------------|--|-----------------------------------|----------------------------------|--------------------------------|
|                     | Police Pension<br>Plan (Tier 1 & 2)      | Fire Pension<br>Plan (Tier 1 & 2) | Police OPEB<br>Plan (Tier 1 & 2) | Fire OPEB<br>Plan (Tier 1 & 2) |
| 2021                | \$ 619,558                               | \$ 93,420                         | \$ (18,073)                      | \$ (7,448)                     |
| 2022                | 441,756                                  | 21,649                            | (18,072)                         | (7,446)                        |
| 2023                | 350,018                                  | 72,909                            | (15,629)                         | (6,266)                        |
| 2024                | 220,768                                  | 69,694                            | (13,194)                         | (6,413)                        |
| 2025                | -  | 43,176                            | (11,993)                         | (7,073)                        |
| Thereafter          | -  | 53,247                            | -                                | (20,019)                       |
|                     | \$ 1,632,100                             | \$ 354,095                        | \$ (76,961)                      | \$ (54,665)                    |

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |                              |                               |                            |
|---------------------|--|------------------------------|-------------------------------|----------------------------|
|                     | Police Pension<br>Plan (Tier 3)          | Police OPEB<br>Plan (Tier 3) | Fire Pension<br>Plan (Tier 3) | Fire OPEB<br>Plan (Tier 3) |
| 2021                | \$ 841                                   | \$ 7                         | \$ 411                        | \$ (7)                     |
| 2022                | 841                                      | 7                            | 411                           | (7)                        |
| 2023                | 841                                      | 7                            | 411                           | (7)                        |
| 2024                | 840                                      | 7                            | 410                           | (7)                        |
| 2025                | 864                                      | 9                            | 438                           | (4)                        |
| Thereafter          | 6,915                                    | 84                           | 3,500                         | (71)                       |
|                     | \$ 11,142                                | \$ 121                       | \$ 5,581                      | \$ (103)                   |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

---

**Note 10 – Pension Plans and Other Postemployment Benefits (Continued)**

***D. Firefighters' Relief and Pension Fund***

The Firefighters' Relief and Pension Fund, known as the Cottonwood Fire Department Alternate Pension/Benefit Plan, is a defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to the plan, a volunteer firefighter who has served twelve (12) months is eligible to participate. Normal retirement is the earlier of age 55 or 20 years of service. The employer contributions vest at twenty-five percent (25 percent) after three (3) years, six percent (6 percent) per year thereafter until the volunteer is 100 percent vested after fifteen (15) years. The monthly retirement benefit cannot exceed \$150, as determined by the Board of Trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Each volunteer must contribute at least 5.0 percent of covered compensation which is matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2020, the City did not contribute to the Fund as there were no participants in the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its volunteer firefighters. The Firefighters' Relief and Pension Fund held no securities of the City or other related parties during the fiscal year or as of the close of the fiscal year. A separate, audited GAAP-basis postemployment benefit plan was not available.

**Note 11 – Other Required Disclosures**

***A. Deficit Fund Balance/Net Position***

At June 30, 2020, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$(11,650,963).

***B. Expenditures Exceeding Appropriations***

For the year ended June 30, 2020, expenditures exceeded appropriations in the following function(s) of the General Fund:

| Function     | Excess Expenditures<br>over Appropriations |
|--------------|--|
| Debt Service | \$ (225,138)                               |

**City of Cottonwood**  
**Notes to the Basic Financial Statements (Continued)**  
**For the Year Ended June 30, 2020**

**Note 12 – Classification of Fund Balances**

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2020 as follows:

|                            | Major Funds         |                   | Other               |                      |
|----------------------------|---------------------|-------------------|---------------------|----------------------|
|                            | General             | Debt Service      | Governmental        |                      |
|                            | Fund                | Fund              | Funds               | Total                |
| <b>Nonspendable:</b>       |                     |                   |                     |                      |
| Inventories                | \$ 24,044           | \$ -              | \$ 13,928           | \$ 37,972            |
| Prepaid items              | 62,944              | 16,201            | -                   | 79,145               |
| <b>Total nonspendable</b>  | <b>86,988</b>       | <b>16,201</b>     | <b>13,928</b>       | <b>117,117</b>       |
| <b>Restricted:</b>         |                     |                   |                     |                      |
| Grants                     | -                   | -                 | 11,164              | 11,164               |
| Highways and streets       | -                   | -                 | 2,925,973           | 2,925,973            |
| Debt service               | -                   | 348,011           | -                   | 348,011              |
| Capital Outlay             | -                   | -                 | 842,316             | 842,316              |
| <b>Total restricted</b>    | <b>-</b>            | <b>348,011</b>    | <b>3,779,453</b>    | <b>4,127,464</b>     |
| <b>Assigned:</b>           |                     |                   |                     |                      |
| Capital outlay             | 1,000,000           | -                 | -                   | 1,000,000            |
| <b>Total assigned</b>      | <b>1,000,000</b>    | <b>-</b>          | <b>-</b>            | <b>1,000,000</b>     |
| <b>Unassigned</b>          | <b>6,955,514</b>    | <b>-</b>          | <b>-</b>            | <b>6,955,514</b>     |
| <b>Total Fund Balances</b> | <b>\$ 8,042,502</b> | <b>\$ 364,212</b> | <b>\$ 3,793,381</b> | <b>\$ 12,200,095</b> |

**Note 13 – Commitments and Contingencies**

**A. Litigation**

The City is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, City management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**B. Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or Single Audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

**C. COVID-19 Pandemic**

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the City could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the City and the duration cannot be estimated at this time.

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Required Supplementary Information (Unaudited)**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



**City of Cottonwood**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Information**  
**For the Year Ended June 30, 2020**

---

**Note 1 – Budgetary Information**

The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2020 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2020 will provide authority to complete those transactions.

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget."

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within any fund during the budget year as long as it does not increase the total budget within the fund. However, any revisions that alter total expenditures of any fund without coinciding revenue increases must be approved by the City Council.

Per state law, expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for each separate fund and establishes the legal level of local budgetary control at this level. The adopted budget cannot be amended in any way without City Council approval.

Total expenditures are not in excess of the City Council approved Annual Expenditure Limitation adopted with the Budget for fiscal year June 30, 2020, and therefore are properly authorized. The City's total expenditure limit was \$76,016,900.

The adopted budget of the City is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America with the following exceptions: 1) Indirect costs charged to other funds are budgeted within the General Fund as revenues rather than reductions of expenditures, and 2) intrafund transfers are budgeted as transfers but are eliminated in the fund financial statements.

Consequently, the following adjustments were necessary to present actual revenues, actual expenditures, transfers in, and transfers out on a budgetary basis in order to provide a meaningful comparison.

|  | <u>Total<br/>Revenues</u> | <u>Total<br/>Expenditures</u> | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|--|---------------------------|-------------------------------|-------------------------|--------------------------|
| Statement of Revenues, Expenditures and        |                           |                               |                         |                          |
| Changes in Fund Balances -                     |                           |                               |                         |                          |
| Governmental Funds                             | \$ 30,798,615             | \$ 26,549,184                 | \$ 230,361              | \$ (230,361)             |
| Indirect cost                                  | <u>1,145,942</u>          | <u>1,145,942</u>              | <u>-</u>                | <u>-</u>                 |
| Statement of Revenues, Expenditures and        |                           |                               |                         |                          |
| Changes in Fund Balances - Budget and Actual - |                           |                               |                         |                          |
| General Fund                                   | <u>\$ 31,944,557</u>      | <u>\$ 27,695,126</u>          | <u>\$ 230,361</u>       | <u>\$ (230,361)</u>      |

**City of Cottonwood**  
**Required Supplementary Information (Unaudited) (Continued)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b> |                     | <b>Actual</b>     | <b>Variance With</b> |
|---|-------------------------|---------------------|-------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>        | <b>Amounts</b>    | <b>Final Budget</b>  |
| <b>REVENUES:</b>  |                         |                     |                   |                      |
| Taxes   | \$ 15,223,110           | \$ 14,598,290       | \$ 15,846,525     | \$ 1,248,235         |
| Intergovernmental   | 4,360,365               | 4,123,520           | 4,170,676         | 47,156               |
| Licenses and permits  | 392,285                 | 286,650             | 281,099           | (5,551)              |
| Fines and forfeitures   | 172,200                 | 211,290             | 172,572           | (38,718)             |
| Rents and royalties   | 146,100                 | 130,520             | 129,751           | (769)                |
| Investment income   | 30,040                  | 46,830              | 82,712            | 35,882               |
| Charges for services  | 2,320,310               | 1,858,220           | 1,802,164         | (56,056)             |
| Contributions   | 24,000                  | 29,950              | 34,050            | 4,100                |
| Miscellaneous   | 1,274,950               | 1,192,110           | 1,180,456         | (11,654)             |
| <b>Total revenues</b>   | <b>23,943,360</b>       | <b>22,477,380</b>   | <b>23,700,005</b> | <b>1,222,625</b>     |
| <b>EXPENDITURES:</b>  |                         |                     |                   |                      |
| Current:  |                         |                     |                   |                      |
| General government  | 6,904,730               | 6,110,845           | 6,005,936         | 104,909              |
| Public safety   | 10,931,880              | 10,543,920          | 10,277,695        | 266,225              |
| Culture and leisure   | 4,032,715               | 3,733,770           | 3,550,868         | 182,902              |
| Capital outlay  | 113,420                 | 164,030             | 154,909           | 9,121                |
| Debt service:   |                         |                     |                   |                      |
| Principal   | 201,040                 | 200,415             | 425,553           | (225,138)            |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | 118,770                 | 129,115             | 126,026           | 3,089                |
| <b>Total expenditures</b>   | <b>22,302,555</b>       | <b>20,882,095</b>   | <b>20,540,987</b> | <b>341,108</b>       |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                     | <b>1,640,805</b>        | <b>1,595,285</b>    | <b>3,159,018</b>  | <b>1,563,733</b>     |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                         |                     |                   |                      |
| Proceeds from debt issuance   | -                       | -                   | -                 | -                    |
| Sales of property   | 40,000                  | 107,890             | 105,649           | (2,241)              |
| Transfers In  | 135,200                 | 108,860             | -                 | (108,860)            |
| Transfers out   | (806,995)               | (380,110)           | (16,627)          | 363,483              |
| <b>Total other financing sources (uses)</b>                                       | <b>(631,795)</b>        | <b>(163,360)</b>    | <b>89,022</b>     | <b>252,382</b>       |
| <b>Net change in fund balances</b>  | <b>\$ 1,009,010</b>     | <b>\$ 1,431,925</b> | <b>3,248,040</b>  | <b>\$ 1,816,115</b>  |
| <b>FUND BALANCES:</b>   |                         |                     |                   |                      |
| Beginning of year   |                         |                     | 4,794,462         |                      |
| End of year   |                         |                     | \$ 8,042,502      |                      |

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

| <b>Arizona Employees' Retirement System ("ASRS") Pension Plan</b>  |               |               |               |               |               |                            |
|--|---------------|---------------|---------------|---------------|---------------|----------------------------|
| Measurement Period   | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 <sup>1</sup> |
| City's Proportion of the Net Pension Liability   | 0.07858%      | 0.08049%      | 0.07980%      | 0.07865%      | 0.07549%      | 0.07042%                   |
| City's Proportionate Share of the Net Pension Liability  | \$ 11,434,304 | \$ 11,225,522 | \$ 12,431,284 | \$ 12,694,900 | \$ 11,759,105 | \$ 10,420,105              |
| City's Covered Payroll   | \$ 7,827,288  | \$ 7,599,309  | \$ 7,377,970  | \$ 7,163,077  | \$ 6,954,444  | \$ 6,005,925               |
| City's Proportionate Share of the Net Pension Liability<br>as a Percentage of Its Covered Payroll          | 146.08%       | 147.72%       | 168.49%       | 177.23%       | 169.09%       | 173.50%                    |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total Pension Liability | 73.24%        | 73.40%        | 69.92%        | 67.06%        | 68.35%        | 69.49%                     |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

| <b>Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit</b>                   |                |                |                |                            |
|---|----------------|----------------|----------------|----------------------------|
| Measurement Period  | June 30, 2019  | June 30, 2018  | June 30, 2017  | June 30, 2016 <sup>1</sup> |
| City's Proportion of the Net OPEB (Asset) Liability   | 0.07965%       | 0.08156%       | 0.08061%       | 0.08061%                   |
| City's Proportionate Share of the Net OPEB (Asset) Liability  | \$ (22,012)    | \$ (29,369)    | \$ (43,884)    | \$ 23,309                  |
| City's Covered Payroll  | \$ 7,827,288   | \$ 7,599,309   | \$ 7,377,970   | \$ 7,163,077               |
| City's Proportionate Share of the Net OPEB (Asset) Liability<br>as a Percentage of Its Covered Payroll  | <u>-0.28%</u>  | <u>-0.39%</u>  | <u>-0.59%</u>  | <u>0.33%</u>               |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total OPEB Liability | <u>101.62%</u> | <u>102.20%</u> | <u>103.57%</u> | <u>103.57%</u>             |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

| <b>Arizona Employees' Retirement System ("ASRS") Long-Term Disability</b>                               |               |               |               |                            |
|---|---------------|---------------|---------------|----------------------------|
| Measurement Period  | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 <sup>1</sup> |
| City's Proportion of the Net OPEB (Asset) Liability   | 0.07919%      | 0.08066%      | 0.08001%      | 0.08001%                   |
| City's Proportionate Share of the Net OPEB (Asset) Liability  | \$ 51,588     | \$ 42,145     | \$ 29,002     | \$ 28,753                  |
| City's Covered Payroll  | \$ 7,827,288  | \$ 7,599,309  | \$ 7,377,970  | \$ 7,163,077               |
| City's Proportionate Share of the Net OPEB (Asset) Liability<br>as a Percentage of Its Covered Payroll  | 0.66%         | 0.55%         | 0.39%         | 0.40%                      |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total OPEB Liability | 72.85%        | 77.83%        | 84.44%        | 84.44%                     |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tier 3)**

| Measurement Period   | June 30, 2019  | June 30, 2018 <sup>1</sup> |
|--|----------------|----------------------------|
| City's Proportion of the Net Pension (Asset) Liability   | 0.21781%       | 0.47335%                   |
| City's Proportionate Share of the Net Pension (Asset) Liability  | \$ (3,128)     | \$ 933                     |
| City's Covered Payroll   | \$ 103,355     | \$ 100,345                 |
| City's Proportionate Share of the Net Pension (Asset) Liability<br>as a Percentage of Its Covered Payroll  | <u>-3.03%</u>  | <u>0.93%</u>               |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total Pension Liability | <u>116.90%</u> | <u>89.24%</u>              |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which the plan is in effect.

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tier 3)**

| Measurement Period   | June 30, 2019 | June 30, 2018 <sup>1</sup> |
|--|---------------|----------------------------|
| City's Proportion of the Net Pension (Asset) Liability   | 0.24272%      | 0.04223%                   |
| City's Proportionate Share of the Net Pension (Asset) Liability  | \$ (3,486)    | \$ 1,923                   |
| City's Covered Payroll   | \$ 77,897     | \$ 75,628                  |
| City's Proportionate Share of the Net Pension (Asset) Liability<br>as a Percentage of Its Covered Payroll  | -4.48%        | 2.54%                      |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total Pension Liability | 116.90%       | 89.24%                     |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which the plan is in effect.

**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan (Tier 3)**

| Measurement Period  | June 30, 2019 | June 30, 2018 <sup>1</sup> |
|---|---------------|----------------------------|
| City's Proportion of the Net OPEB (Asset) Liability   | 0.19159%      | 0.47333%                   |
| City's Proportionate Share of the Net OPEB (Asset) Liability  | \$ (281)      | \$ (20)                    |
| City's Covered Payroll  | \$ 103,355    | \$ 100,345                 |
| City's Proportionate Share of the Net OPEB (Asset) Liability<br>as a Percentage of Its Covered Payroll  | -0.27%        | -0.02%                     |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total OPEB Liability | 205.30%       | 110.51%                    |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which the plan is in effect.



**City of Cottonwood**  
**Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan (Tier 3)**

| Measurement Period  | June 30, 2019 | June 30, 2018 <sup>1</sup> |
|---|---------------|----------------------------|
| City's Proportion of the Net OPEB (Asset) Liability   | 0.37354%      | 0.04223%                   |
| City's Proportionate Share of the Net OPEB (Asset) Liability  | \$ (549)      | \$ (2)                     |
| City's Covered Payroll  | \$ 77,897     | \$ 75,628                  |
| City's Proportionate Share of the Net OPEB (Asset) Liability<br>as a Percentage of Its Covered Payroll  | -0.70%        | 0.00%                      |
| Plan's Proportionate Share of the Fiduciary Net Position<br>as a Percentage of the Total OPEB Liability | 205.30%       | 110.51%                    |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which the plan is in effect.

**City of Cottonwood**  
**Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan**

| <b>Total Pension Liability</b>   | <b>2018-19</b>       | <b>2017-18</b>       | <b>2016-17</b>       | <b>2015-16</b>       | <b>2014-15</b>       | <b>2013-14</b>       |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Service cost   | \$ 414,083           | \$ 390,296           | \$ 466,156           | \$ 377,687           | \$ 363,471           | \$ 354,387           |
| Interest on total pension liability  | 1,304,328            | 1,210,011            | 1,109,897            | 1,005,947            | 943,940              | 773,831              |
| Changes in assumptions   | 665,480              | -                    | 297,828              | 604,633              | -                    | 1,448,801            |
| Differences between expected and actual experience                         | 301,392              | 208,299              | 52,873               | 358,438              | 186,411              | (74,185)             |
| Changes in benefit terms   | -                    | -                    | 355,721              | 367,613              | -                    | 258,918              |
| Benefit payments, including refunds of employee contributions              | (802,098)            | (703,893)            | (679,447)            | (869,625)            | (552,428)            | (646,187)            |
| <b>Net change in total pension liability</b>                               | <b>1,883,185</b>     | <b>1,104,713</b>     | <b>1,603,028</b>     | <b>1,844,693</b>     | <b>941,394</b>       | <b>2,115,565</b>     |
| <b>Total pension liability - beginning</b>                                 | <b>17,613,014</b>    | <b>16,508,301</b>    | <b>14,905,273</b>    | <b>13,060,580</b>    | <b>12,119,186</b>    | <b>10,003,621</b>    |
| <b>Total pension liability - ending (a)</b>                                | <b>\$ 19,496,199</b> | <b>\$ 17,613,014</b> | <b>\$ 16,508,301</b> | <b>\$ 14,905,273</b> | <b>\$ 13,060,580</b> | <b>\$ 12,119,186</b> |
| <b>Plan fiduciary net position</b>   |                      |                      |                      |                      |                      |                      |
| Contributions - employer   | \$ 1,072,824         | \$ 1,384,711         | \$ 911,276           | \$ 910,441           | \$ 601,731           | \$ 562,803           |
| Contributions - employee   | 166,941              | 171,124              | 217,925              | 235,544              | 227,682              | 199,451              |
| Investment income (net of administrative expenses)                         | 430,937              | 487,040              | 666,184              | 31,475               | 167,936              | 531,085              |
| Benefit payments   | (802,098)            | (703,893)            | (679,447)            | (869,625)            | (552,428)            | (646,187)            |
| Administrative expenses  | (8,482)              | (8,113)              | (6,295)              | (4,929)              | (4,475)              | -                    |
| Other  | (5,668)              | (344,947)            | 63                   | (7,369)              | (12,483)             | (211,221)            |
| <b>Net change in plan fiduciary net position</b>                           | <b>854,454</b>       | <b>985,922</b>       | <b>1,109,706</b>     | <b>295,537</b>       | <b>427,963</b>       | <b>435,931</b>       |
| <b>Plan fiduciary net position - beginning</b>                             | <b>7,279,466</b>     | <b>6,293,544</b>     | <b>5,183,838</b>     | <b>4,888,301</b>     | <b>4,460,338</b>     | <b>4,024,407</b>     |
| <b>Plan fiduciary net position - ending (b)</b>                            | <b>\$ 8,133,920</b>  | <b>\$ 7,279,466</b>  | <b>\$ 6,293,544</b>  | <b>\$ 5,183,838</b>  | <b>\$ 4,888,301</b>  | <b>\$ 4,460,338</b>  |
| <b>Net pension liability - ending (a)-(b)</b>                              | <b>\$ 11,362,279</b> | <b>\$ 10,333,548</b> | <b>\$ 10,214,757</b> | <b>\$ 9,721,435</b>  | <b>\$ 8,172,279</b>  | <b>\$ 7,658,848</b>  |
| Plan fiduciary net position as a percentage of the total pension liability |                      |                      |                      |                      |                      |                      |
|  | 41.72%               | 41.33%               | 38.12%               | 34.78%               | 37.43%               | 36.80%               |
| Covered payroll  | \$ 2,137,279         | \$ 2,075,028         | \$ 2,014,590         | \$ 1,955,913         | \$ 2,034,987         | \$ 1,913,359         |
| Net pension liability as a percentage of covered payroll                   |                      |                      |                      |                      |                      |                      |
|  | 531.62%              | 498.00%              | 507.04%              | 497.03%              | 401.59%              | 400.28%              |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**City of Cottonwood**  
**Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan**

| <b>Total Pension Liability</b>                                | <b>2018-19</b>       | <b>2017-18</b>      | <b>2016-17</b>      | <b>2015-16</b>      | <b>2014-15</b>      | <b>2013-14</b>      |
|---|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service cost  | \$ 383,528           | \$ 368,524          | \$ 384,392          | \$ 310,941          | \$ 311,663          | \$ 303,278          |
| Interest on total pension liability                           | 727,986              | 666,698             | 596,244             | 511,500             | 477,670             | 392,718             |
| Changes in assumptions  | 187,461              | -                   | 133,242             | 326,086             | -                   | 379,456             |
| Differences between expected and actual experience            | (70,820)             | (223,813)           | (178,835)           | (118,267)           | (191,635)           | 84,144              |
| Changes in benefit terms                                      | -                    | -                   | 309,205             | 556,936             | -                   | 45,070              |
| Benefit payments, including refunds of employee contributions | (185,811)            | (179,128)           | (174,457)           | (205,399)           | (127,375)           | (125,956)           |
| <b>Net change in total pension liability</b>                  | <b>1,042,344</b>     | <b>632,281</b>      | <b>1,069,791</b>    | <b>1,381,797</b>    | <b>470,323</b>      | <b>1,078,710</b>    |
| <b>Total pension liability - beginning</b>                    | <b>9,547,020</b>     | <b>8,914,739</b>    | <b>7,844,948</b>    | <b>6,463,151</b>    | <b>5,992,828</b>    | <b>4,914,118</b>    |
| <b>Total pension liability - ending (a)</b>                   | <b>\$ 10,589,364</b> | <b>\$ 9,547,020</b> | <b>\$ 8,914,739</b> | <b>\$ 7,844,948</b> | <b>\$ 6,463,151</b> | <b>\$ 5,992,828</b> |
| <b>Plan fiduciary net position</b>                            |                      |                     |                     |                     |                     |                     |
| Contributions - employer                                      | \$ 487,369           | \$ 704,801          | \$ 355,006          | \$ 344,528          | \$ 247,248          | \$ 261,908          |
| Contributions - employee                                      | 141,988              | 145,107             | 183,748             | 195,245             | 187,916             | 171,178             |
| Investment income (net of administrative expenses)            | 389,112              | 446,127             | 651,916             | 29,391              | 167,246             | 505,572             |
| Benefit payments  | (185,811)            | (179,128)           | (174,457)           | (205,399)           | (127,375)           | (125,956)           |
| Administrative expenses                                       | (7,759)              | (7,490)             | (6,168)             | (4,629)             | (4,470)             | -                   |
| Other   | (5,161)              | (383,143)           | 64                  | (88,820)            | (78,930)            | (22,265)            |
| <b>Net change in plan fiduciary net position</b>              | <b>819,738</b>       | <b>726,274</b>      | <b>1,010,109</b>    | <b>270,316</b>      | <b>391,635</b>      | <b>790,437</b>      |
| <b>Plan fiduciary net position - beginning</b>                | <b>6,832,123</b>     | <b>6,105,849</b>    | <b>5,095,740</b>    | <b>4,825,424</b>    | <b>4,433,789</b>    | <b>3,643,352</b>    |
| <b>Plan fiduciary net position - ending (b)</b>               | <b>\$ 7,651,861</b>  | <b>\$ 6,832,123</b> | <b>\$ 6,105,849</b> | <b>\$ 5,095,740</b> | <b>\$ 4,825,424</b> | <b>\$ 4,433,789</b> |
| <b>Net pension liability - ending (a)-(b)</b>                 | <b>\$ 2,937,503</b>  | <b>\$ 2,714,897</b> | <b>\$ 2,808,890</b> | <b>\$ 2,749,208</b> | <b>\$ 1,637,727</b> | <b>\$ 1,559,039</b> |
| Plan fiduciary net position as a percentage of the            |                      |                     |                     |                     |                     |                     |
| total pension liability                                       | 72.26%               | 71.56%              | 68.49%              | 64.96%              | 74.66%              | 73.98%              |
| Covered payroll   | \$ 1,987,176         | \$ 1,929,297        | \$ 1,873,104        | \$ 1,818,548        | \$ 1,604,216        | \$ 1,689,214        |
| Net pension liability as a percentage of                      |                      |                     |                     |                     |                     |                     |
| covered payroll   | 147.82%              | 140.72%             | 149.96%             | 166.38%             | 102.09%             | 92.29%              |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**City of Cottonwood**  
**Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan**

| <b>Total OPEB Liability</b>   | <b>2018-19</b>      | <b>2017-18</b>     | <b>2016-17<sup>1</sup></b> |
|---|---------------------|--------------------|----------------------------|
| Service cost  | \$ 6,658            | \$ 6,462           | \$ 8,171                   |
| Interest on total OPEB liability  | 21,966              | 21,101             | 21,172                     |
| Changes in assumptions  | 5,987               | -                  | 253                        |
| Differences between expected and actual experience                      | (77,946)            | (12,591)           | (5,210)                    |
| Changes in benefit terms  | -                   | -                  | (13,866)                   |
| Benefit payments, including refunds of employee contributions           | (6,661)             | (6,760)            | (6,868)                    |
| <b>Net change in total OPEB liability</b>                               | <b>(49,996)</b>     | <b>8,212</b>       | <b>3,652</b>               |
| <b>Total OPEB liability - beginning</b>                                 | <b>293,507</b>      | <b>285,295</b>     | <b>281,643</b>             |
| <b>Total OPEB liability - ending (a)</b>                                | <b>\$ 243,511</b>   | <b>\$ 293,507</b>  | <b>\$ 285,295</b>          |
| <b>Plan fiduciary net position</b>                                      |                     |                    |                            |
| Contributions - employer  | \$ 6,629            | \$ 2,588           | \$ 5,612                   |
| Contributions - employee  | -                   | -                  | -                          |
| Investment income (net of administrative expenses)                      | 18,162              | 21,981             | 33,569                     |
| Benefit payments  | (6,661)             | (6,760)            | (6,868)                    |
| Administrative expenses   | (314)               | (335)              | (297)                      |
| Other   | 5,668               | 1                  | -                          |
| <b>Net change in plan fiduciary net position</b>                        | <b>23,484</b>       | <b>17,475</b>      | <b>32,016</b>              |
| <b>Plan fiduciary net position - beginning</b>                          | <b>334,869</b>      | <b>317,394</b>     | <b>285,378</b>             |
| <b>Plan fiduciary net position - ending (b)</b>                         | <b>\$ 358,353</b>   | <b>\$ 334,869</b>  | <b>\$ 317,394</b>          |
| <b>Net OPEB asset - ending (a)-(b)</b>                                  | <b>\$ (114,842)</b> | <b>\$ (41,362)</b> | <b>\$ (32,099)</b>         |
| Plan fiduciary net position as a percentage of the total OPEB liability | 147.16%             | 114.09%            | 111.25%                    |
| Covered payroll   | \$ 2,137,279        | \$ 2,075,028       | \$ 2,014,590               |
| Net OPEB liability (asset) as a percentage of covered payroll           | -5.37%              | -1.99%             | -1.59%                     |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**City of Cottonwood**  
**Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan**

| <b>Total OPEB Liability</b>   | <b>2018-19</b>    | <b>2017-18</b>    | <b>2016-17<sup>1</sup></b> |
|---|-------------------|-------------------|----------------------------|
| Service cost  | \$ 6,215          | \$ 6,551          | \$ 6,493                   |
| Interest on total OPEB liability  | 18,429            | 18,603            | 17,608                     |
| Changes in assumptions  | 2,311             | -                 | 1,094                      |
| Differences between expected and actual experience                      | (45,117)          | (22,528)          | 4,879                      |
| Changes in benefit terms  | -                 | -                 | (4,263)                    |
| Benefit payments, including refunds of employee contributions           | (6,957)           | (8,901)           | (9,522)                    |
| <b>Net change in total OPEB liability</b>                               | <b>(25,119)</b>   | <b>(6,275)</b>    | <b>16,289</b>              |
| <b>Total OPEB liability - beginning</b>                                 | <b>246,298</b>    | <b>252,573</b>    | <b>236,284</b>             |
| <b>Total OPEB liability - ending (a)</b>                                | <b>\$ 221,179</b> | <b>\$ 246,298</b> | <b>\$ 252,573</b>          |
| <b>Plan fiduciary net position</b>                                      |                   |                   |                            |
| Contributions - employer  | \$ 12,994         | \$ 7,543          | \$ 9,935                   |
| Contributions - employee  | -                 | -                 | -                          |
| Investment income (net of administrative expenses)                      | 8,985             | 10,605            | 16,231                     |
| Benefit payments  | (6,957)           | (8,901)           | (9,522)                    |
| Administrative expenses   | (155)             | (161)             | (143)                      |
| Other   | 5,161             | (1)               | -                          |
| <b>Net change in plan fiduciary net position</b>                        | <b>20,028</b>     | <b>9,085</b>      | <b>16,501</b>              |
| <b>Plan fiduciary net position - beginning</b>                          | <b>163,086</b>    | <b>154,001</b>    | <b>137,500</b>             |
| <b>Plan fiduciary net position - ending (b)</b>                         | <b>\$ 183,114</b> | <b>\$ 163,086</b> | <b>\$ 154,001</b>          |
| <b>Net OPEB liability - ending (a)-(b)</b>                              | <b>\$ 38,065</b>  | <b>\$ 83,212</b>  | <b>\$ 98,572</b>           |
| Plan fiduciary net position as a percentage of the total OPEB liability | 82.79%            | 66.21%            | 60.97%                     |
| Covered payroll   | \$ 1,987,176      | \$ 1,929,297      | \$ 1,873,104               |
| Net OPEB liability (asset) as a percentage of covered payroll           | 1.92%             | 4.31%             | 5.26%                      |

**Notes to Schedule:**

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**City of Cottonwood**  
**Schedules of Contributions**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

|   | <b>Arizona State Retirement System ("ASRS") Pension Plan</b> |                |                |                |                |                |                            |
|---|--|----------------|----------------|----------------|----------------|----------------|----------------------------|
|   | <b>2019-20</b>   | <b>2018-19</b> | <b>2017-18</b> | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15</b> | <b>2013-14<sup>1</sup></b> |
| Statutorily required contribution                                   | \$ 966,830   | \$ 914,919     | \$ 882,838     | \$ 810,358     | \$ 815,999     | \$ 271,845     | \$ 623,008                 |
| Contributions in relation to the statutorily required contributions | (966,830)  | (914,919)      | (882,838)      | (810,358)      | (815,999)      | (271,845)      | (623,008)                  |
| <b>Contribution deficiency (excess)</b>                             | <b>\$ -</b>  | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>                |
| Covered payroll   | \$ 4,002,971   | \$ 3,886,380   | \$ 3,773,184   | \$ 3,663,286   | \$ 3,556,588   | \$ 3,452,998   | \$ 3,478,615               |
| Contributions as a percentage of covered payroll                    | 24.15%   | 23.54%         | 23.40%         | 22.12%         | 22.94%         | 7.87%          | 17.91%                     |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2018

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

| <b>Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit Plan</b> |                |                |                |                            |
|--|----------------|----------------|----------------|----------------------------|
|  | <b>2019-20</b> | <b>2018-19</b> | <b>2017-18</b> | <b>2016-17<sup>1</sup></b> |
| Statutorily required contribution  | \$ 32,019      | \$ 37,644      | \$ 34,932      | \$ 43,396                  |
| Contributions in relation to the statutorily required contributions                        | (32,019)       | (37,644)       | (34,932)       | (43,396)                   |
| <b>Contribution deficiency (excess)</b>  | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>                |
| Covered payroll  | \$ 4,002,971   | \$ 3,886,380   | \$ 3,773,184   | \$ 3,663,286               |
| Contributions as a percentage of covered payroll   | 0.80%          | 0.97%          | 0.93%          | 1.18%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2018

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

**Arizona Employees' Retirement System ("ASRS") Long-Term Disability Plan**

|  | <u>2019-20</u>     | <u>2018-19</u>     | <u>2017-18</u>     | <u>2016-17<sup>1</sup></u> |
|--|--------------------|--------------------|--------------------|----------------------------|
| Statutorily required contribution                                      | \$ 14,131          | \$ 13,094          | \$ 12,706          | \$ 10,882                  |
| Contributions in relation to the statutorily<br>required contributions | <u>(14,131)</u>    | <u>(13,094)</u>    | <u>(12,706)</u>    | <u>(10,882)</u>            |
| <b>Contribution deficiency (excess)</b>                                | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u>         |
| Covered payroll  | \$ 4,002,971       | \$ 3,886,380       | \$ 3,773,184       | \$ 3,663,286               |
| Contributions as a percentage of covered payroll                       | 0.35%              | 0.34%              | 0.34%              | 0.30%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2018



**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tiers 1 & 2)**

|  | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> | <u>2013-14<sup>1</sup></u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|
| Actuarially determined contribution                                      | \$ 878,499     | \$ 940,547     | \$ 974,192     | \$ 879,100     | \$ 910,441     | \$ 601,731     | \$ 562,803                 |
| Contributions in relation to the<br>actuarially determined contributions | (878,499)      | (940,547)      | (974,192)      | (879,100)      | (910,441)      | (601,731)      | (562,803)                  |
| <b>Contribution deficiency (excess)</b>                                  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                |
| Covered payroll  | \$ 2,201,397   | \$ 2,137,279   | \$ 2,075,028   | \$ 2,014,590   | \$ 1,955,913   | \$ 2,034,987   | \$ 1,913,359               |
| Contributions as a percentage of covered payroll                         | 39.91%         | 44.01%         | 46.95%         | 43.64%         | 46.55%         | 29.57%         | 29.41%                     |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2019

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

**Methods and assumptions used to actuarially determine contribution rates:**

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level Percentage of Payroll, Closed   |
| Remaining amortization period | 20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable. |
| Asset valuation method        | 7-Year smoothed market; 20% corridor  |
| Wage inflation                | 4.00%   |
| Price inflation               | 3.00%   |
| Salary increases              | 4.00% to 8.00% including inflation.   |
| Investment rate of return     | 7.50%, net of investment and administrative expenses  |
| 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                     | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).  |

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tiers 1 & 2)**

|  | <b>2019-20</b> | <b>2018-19</b> | <b>2017-18</b> | <b>2016-17</b> | <b>2015-16</b> | <b>2014-15</b> | <b>2013-14<sup>1</sup></b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------------------|
| Actuarially determined contribution                                      | \$ 392,866     | \$ 442,193     | \$ 430,827     | \$ 324,450     | \$ 323,156     | \$ 243,520     | \$ 268,585                 |
| Contributions in relation to the<br>actuarially determined contributions | (392,866)      | (442,193)      | (430,827)      | (324,450)      | (323,156)      | (243,520)      | (268,585)                  |
| <b>Contribution deficiency (excess)</b>                                  | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>                |
| Covered payroll  | \$ 2,046,792   | \$ 1,987,177   | \$ 1,929,298   | \$ 1,873,104   | \$ 1,818,548   | \$ 1,604,216   | \$ 1,689,214               |
| Contributions as a percentage of covered payroll                         | 19.19%         | 22.25%         | 22.33%         | 17.32%         | 17.77%         | 15.18%         | 15.90%                     |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 68 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2019

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

**Methods and assumptions used to actuarially determine contribution rates:**

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level Percentage of Payroll, Closed   |
| Remaining amortization period | 20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable. |
| Asset valuation method        | 7-Year smoothed market; 20% corridor  |
| Payroll growth                | 4.00%   |
| Salary increases              | 3.00%   |
| Salary increases              | 4.00% to 8.00% including inflation.   |
| Investment rate of return     | 7.50%, net of investment and administrative expenses  |
| 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                     | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).  |

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan (Tiers 1 & 2)**

|  | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17<sup>1</sup></u> |
|--|----------------|----------------|----------------|----------------------------|
| Actuarially determined contribution                                      | \$ 6,146       | \$ 6,482       | \$ 8,256       | \$ 5,612                   |
| Contributions in relation to the<br>actuarially determined contributions | <u>(6,146)</u> | <u>(6,482)</u> | <u>(8,256)</u> | <u>(5,612)</u>             |
| <b>Contribution deficiency (excess)</b>                                  | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                |
| Covered payroll  | \$ 2,201,397   | \$ 2,137,279   | \$ 2,075,028   | \$ 2,014,590               |
| Contributions as a percentage of covered payroll                         | 0.28%          | 0.30%          | 0.40%          | 0.28%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2019

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

**Methods and assumptions used to actuarially determine contribution rates:**

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level Percentage of Payroll, Closed   |
| Remaining amortization period | 20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable. |
| Asset valuation method        | 7-Year smoothed market; 20% corridor  |
| Payroll growth                | 4.00%   |
| Salary increases              | 3.00%   |
| Salary increases              | 4.00% to 8.00% including inflation.   |
| Investment rate of return     | 7.50%, net of investment and administrative expenses.   |
| 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                     | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).  |

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

**Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan (Tiers 1 & 2)**

|  | <b>2019-20</b> | <b>2018-19</b> | <b>2017-18</b> | <b>2016-17<sup>1</sup></b> |
|--|----------------|----------------|----------------|----------------------------|
| Actuarially determined contribution                                      | \$ 3,179       | \$ 12,495      | \$ 9,935       | \$ 9,935                   |
| Contributions in relation to the<br>actuarially determined contributions | (3,179)        | (12,495)       | (9,935)        | (9,935)                    |
| <b>Contribution deficiency (excess)</b>                                  | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>                |
| Covered payroll  | \$ 1,987,177   | \$ 1,929,298   | \$ 1,873,104   | \$ 1,873,104               |
| Contributions as a percentage of covered payroll                         | 0.16%          | 0.65%          | 0.53%          | 0.53%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which GASB 75 is applicable.

**Notes to Schedule**

Valuation date: 6/30/2019

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2012 public agency valuations.

**Methods and assumptions used to actuarially determine contribution rates:**

|                               |   |
|-------------------------------|---|
| Actuarial cost method         | Entry Age Normal  |
| Amortization method           | Level Percentage of Payroll, Closed   |
| Remaining amortization period | 20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable. |
| Asset valuation method        | 7-Year smoothed market; 20% corridor  |
| Payroll growth                | 4.00%   |
| Salary increases              | 3.00%   |
| Salary increases              | 4.00% to 8.00% including inflation.   |
| Investment rate of return     | 7.50%, net of investment and administrative expenses.   |
| 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                     | RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).  |

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

**Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tier 3)**

|   | <b>2019-20</b> | <b>2018-19</b> | <b>2017-18<sup>1</sup></b> |
|---|----------------|----------------|----------------------------|
| Statutorily required contribution                                   | \$ 4,933       | \$ 8,220       | \$ 3,731                   |
| Contributions in relation to the statutorily required contributions | (4,933)        | (8,220)        | (3,731)                    |
| <b>Contribution deficiency (excess)</b>                             | <b>\$ -</b>    | <b>\$ -</b>    | <b>\$ -</b>                |
| Covered payroll   | \$ 106,456     | \$ 103,355     | \$ 100,345                 |
| Contributions as a percentage of covered payroll                    | 4.63%          | 7.95%          | 3.72%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which the plan was in effect.

**Notes to Schedule**

Valuation date: 6/30/2019

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

**Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tier 3)**

|   | <u>2019-20</u>  | <u>2018-19</u> | <u>2017-18<sup>1</sup></u> |
|---|-----------------|----------------|----------------------------|
| Statutorily required contribution                                   | \$ 28,740       | \$ 9,090       | \$ 333                     |
| Contributions in relation to the statutorily required contributions | <u>(28,740)</u> | <u>(9,090)</u> | <u>(333)</u>               |
| <b>Contribution deficiency (excess)</b>                             | <u>\$ -</u>     | <u>\$ -</u>    | <u>\$ -</u>                |
| Covered payroll   | \$ 80,234       | \$ 77,897      | \$ 75,628                  |
| Contributions as a percentage of covered payroll                    | 35.82%          | 11.67%         | 0.44%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which the plan was in effect.

**Notes to Schedule**

Valuation date: 6/30/2019

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

**Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan (Tier 3)**

|   | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18<sup>1</sup></u> |
|---|----------------|----------------|----------------------------|
| Statutorily required contribution                                   | \$ 106         | \$ 47          | \$ 100                     |
| Contributions in relation to the statutorily required contributions | <u>(106)</u>   | <u>(47)</u>    | <u>(100)</u>               |
| <b>Contribution deficiency (excess)</b>                             | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                |
| Covered payroll   | \$ 106,456     | \$ 103,355     | \$ 100,345                 |
| Contributions as a percentage of covered payroll                    | 0.10%          | 0.05%          | 0.10%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which the plan was in effect.

**Notes to Schedule**

Valuation date: 6/30/2019

**City of Cottonwood**  
**Schedules of Contributions (Continued)**  
**Last Ten Years**  
**For the Year Ended June 30, 2020**

---

**Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan (Tier 3)**

|   | <u>2019-20</u> | <u>2018-19</u> | <u>2017-18<sup>1</sup></u> |
|---|----------------|----------------|----------------------------|
| Statutorily required contribution                                   | \$ 616         | \$ 93          | \$ 9                       |
| Contributions in relation to the statutorily required contributions | <u>(616)</u>   | <u>(93)</u>    | <u>(9)</u>                 |
| <b>Contribution deficiency (excess)</b>                             | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>                |
| Covered payroll   | \$ 80,234      | \$ 77,897      | \$ 75,628                  |
| Contributions as a percentage of covered payroll                    | 0.77%          | 0.12%          | 0.01%                      |

<sup>1</sup> Historical information is presented only for measurement periods for which the plan was in effect.

**Notes to Schedule**

Valuation date: 6/30/2019



City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Supplementary Information**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

## **Non-Major Governmental Funds**

***Grant Special Revenue Fund*** – This fund is used to account for the City's restricted resources from federal, state, and other grants.

***HURF Special Revenue Fund*** - This fund accounts for the City's share of state taxes on gasoline, diesel fuels and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of personnel, right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the principal and interest on highway and street bonds.

***Transit Special Revenue Fund*** - This fund accounts for the operation of the City's public transportation system.

***City Capital Projects Fund*** – This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

**City of Cottonwood**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2020**

|  | Special Revenue Fund |                     |                   |
|--|----------------------|---------------------|-------------------|
|  | Grants<br>Fund       | HURF<br>Fund        | Transit<br>Fund   |
| <b>ASSETS</b>                              |                      |                     |                   |
| Cash and cash investments                  | \$ 591               | \$ 2,347,127        | \$ -              |
| Restricted cash and cash investments       | -                    | 717,666             | -                 |
| Receivables:                               |                      |                     |                   |
| Accounts                                   | 20,068               | -                   | -                 |
| Taxes                                      | -                    | 149,512             | -                 |
| Intergovernmental                          | 75,093               | 86,412              | 694,529           |
| Inventories                                | -                    | 13,928              | -                 |
| <b>Total assets</b>                        | <b>\$ 95,752</b>     | <b>\$ 3,314,645</b> | <b>\$ 694,529</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                     |                   |
| <b>Liabilities:</b>                        |                      |                     |                   |
| Accounts payable                           | \$ 75,040            | \$ 283,108          | \$ 26,879         |
| Accrued payroll and related liabilities    | -                    | 6,327               | 26,309            |
| Due to other funds                         | -                    | -                   | 428,025           |
| Unearned revenue                           | 9,548                | -                   | -                 |
| Interest payable - current portion         | -                    | 92,695              | -                 |
| Principal payable - current portion        | -                    | 205,930             | -                 |
| <b>Total liabilities</b>                   | <b>84,588</b>        | <b>588,060</b>      | <b>481,213</b>    |
| <b>Fund Balances:</b>                      |                      |                     |                   |
| Nonspendable                               | -                    | 13,928              | -                 |
| Restricted                                 | 11,164               | 2,712,657           | 213,316           |
| <b>Total fund balances</b>                 | <b>11,164</b>        | <b>2,726,585</b>    | <b>213,316</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 95,752</b>     | <b>\$ 3,314,645</b> | <b>\$ 694,529</b> |

**City of Cottonwood**  
**Combining Balance Sheet (Continued)**  
**Non-Major Governmental Funds**  
**June 30, 2020**

|  | Capital Project<br>Fund       | Total<br>Non-major<br>Governmental<br>Funds |
|--|-------------------------------|---|
|  | City Capital<br>Projects Fund |   |
| <b>ASSETS</b>                              |                               |   |
| Cash and cash investments                  | \$ 650,625                    | \$ 2,998,343                                |
| Restricted cash and cash investments       | 175,640                       | 893,306                                     |
| Receivables:                               |                               |   |
| Accounts                                   | -                             | 20,068                                      |
| Taxes                                      | 27,322                        | 176,834                                     |
| Intergovernmental                          | 1,970                         | 858,004                                     |
| Inventories                                | -                             | 13,928                                      |
| <b>Total assets</b>                        | <b>\$ 855,557</b>             | <b>\$ 4,960,483</b>                         |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>   |                               |   |
| <b>Liabilities:</b>                        |                               |   |
| Accounts payable                           | \$ 13,241                     | \$ 398,268                                  |
| Accrued payroll and related liabilities    | -                             | 32,636                                      |
| Due to other funds                         | -                             | 428,025                                     |
| Unearned revenue                           | -                             | 9,548                                       |
| Interest payable - current portion         | -                             | 92,695                                      |
| Principal payable - current portion        | -                             | 205,930                                     |
| <b>Total liabilities</b>                   | <b>13,241</b>                 | <b>1,167,102</b>                            |
| <b>Fund Balances:</b>                      |                               |   |
| Nonspendable                               | -                             | 13,928                                      |
| Restricted                                 | 842,316                       | 3,779,453                                   |
| <b>Total fund balances</b>                 | <b>842,316</b>                | <b>3,793,381</b>                            |
| <b>Total liabilities and fund balances</b> | <b>\$ 855,557</b>             | <b>\$ 4,960,483</b>                         |

**City of Cottonwood**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2020**

|   | Special Revenue Fund |                     |                   |
|---|----------------------|---------------------|-------------------|
|   | Grants<br>Fund       | HURF<br>Fund        | Transit<br>Fund   |
| <b>REVENUES:</b>  |                      |                     |                   |
| Taxes   | \$ -                 | \$ 1,385,332        | \$ 133,525        |
| Intergovernmental   | 255,977              | 1,236,881           | 1,872,000         |
| Investment income   | -                    | 24,539              | -                 |
| Charges for services  | -                    | -                   | 154,367           |
| Miscellaneous   | -                    | 7,014               | -                 |
| <b>Total revenues</b>   | <u>255,977</u>       | <u>2,653,766</u>    | <u>2,159,892</u>  |
| <b>EXPENDITURES:</b>  |                      |                     |                   |
| Current:  |                      |                     |                   |
| General government  | 210,124              | -                   | -                 |
| Highways and streets  | -                    | 1,085,263           | -                 |
| Transportation  | -                    | -                   | 2,036,416         |
| Culture and leisure   | 59,032               | -                   | -                 |
| Capital outlay  | -                    | 310,609             | 126,924           |
| Debt service:   |                      |                     |                   |
| Principal   | -                    | 245,977             | -                 |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | -                    | 187,179             | -                 |
| <b>Total expenditures</b>   | <u>269,156</u>       | <u>1,829,028</u>    | <u>2,163,340</u>  |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                     | <u>(13,179)</u>      | <u>824,738</u>      | <u>(3,448)</u>    |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                      |                     |                   |
| Transfers in  | 13,179               | -                   | 217,182           |
| Transfers out   | -                    | (213,734)           | -                 |
| <b>Total other financing sources (uses)</b>                                       | <u>13,179</u>        | <u>(213,734)</u>    | <u>217,182</u>    |
| <b>Net changes in fund balances</b>   | -                    | 611,004             | 213,734           |
| <b>FUND BALANCES:</b>   |                      |                     |                   |
| Beginning of year   | 11,164               | 2,115,581           | (418)             |
| End of year   | <u>\$ 11,164</u>     | <u>\$ 2,726,585</u> | <u>\$ 213,316</u> |

**City of Cottonwood**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2020**

|   | Capital Project<br>Fund       | Total<br>Non-major<br>Governmental<br>Funds |
|---|-------------------------------|---|
|   | City Capital<br>Projects Fund |   |
| <b>REVENUES:</b>  |                               |   |
| Taxes   | \$ 270,952                    | \$ 1,789,809                                |
| Intergovernmental   | 94,064                        | 3,458,922                                   |
| Investment income   | 21,147                        | 45,686                                      |
| Charges for services  | -                             | 154,367                                     |
| Miscellaneous   | -                             | 7,014                                       |
| <b>Total revenues</b>   | <u>386,163</u>                | <u>5,455,798</u>                            |
| <b>EXPENDITURES:</b>  |                               |   |
| Current:  |                               |   |
| General government  | 101,836                       | 311,960                                     |
| Highways and streets  | -                             | 1,085,263                                   |
| Transportation  | -                             | 2,036,416                                   |
| Culture and leisure   | -                             | 59,032                                      |
| Capital outlay  | -                             | 437,533                                     |
| Debt service:   |                               |   |
| Principal   | -                             | 245,977                                     |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | -                             | 187,179                                     |
| <b>Total expenditures</b>   | <u>101,836</u>                | <u>4,363,360</u>                            |
| <b>REVENUES OVER<br/>(UNDER) EXPENDITURES</b>                                     | <u>284,327</u>                | <u>1,092,438</u>                            |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                               |   |
| Transfers in  | -                             | 230,361                                     |
| Transfers out   | -                             | (213,734)                                   |
| <b>Total other financing sources (uses)</b>                                       | <u>-</u>                      | <u>16,627</u>                               |
| <b>Net changes in fund balances</b>   | 284,327                       | 1,109,065                                   |
| <b>FUND BALANCES:</b>   |                               |   |
| Beginning of year   | 557,989                       | 2,684,316                                   |
| End of year   | <u>\$ 842,316</u>             | <u>\$ 3,793,381</u>                         |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



**City of Cottonwood**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b>  |                    | <b>Actual</b>            | <b>Variance with</b>     |
|---|--------------------------|--------------------|--------------------------|--------------------------|
|   | <b>Original</b>          | <b>Final</b>       | <b>Amounts</b>           | <b>Final Budget</b>      |
| <b>REVENUES:</b>  |                          |                    |                          |                          |
| Taxes   | \$ 1,640,115             | \$ 1,642,065       | \$ 1,642,174             | \$ 109                   |
| Investment income   | 650                      | 750                | 638                      | (112)                    |
| <b>Total revenues</b>   | <u>1,640,765</u>         | <u>1,642,815</u>   | <u>1,642,812</u>         | <u>(3)</u>               |
| <b>EXPENDITURES:</b>  |                          |                    |                          |                          |
| Debt service:   |                          |                    |                          |                          |
| Principal   | 1,170,555                | 1,170,555          | 1,170,553                | 2                        |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | <u>473,760</u>           | <u>472,260</u>     | <u>474,284</u>           | <u>(2,024)</u>           |
| <b>Total expenditures</b>   | <u>1,644,315</u>         | <u>1,642,815</u>   | <u>1,644,837</u>         | <u>(2,022)</u>           |
| <b>REVENUE OVER<br/>(UNDER) EXPENDITURES</b>                                      | <u>(3,550)</u>           | <u>-</u>           | <u>(2,025)</u>           | <u>(2,025)</u>           |
| <b>Net change in fund balances</b>  | <u><u>\$ (3,550)</u></u> | <u><u>\$ -</u></u> | <u>(2,025)</u>           | <u><u>\$ (2,025)</u></u> |
| <b>FUND BALANCE:</b>  |                          |                    |                          |                          |
| Beginning of year   |                          |                    | <u>366,237</u>           |                          |
| End of year   |                          |                    | <u><u>\$ 364,212</u></u> |                          |

**City of Cottonwood**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Grant Special Revenue Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b> |                    | <b>Actual</b>    | <b>Variance with</b> |
|---|-------------------------|--------------------|------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>       | <b>Amounts</b>   | <b>Final Budget</b>  |
| <b>REVENUES:</b>                            |                         |                    |                  |                      |
| Intergovernmental                           | \$ 2,337,685            | \$ 312,065         | \$ 255,977       | \$ (56,088)          |
| <b>Total revenues</b>                       | <u>2,337,685</u>        | <u>312,065</u>     | <u>255,977</u>   | <u>(56,088)</u>      |
| <b>EXPENDITURES:</b>                        |                         |                    |                  |                      |
| Current:                                    |                         |                    |                  |                      |
| Highways and streets                        | -                       | 11,165             | -                | 11,165               |
| Capital outlay                              | <u>1,750,310</u>        | <u>120,000</u>     | <u>-</u>         | <u>120,000</u>       |
| <b>Total expenditures</b>                   | <u>2,877,310</u>        | <u>334,880</u>     | <u>269,156</u>   | <u>65,724</u>        |
| <b>REVENUE OVER</b>                         |                         |                    |                  |                      |
| <b>(UNDER) EXPENDITURES</b>                 | <u>(539,625)</u>        | <u>(22,815)</u>    | <u>(13,179)</u>  | <u>9,636</u>         |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                         |                    |                  |                      |
| Transfers in                                | <u>(438,580)</u>        | <u>11,650</u>      | <u>13,179</u>    | <u>1,529</u>         |
| <b>Total other financing sources (uses)</b> | <u>(438,580)</u>        | <u>11,650</u>      | <u>13,179</u>    | <u>1,529</u>         |
| <b>Net change in fund balances</b>          | <u>\$ (978,205)</u>     | <u>\$ (11,165)</u> | <u>-</u>         | <u>\$ 11,165</u>     |
| <b>FUND BALANCE:</b>                        |                         |                    |                  |                      |
| Beginning of year                           |                         |                    | <u>11,164</u>    |                      |
| End of year                                 |                         |                    | <u>\$ 11,164</u> |                      |

**City of Cottonwood**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**HURF Special Revenue Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b> |                       | <b>Actual</b>       | <b>Variance with</b> |
|---|-------------------------|-----------------------|---------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>          | <b>Amounts</b>      | <b>Final Budget</b>  |
| <b>REVENUES:</b>  |                         |                       |                     |                      |
| Taxes   | \$ 1,317,520            | \$ 1,295,280          | \$ 1,385,332        | \$ 90,052            |
| Intergovernmental   | 1,187,110               | 1,393,690             | 1,236,881           | (156,809)            |
| Investment income   | 10,000                  | 22,920                | 24,539              | 1,619                |
| Miscellaneous   | -                       | -                     | 7,014               | 7,014                |
| <b>Total revenues</b>   | <b>2,514,630</b>        | <b>2,711,890</b>      | <b>2,653,766</b>    | <b>(58,124)</b>      |
| <b>EXPENDITURES:</b>  |                         |                       |                     |                      |
| Current:  |                         |                       |                     |                      |
| Highways and streets  | 1,321,105               | 3,976,200             | 1,085,263           | 2,890,937            |
| Capital outlay  | 2,881,180               | 677,290               | 310,609             | 366,681              |
| Debt service:   |                         |                       |                     |                      |
| Principal   | 245,980                 | 245,820               | 245,977             | (157)                |
| Interest and fiscal charges, net of amortization of<br>deferred loss on refunding | 187,180                 | 187,340               | 187,179             | 161                  |
| <b>Total expenditures</b>   | <b>4,635,445</b>        | <b>5,086,650</b>      | <b>1,829,028</b>    | <b>3,257,622</b>     |
| <b>REVENUE OVER<br/>(UNDER) EXPENDITURES</b>                                      | <b>(2,120,815)</b>      | <b>(2,374,760)</b>    | <b>824,738</b>      | <b>3,199,498</b>     |
| <b>OTHER FINANCING SOURCES (USES):</b>  |                         |                       |                     |                      |
| Transfers in  | 259,180                 | 259,180               | -                   | (259,180)            |
| <b>Total other financing sources (uses)</b>                                       | <b>259,180</b>          | <b>259,180</b>        | <b>(213,734)</b>    | <b>(472,914)</b>     |
| <b>Net change in fund balances</b>  | <b>\$ (1,861,635)</b>   | <b>\$ (2,115,580)</b> | <b>611,004</b>      | <b>\$ 2,726,584</b>  |
| <b>FUND BALANCE:</b>  |                         |                       |                     |                      |
| Beginning of year   |                         |                       | 2,115,581           |                      |
| End of year   |                         |                       | <b>\$ 2,726,585</b> |                      |

**City of Cottonwood**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Transit Special Revenue Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b> |                  | <b>Actual</b>     | <b>Variance with</b> |
|---|-------------------------|------------------|-------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>     | <b>Amounts</b>    | <b>Final Budget</b>  |
| <b>REVENUES:</b>                            |                         |                  |                   |                      |
| Taxes                                       | \$ 378,970              | \$ 133,525       | \$ 133,525        | \$ -                 |
| Intergovernmental                           | 1,795,405               | 2,094,225        | 1,872,000         | (222,225)            |
| Charges for services                        | 238,850                 | 168,425          | 154,367           | (14,058)             |
| <b>Total revenues</b>                       | <b>2,413,225</b>        | <b>2,396,175</b> | <b>2,159,892</b>  | <b>(236,283)</b>     |
| <b>EXPENDITURES:</b>                        |                         |                  |                   |                      |
| Current:                                    |                         |                  |                   |                      |
| Transportation                              | 2,163,225               | 2,093,590        | 2,036,416         | 57,174               |
| Capital outlay                              | 250,000                 | 303,005          | 126,924           | 176,081              |
| <b>Total expenditures</b>                   | <b>2,413,225</b>        | <b>2,396,595</b> | <b>2,163,340</b>  | <b>233,255</b>       |
| <b>REVENUE OVER</b>                         |                         |                  |                   |                      |
| <b>(UNDER) EXPENDITURES</b>                 | <b>-</b>                | <b>(420)</b>     | <b>(3,448)</b>    | <b>(3,028)</b>       |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                         |                  |                   |                      |
| Transfers in                                | -                       | 420              | 217,182           | 216,762              |
| <b>Total other financing sources (uses)</b> | <b>-</b>                | <b>420</b>       | <b>217,182</b>    | <b>216,762</b>       |
| <b>Net change in fund balances</b>          | <b>\$ -</b>             | <b>\$ -</b>      | <b>213,734</b>    | <b>\$ 213,734</b>    |
| <b>FUND BALANCE:</b>                        |                         |                  |                   |                      |
| Beginning of year                           |                         |                  | (418)             |                      |
| End of year                                 |                         |                  | <b>\$ 213,316</b> |                      |

**City of Cottonwood**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2020**

|   | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance with</b> |
|---|-------------------------|-------------------|-------------------|----------------------|
|   | <b>Original</b>         | <b>Final</b>      | <b>Amounts</b>    | <b>Final Budget</b>  |
| <b>REVENUES:</b>                            |                         |                   |                   |                      |
| Taxes                                       | \$ -                    | \$ -              | \$ 270,952        | \$ 270,952           |
| Intergovernmental                           | 143,000                 | 143,000           | 94,064            | (48,936)             |
| Investment income                           | 1,000                   | -                 | 21,147            | 21,147               |
| <b>Total revenues</b>                       | <b>144,000</b>          | <b>143,000</b>    | <b>386,163</b>    | <b>243,163</b>       |
| <b>EXPENDITURES:</b>                        |                         |                   |                   |                      |
| Current:                                    |                         |                   |                   |                      |
| General government                          | 150,000                 | 147,060           | 101,836           | 45,224               |
| <b>Total expenditures</b>                   | <b>150,000</b>          | <b>147,060</b>    | <b>101,836</b>    | <b>45,224</b>        |
| <b>REVENUE OVER</b>                         |                         |                   |                   |                      |
| <b>(UNDER) EXPENDITURES</b>                 | <b>(6,000)</b>          | <b>(4,060)</b>    | <b>284,327</b>    | <b>288,387</b>       |
| <b>OTHER FINANCING SOURCES (USES):</b>      |                         |                   |                   |                      |
| Transfers out                               | (25,965)                | -                 | -                 | -                    |
| <b>Total other financing sources (uses)</b> | <b>(25,965)</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>             |
| <b>Net change in fund balances</b>          | <b>\$ (31,965)</b>      | <b>\$ (4,060)</b> | <b>284,327</b>    | <b>\$ 288,387</b>    |
| <b>FUND BALANCE:</b>                        |                         |                   |                   |                      |
| Beginning of year                           |                         |                   | 557,989           |                      |
| End of year                                 |                         |                   | <u>\$ 842,316</u> |                      |

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**Statistical Section**

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**



# City of Cottonwood

## Statistical Section

### Overview

---

This part of the City of Cottonwood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

| <b><u>INDEX</u></b>  | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b>  |                    |
| Net Position by Component  | 140                |
| Changes in Net Position  | 142                |
| Fund Balances of Governmental Funds                                | 146                |
| Changes in Fund Balances of Governmental Funds                     | 148                |
| General Governmental Tax Revenues By Source                        | 150                |
| <b>Revenue Capacity</b>  |                    |
| Direct and Overlapping Sales Tax Rates                             | 151                |
| Taxable Sales by Category  | 152                |
| <b>Debt Capacity</b>   |                    |
| Outstanding Debt by Type   | 154                |
| Ratios of Debt Outstanding   | 156                |
| Direct and Overlapping Governmental Activities Debt                | 157                |
| Legal Debt Margin Information                                      | 158                |
| Pledged Revenue Coverage   | 160                |
| <b>Demographic and Economic Information</b>                        |                    |
| Demographic and Economic Statistics                                | 162                |
| Principal Employers  | 163                |
| <b>Operating Information</b>                                       |                    |
| Full-Time Equivalent City Government Employees by Function/Program | 164                |
| Capital Assets Statistics by Function/Program                      | 165                |
| Operating Indicators by Function/Program                           | 166                |

**City of Cottonwood**  
**Net Position by Component**  
**Last Ten Fiscal Years Ended June 30, 2020**  
**(accrual basis of accounting)**

|   | Fiscal Year          |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 |
| Governmental activities                     |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 27,118,419        | \$ 27,277,629        | \$ 27,332,884        | \$ 24,457,732        | \$ 26,266,479        |
| Restricted                                  | 4,127,464            | 3,010,461            | 2,612,991            | 4,287,185            | 3,059,882            |
| Unrestricted                                | (11,650,963)         | (13,832,151)         | (15,403,566)         | (7,801,463)          | (5,612,279)          |
| Total governmental activities net position  | <u>\$ 19,594,920</u> | <u>\$ 16,455,939</u> | <u>\$ 14,542,309</u> | <u>\$ 20,943,454</u> | <u>\$ 23,714,082</u> |
| Business-type activities                    |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 27,364,275        | \$ 27,089,493        | \$ 24,493,779        | \$ 18,333,192        | \$ 13,642,806        |
| Restricted                                  | 7,674,983            | 12,252,785           | 7,536,216            | -                    | 1,802,675            |
| Unrestricted                                | 12,015,527           | 4,198,028            | 8,424,140            | 10,483,581           | 9,576,508            |
| Total business-type activities net position | <u>\$ 47,054,785</u> | <u>\$ 43,540,306</u> | <u>\$ 40,454,135</u> | <u>\$ 28,816,773</u> | <u>\$ 25,021,989</u> |
| Primary government                          |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 54,482,694        | \$ 54,367,122        | \$ 51,826,663        | \$ 42,790,924        | \$ 39,909,285        |
| Restricted                                  | 11,802,447           | 15,263,246           | 10,149,207           | 4,287,185            | 4,862,557            |
| Unrestricted                                | 364,564              | (9,634,123)          | (6,979,426)          | 2,682,118            | 3,964,229            |
| Total primary government net position       | <u>\$ 66,649,705</u> | <u>\$ 59,996,245</u> | <u>\$ 54,996,444</u> | <u>\$ 49,760,227</u> | <u>\$ 48,736,071</u> |

**City of Cottonwood**  
**Net Position by Component (Continued)**  
**Last Ten Fiscal Years Ended June 30, 2020**  
**(accrual basis of accounting)**

|   | Fiscal Year          |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2015                 | 2014                 | 2013                 | 2012                 | 2011                 |
| Governmental activities                     |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 32,767,938        | \$ 29,811,017        | \$ 26,606,032        | \$ 23,573,513        | \$ 22,889,100        |
| Restricted                                  | 1,290,122            | 1,210,126            | 1,371,766            | 2,034,245            | 15,552,386           |
| Unrestricted                                | (7,294,803)          | 12,155,916           | 15,580,011           | 19,084,334           | 7,331,500            |
| Total governmental activities net position  | <u>\$ 26,763,257</u> | <u>\$ 43,177,059</u> | <u>\$ 43,557,809</u> | <u>\$ 44,692,092</u> | <u>\$ 45,772,986</u> |
| Business-type activities                    |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 5,440,590         | \$ 4,851,385         | \$ 4,306,570         | \$ 3,354,977         | \$ 7,739,853         |
| Restricted                                  | 2,557,734            | 2,557,755            | 2,557,755            | 2,557,735            | -                    |
| Unrestricted                                | 15,069,210           | 15,941,213           | 15,474,955           | 18,780,859           | 17,575,709           |
| Total business-type activities net position | <u>\$ 23,067,534</u> | <u>\$ 23,350,353</u> | <u>\$ 22,339,280</u> | <u>\$ 24,693,571</u> | <u>\$ 25,315,562</u> |
| Primary government                          |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 38,208,528        | \$ 34,662,402        | \$ 30,912,602        | \$ 26,928,490        | \$ 30,628,953        |
| Restricted                                  | 3,847,856            | 3,767,881            | 3,929,521            | 4,591,980            | 15,552,386           |
| Unrestricted                                | 7,774,407            | 28,097,129           | 31,054,966           | 37,865,193           | 24,907,209           |
| Total primary government net position       | <u>\$ 49,830,791</u> | <u>\$ 66,527,412</u> | <u>\$ 65,897,089</u> | <u>\$ 69,385,663</u> | <u>\$ 71,088,548</u> |

**City of Cottonwood**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

|  | Fiscal Year            |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2020                   | 2019                   | 2018                   | 2017                   | 2016                   |
| <b>Expenses</b>                                  |                        |                        |                        |                        |                        |
| Governmental Activities                          |                        |                        |                        |                        |                        |
| General government                               | \$ 6,651,834           | \$ 5,947,814           | \$ 5,357,347           | \$ 9,016,421           | \$ 5,653,593           |
| Public Safety                                    | 11,945,539             | 12,099,647             | 12,214,453             | 12,252,315             | 10,567,676             |
| Highway and streets                              | 1,809,652              | 1,419,997              | 1,634,741              | 3,817,500              | 3,999,492              |
| Transportation                                   | 2,147,294              | 2,300,410              | 2,174,021              | -                      | -                      |
| Culture and recreation                           | 4,455,091              | 4,107,450              | 4,144,697              | 3,767,245              | 4,239,038              |
| Redevelopment and housing                        | -                      | -                      | -                      | -                      | -                      |
| Interest on long-term debt                       | 650,224                | 691,681                | 614,906                | 1,208,866              | 938,399                |
| Total governmental activities expenses           | 27,659,634             | 26,566,999             | 26,140,165             | 30,062,347             | 25,398,198             |
| Business-Type Activities                         |                        |                        |                        |                        |                        |
| Water  | 5,348,996              | 5,273,405              | 5,409,263              | 4,667,663              | 6,667,587              |
| Sewer  | 2,830,268              | 2,876,534              | 2,386,840              | 2,750,544              | 2,339,933              |
| Total business-type activities expenses          | 8,179,264              | 8,149,939              | 7,796,103              | 7,418,207              | 9,007,520              |
| <b>Total primary government expenses</b>         | <b>\$ 35,838,898</b>   | <b>\$ 34,716,938</b>   | <b>\$ 33,936,268</b>   | <b>\$ 37,480,554</b>   | <b>\$ 34,405,718</b>   |
| <b>Program Revenues</b>                          |                        |                        |                        |                        |                        |
| Governmental Activities:                         |                        |                        |                        |                        |                        |
| Fines, Fees and Charges for services:            |                        |                        |                        |                        |                        |
| General government                               | \$ 1,267,587           | \$ 1,469,608           | \$ 1,886,679           | \$ 1,745,730           | \$ 1,252,512           |
| Public safety                                    | 905,165                | 888,666                | 835,855                | 800,601                | 626,941                |
| Highways and streets                             | -                      | -                      | -                      | 207,002                | 358,991                |
| Transportation                                   | 154,367                | 211,490                | 207,920                | -                      | -                      |
| Culture and leisure                              | 775,578                | 1,029,563              | 1,093,849              | 1,023,178              | 984,529                |
| Redevelopment and housing                        | -                      | -                      | -                      | -                      | -                      |
| Operating grants and contributions               | 3,772,457              | 3,358,972              | 3,292,725              | 2,971,986              | 2,434,617              |
| Capital grants and contributions                 | 770,600                | 601,461                | 2,494,456              | 2,220,427              | 348,290                |
| Total governmental activities program revenues   | 7,645,754              | 7,559,760              | 9,811,484              | 8,968,924              | 6,005,880              |
| <b>Program Revenues</b>                          |                        |                        |                        |                        |                        |
| Business-type activities                         |                        |                        |                        |                        |                        |
| Charges for services:                            |                        |                        |                        |                        |                        |
| Water  | 8,073,195              | 7,744,901              | 8,011,771              | 7,608,838              | 7,496,231              |
| Sewer  | 3,266,899              | 3,076,218              | 2,620,736              | 2,486,514              | 2,438,088              |
| Total business-type activities program revenues  | 11,340,094             | 10,821,119             | 10,632,507             | 10,095,352             | 9,934,319              |
| <b>Total primary government program revenues</b> | <b>\$ 18,985,848</b>   | <b>\$ 18,380,879</b>   | <b>\$ 20,443,991</b>   | <b>\$ 19,064,276</b>   | <b>\$ 15,940,199</b>   |
| <b>Net (Expense) Revenue</b>                     |                        |                        |                        |                        |                        |
| Governmental activities                          | \$ (20,013,880)        | \$ (19,007,239)        | \$ (16,328,681)        | \$ (21,093,423)        | \$ (19,392,318)        |
| Business-type activities                         | 3,160,830              | 2,671,180              | 2,836,404              | 2,677,145              | 926,799                |
| Total primary government                         | <b>\$ (16,853,050)</b> | <b>\$ (16,336,059)</b> | <b>\$ (13,492,277)</b> | <b>\$ (18,416,278)</b> | <b>\$ (18,465,519)</b> |

**City of Cottonwood**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

|  | Fiscal Year            |                        |                        |                        |                        |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|  | 2015                   | 2014                   | 2013                   | 2012                   | 2011                   |
| <b>Expenses</b>                                  |                        |                        |                        |                        |                        |
| Governmental Activities                          |                        |                        |                        |                        |                        |
| General government                               | \$ 4,815,686           | \$ 5,245,413           | \$ 4,584,034           | \$ 5,162,738           | \$ 5,174,022           |
| Public Safety                                    | 9,270,523              | 8,354,188              | 8,035,427              | 7,364,363              | 7,319,363              |
| Highway and streets                              | 4,222,310              | 3,468,654              | 3,134,571              | 2,373,133              | 2,409,649              |
| Transportation                                   | -                      | -                      | -                      | -                      | -                      |
| Culture and recreation                           | 3,748,143              | 3,687,518              | 3,561,035              | 3,347,540              | 3,092,946              |
| Redevelopment and housing                        | -                      | -                      | -                      | 120,858                | 96,330                 |
| Interest on long-term debt                       | 815,524                | 710,755                | 790,903                | 822,514                | 910,875                |
| Total governmental activities expenses           | 22,872,186             | 21,466,528             | 20,105,970             | 19,191,146             | 19,003,185             |
| Business-Type Activities                         |                        |                        |                        |                        |                        |
| Water  | 5,776,752              | 6,206,940              | 6,650,327              | 5,988,525              | 6,113,747              |
| Wastewater                                       | 2,360,966              | 2,377,111              | 2,423,868              | 2,176,959              | 2,083,265              |
| Total business-type activities expenses          | 8,137,718              | 8,584,051              | 9,074,195              | 8,165,484              | 8,197,012              |
| <b>Total primary government expenses</b>         | <b>\$ 31,009,904</b>   | <b>\$ 30,050,579</b>   | <b>\$ 29,180,165</b>   | <b>\$ 27,356,630</b>   | <b>\$ 27,200,197</b>   |
| <b>Program Revenues</b>                          |                        |                        |                        |                        |                        |
| Governmental Activities:                         |                        |                        |                        |                        |                        |
| Fines, Fees and Charges for services:            |                        |                        |                        |                        |                        |
| General government                               | \$ 1,249,543           | \$ 1,248,788           | \$ 1,234,930           | \$ 1,740,320           | \$ 1,037,848           |
| Public safety                                    | 182,682                | 65,481                 | 204,582                | 178,281                | 164,832                |
| Highways and streets                             | 336,854                | 362,365                | 286,118                | -                      | 69,734                 |
| Transportation                                   | -                      | -                      | -                      | -                      | -                      |
| Culture and leisure                              | 938,362                | 824,333                | 829,139                | 913,028                | 877,905                |
| Redevelopment and housing                        | -                      | -                      | -                      | 10,698                 | -                      |
| Operating grants and contributions               | 2,383,018              | 2,330,406              | 2,824,452              | 1,359,992              | 1,825,975              |
| Capital grants and contributions                 | 288,143                | 509,917                | 19,699                 | 293,486                | 327,435                |
| Total governmental activities program revenues   | 5,378,602              | 5,341,290              | 5,398,920              | 4,495,805              | 4,303,729              |
| <b>Program Revenues</b>                          |                        |                        |                        |                        |                        |
| Business-type activities                         |                        |                        |                        |                        |                        |
| Charges for services:                            |                        |                        |                        |                        |                        |
| Water  | 7,432,085              | 6,818,887              | 5,885,521              | 5,699,389              | 5,609,144              |
| Sewer  | 2,305,897              | 2,406,542              | 1,642,860              | 1,448,862              | 1,556,036              |
| Total business-type activities program revenues  | 9,737,982              | 9,225,429              | 7,528,381              | 7,148,251              | 7,165,180              |
| <b>Total primary government program revenues</b> | <b>\$ 15,116,584</b>   | <b>\$ 14,566,719</b>   | <b>\$ 12,927,301</b>   | <b>\$ 11,644,056</b>   | <b>\$ 11,468,909</b>   |
| <b>Net (Expense) Revenue</b>                     |                        |                        |                        |                        |                        |
| Governmental activities                          | \$ (17,493,584)        | \$ (16,125,238)        | \$ (14,707,050)        | \$ (14,695,341)        | \$ (14,699,456)        |
| Business-type activities                         | 1,600,264              | 641,378                | (1,545,814)            | (1,017,233)            | (1,031,832)            |
| Total primary government                         | <b>\$ (15,893,320)</b> | <b>\$ (15,483,860)</b> | <b>\$ (16,252,864)</b> | <b>\$ (15,712,574)</b> | <b>\$ (15,731,288)</b> |

**City of Cottonwood**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

|                                      | Fiscal Year         |                     |                     |                   |                       |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------|-----------------------|
|                                      | 2020                | 2019                | 2018                | 2017              | 2016                  |
| <b>General Revenue and</b>           |                     |                     |                     |                   |                       |
| <b>Other Changes in Net Position</b> |                     |                     |                     |                   |                       |
| Net Revenue/(Expense)                | (16,853,050)        | (16,336,059)        | (13,492,277)        | (18,416,278)      | (18,465,519)          |
| Governmental Activities              |                     |                     |                     |                   |                       |
| Taxes:                               |                     |                     |                     |                   |                       |
| Sales taxes                          | 18,588,547          | 16,453,665          | 14,275,812          | \$ 13,982,967     | \$ 13,385,256         |
| Motor vehicle in-lieu tax            | 866,283             | 848,579             | 781,103             | 758,271           | 710,155               |
| Franchise taxes                      | 303,659             | 404,620             | 416,542             | 370,646           | 349,537               |
| Transit occupancy tax                | 386,302             | 288,333             | 243,347             | 214,976           | -                     |
| State shared revenue                 | 2,838,005           | 2,666,814           | 2,637,072           | 2,528,894         | 2,422,844             |
| Investment Income                    | 129,036             | 135,426             | 75,947              | 17,668            | 175,351               |
| Miscellaneous                        | 41,029              | 48,496              | 278,646             | 445,770           | -                     |
| Gain on sale of assets               | -                   | 74,936              | 12,466              | 3,603             | -                     |
| Transfers                            | -                   | -                   | (8,715,709)         | -                 | (700,000)             |
| Total governmental activities        | 23,152,861          | 20,920,869          | 10,005,226          | 18,322,795        | 16,343,143            |
| Business-type activities:            |                     |                     |                     |                   |                       |
| Investment income                    | 353,649             | 364,451             | 119,643             | 374,976           | 327,656               |
| Miscellaneous                        | -                   | 78,225              | 60,644              | 28,288            | -                     |
| Gain of disposal of capital assets   | -                   | (27,685)            | (95,441)            | 4,975             | -                     |
| Transfers                            | -                   | -                   | 8,715,709           | -                 | 700,000               |
| Total business activities            | 353,649             | 414,991             | 8,800,555           | 408,239           | 1,027,656             |
| Total primary government             | \$ 23,506,510       | \$ 21,335,860       | \$ 18,805,781       | \$ 18,731,034     | \$ 17,370,799         |
| <b>Change in Net Position</b>        | <b>\$ 6,653,460</b> | <b>\$ 4,999,801</b> | <b>\$ 5,313,504</b> | <b>\$ 314,756</b> | <b>\$ (1,094,720)</b> |

**City of Cottonwood**  
**Changes in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

|  | Fiscal Year       |                   |                       |                       |                       |
|--|-------------------|-------------------|-----------------------|-----------------------|-----------------------|
|  | 2015              | 2014              | 2013                  | 2012                  | 2011                  |
| <b>General Revenue and<br/>Other Changes in Net Position</b> | (15,893,320)      | (15,893,320)      | (16,252,864)          | (15,712,574)          | (15,731,288)          |
| Governmental Activities                                      |                   |                   |                       |                       |                       |
| Taxes:   |                   |                   |                       |                       |                       |
| Sales taxes  | \$ 12,774,860     | \$ 12,774,860     | \$ 11,329,353         | \$ 10,579,983         | \$ 10,624,971         |
| Motor Vehicle in-lieu tax                                    | 660,786           | 660,786           | 563,851               | 602,832               | 582,707               |
| Franchise taxes  | 368,062           | 368,062           | 363,653               | 359,871               | 240,140               |
| Transit occupancy tax  | -                 | -                 | -                     | -                     | -                     |
| Unrestricted state shared revenue                            | 2,393,192         | 2,393,192         | 2,088,713             | 1,831,024             | 1,890,634             |
| Investment earnings  | 146,102           | 146,102           | (71,463)              | 240,737               | 142,386               |
| Miscellaneous  | -                 | -                 | -                     | -                     | -                     |
| Gain on sale of assets                                       | -                 | -                 | -                     | -                     | -                     |
| Transfers  | -                 | -                 | (398,256)             | -                     | -                     |
| Total governmental activities                                | 16,343,002        | 16,343,002        | 13,875,851            | 13,614,447            | 13,480,838            |
| Business-type activities:                                    |                   |                   |                       |                       |                       |
| Investment income  | 305,896           | 305,896           | 328,570               | 395,242               | 390,179               |
| Miscellaneous  | -                 | -                 | -                     | -                     | -                     |
| Gain of disposal of capital assets                           | -                 | -                 | -                     | -                     | 13,567                |
| Transfers  | -                 | -                 | 398,256               | -                     | -                     |
| Total business activities                                    | 305,896           | 305,896           | 726,826               | 395,242               | 403,746               |
| Total primary government                                     | \$ 16,648,898     | \$ 16,648,898     | \$ 14,602,677         | \$ 14,009,689         | \$ 13,884,584         |
| <b>Change in Net Position</b>                                | <b>\$ 755,578</b> | <b>\$ 755,578</b> | <b>\$ (1,650,187)</b> | <b>\$ (1,702,885)</b> | <b>\$ (1,846,704)</b> |

**City of Cottonwood**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|   | Fiscal Year         |                     |                     |                     |                      |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|
|   | 2020                | 2019                | 2018                | 2017                | 2016                 |
| <b>General Fund</b>                       |                     |                     |                     |                     |                      |
| Nonspendable                              | \$ 86,988           | \$ 21,568           | \$ 29,225           | \$ 21,397           | \$ 40,249            |
| Restricted                                | -                   | -                   | -                   | -                   | -                    |
| Assigned                                  | 1,000,000           | 1,000,000           | 1,000,000           | 1,000,000           | 1,000,000            |
| Unassigned                                | 6,955,514           | 3,772,894           | 2,154,755           | 4,206,786           | 4,187,934            |
| <b>Total general fund</b>                 | <u>\$ 8,042,502</u> | <u>\$ 4,794,462</u> | <u>\$ 3,183,980</u> | <u>\$ 5,228,183</u> | <u>\$ 5,228,183</u>  |
| <b>All Other Governmental Funds</b>       |                     |                     |                     |                     |                      |
| Nonspendable                              | \$ 30,129           | \$ 40,510           | \$ 50,131           | \$ 22,275           | \$ 15,311            |
| Restricted                                | 4,127,464           | 3,010,461           | 2,622,474           | 4,287,185           | 5,708,599            |
| Assigned                                  | -                   | -                   | -                   | 5,674,582           | 5,592,044            |
| Unassigned                                | -                   | (418)               | -                   | -                   | -                    |
| <b>Total all other governmental funds</b> | <u>\$ 4,157,593</u> | <u>\$ 3,050,553</u> | <u>\$ 2,672,605</u> | <u>\$ 9,984,042</u> | <u>\$ 11,315,954</u> |



**City of Cottonwood**  
**Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|   | Fiscal Year          |                     |                      |                      |                      |
|---|----------------------|---------------------|----------------------|----------------------|----------------------|
|   | 2015                 | 2014                | 2013                 | 2012                 | 2011                 |
| <b>General Fund</b>                       |                      |                     |                      |                      |                      |
| Nonspendable                              | 46,261               | 20,608              | 5,095                | 35,436               | 36,961               |
| Restricted                                | 144,477              | 1,287,757           | -                    | -                    | -                    |
| Assigned                                  | 1,000,000            | 1,000,000           | 1,259,750            | 2,214,190            | -                    |
| Unassigned                                | 4,599,804            | 3,674,772           | 4,624,668            | 4,177,319            | 7,018,946            |
| <b>Total general fund</b>                 | <u>\$ 5,790,542</u>  | <u>\$ 5,983,137</u> | <u>\$ 5,889,513</u>  | <u>\$ 6,426,945</u>  | <u>\$ 7,055,907</u>  |
| <b>All Other Governmental Funds</b>       |                      |                     |                      |                      |                      |
| Nonspendable                              | \$ 15,311            | \$ 18,988           | \$ 21,233            | \$ 31,164            | \$ 11,450            |
| Restricted                                | 9,421,521            | 1,210,126           | 2,241,263            | 2,034,245            | 15,540,936           |
| Assigned                                  | 3,650,405            | 8,318,189           | 9,658,940            | 12,906,562           | -                    |
| Unassigned                                | -                    | (488,916)           | (465,433)            | (479,188)            | -                    |
| <b>Total all other governmental funds</b> | <u>\$ 13,087,237</u> | <u>\$ 9,058,387</u> | <u>\$ 11,456,003</u> | <u>\$ 14,492,783</u> | <u>\$ 15,552,386</u> |

**City of Cottonwood**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|   | Fiscal Year         |                     |                       |                       |                       |
|---|---------------------|---------------------|-----------------------|-----------------------|-----------------------|
|   | 2020                | 2019                | 2018                  | 2017                  | 2016                  |
| <b>Revenues:</b>  |                     |                     |                       |                       |                       |
| Taxes   | \$ 19,278,508       | \$ 17,146,618       | \$ 14,935,701         | \$ 14,568,589         | \$ 13,734,793         |
| Intergovernmental revenues                              | 7,629,598           | 6,518,230           | 8,704,128             | 7,862,119             | 5,742,590             |
| Licenses and permits                                    | 281,099             | 568,297             | 327,452               | 279,814               | 279,698               |
| Fines and forfeits                                      | 172,572             | 213,450             | 178,504               | 147,698               | 149,459               |
| Rents and royalties                                     | 129,751             | 159,879             | 118,756               | 257,931               | 181,608               |
| Investment income                                       | 129,036             | 134,119             | 75,947                | 17,668                | 174,473               |
| Charges for services                                    | 1,956,531           | 2,333,342           | 2,547,571             | 2,481,394             | 2,454,952             |
| Contributions   | 34,050              | 30,935              | 36,419                | 31,725                | 73,607                |
| Miscellaneous   | 1,187,470           | 1,300,823           | 1,595,475             | 1,740,887             | 157,256               |
| <b>Total revenues</b>                                   | <b>30,798,615</b>   | <b>28,405,693</b>   | <b>28,519,953</b>     | <b>27,387,825</b>     | <b>22,948,436</b>     |
| <b>Expenditures:</b>                                    |                     |                     |                       |                       |                       |
| Current:  |                     |                     |                       |                       |                       |
| General government                                      | 6,317,896           | 6,139,003           | 6,103,437             | 5,705,624             | 4,665,822             |
| Public safety   | 10,277,695          | 11,071,615          | 10,801,786            | 10,657,958            | 9,251,574             |
| Highways and street                                     | 1,085,263           | 908,747             | 1,059,037             | 2,429,760             | 2,816,635             |
| Transportation  | 2,036,416           | 1,789,161           | 1,598,318             | -                     | -                     |
| Culture and recreation                                  | 3,609,900           | 3,303,096           | 3,401,603             | 3,222,539             | 3,198,799             |
| Redevelopment and housing                               | -                   | -                   | -                     | -                     | -                     |
| Capital outlay  | 592,442             | 2,200,382           | 3,672,088             | 5,157,047             | 2,341,365             |
| Debt service:   |                     |                     |                       |                       |                       |
| Principal retirement                                    | 1,842,083           | 1,544,610           | 1,783,911             | 1,776,500             | 1,322,010             |
| Interest on long-term debt                              | 787,489             | 828,946             | 752,170               | 999,972               | 985,873               |
| Bond issuance costs                                     | -                   | -                   | -                     | -                     | -                     |
| <b>Total expenditures</b>                               | <b>26,549,184</b>   | <b>27,785,560</b>   | <b>29,172,350</b>     | <b>29,949,400</b>     | <b>24,582,078</b>     |
| <b>Excess of revenues over (under) expenditures</b>     | <b>4,249,431</b>    | <b>620,133</b>      | <b>(652,397)</b>      | <b>(2,561,575)</b>    | <b>(1,633,642)</b>    |
| <b>Other Financing Sources (Uses)</b>                   |                     |                     |                       |                       |                       |
| Issuance of long-term debt                              | -                   | 1,285,928           | -                     | 13,544,732            | -                     |
| Premium on issuance of long-term debt                   | -                   | -                   | -                     | 1,524,485             | -                     |
| Deposit to escrow for bond refunding                    | -                   | -                   | -                     | (13,613,249)          | -                     |
| Cost of issuance  | -                   | -                   | -                     | (238,961)             | -                     |
| Sales of Property                                       | 105,649             | 82,369              | 12,466                | 12,656                | -                     |
| Capital lease agreements                                | -                   | -                   | -                     | -                     | -                     |
| Transfers in  | 230,361             | 25,512              | 5,146,961             | 1,112,808             | 4,216                 |
| Transfers out   | (230,361)           | (25,512)            | (13,862,670)          | (1,112,808)           | (704,216)             |
| <b>Total other financing sources (uses)</b>             | <b>105,649</b>      | <b>1,368,297</b>    | <b>(8,703,243)</b>    | <b>1,229,663</b>      | <b>(700,000)</b>      |
| <b>Net change in fund balances</b>                      | <b>\$ 4,355,080</b> | <b>\$ 1,988,430</b> | <b>\$ (9,355,640)</b> | <b>\$ (1,331,912)</b> | <b>\$ (2,333,642)</b> |
| Debt service as a percentage of noncapital expenditures | 10.1%               | 9.3%                | 9.9%                  | 10.7%                 | 9.8%                  |

**City of Cottonwood**  
**Changes in Fund Balances of Governmental Funds (Continued)**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

|  | Fiscal Year         |                       |                       |                       |                     |
|--|---------------------|-----------------------|-----------------------|-----------------------|---------------------|
|  | 2015                | 2014                  | 2013                  | 2012                  | 2011                |
| <b>Revenues:</b>   |                     |                       |                       |                       |                     |
| Taxes  | \$ 13,142,922       | \$ 12,648,502         | \$ 11,693,006         | \$ 10,939,854         | \$ 10,865,111       |
| Intergovernmental revenues                                 | 5,724,063           | 5,714,445             | 4,373,390             | 3,953,440             | 4,618,408           |
| Licenses and permits                                       | 229,810             | 292,341               | 227,930               | 120,239               | 141,637             |
| Fines and forfeits   | 160,813             | 176,208               | 175,728               | 220,557               | 167,312             |
| Rents and royalties  | 143,578             | 162,606               | 117,969               | 95,311                | 114,985             |
| Investment income  | 145,268             | 211,420               | (69,562)              | 239,608               | 142,754             |
| Charges for services                                       | 1,906,025           | 1,739,844             | 1,771,992             | 2,322,410             | 1,780,365           |
| Contributions  | 1,076               | 9,292                 | 8,652                 | 133,894               | 8,343               |
| Miscellaneous  | 267,215             | 129,968               | 261,150               | 83,810                | 123,955             |
| <b>Total revenues</b>                                      | <b>21,720,770</b>   | <b>21,084,626</b>     | <b>18,560,255</b>     | <b>18,109,123</b>     | <b>17,962,870</b>   |
| <b>Expenditures:</b>                                       |                     |                       |                       |                       |                     |
| Current:   |                     |                       |                       |                       |                     |
| General government   | 4,510,920           | 4,347,532             | 3,899,655             | 4,909,750             | 4,561,617           |
| Public safety  | 8,254,360           | 7,888,166             | 6,909,737             | 6,843,873             | 6,908,826           |
| Highways and street  | 3,111,725           | 2,565,264             | 2,196,120             | 1,788,597             | 1,940,247           |
| Transportation   | -                   | -                     | -                     | -                     | -                   |
| Culture and recreation                                     | 3,059,962           | 2,869,610             | 2,593,264             | 2,437,903             | 2,269,302           |
| Redevelopment and housing                                  | -                   | -                     | -                     | 113,931               | 96,565              |
| Capital outlay   | 5,498,903           | 4,598,404             | 4,273,284             | 1,872,067             | 738,814             |
| Debt service:  |                     |                       |                       |                       |                     |
| Principal retirement                                       | 1,332,649           | 1,241,480             | 1,672,415             | 1,612,775             | 1,513,413           |
| Interest on long-term debt                                 | 695,238             | 728,162               | 808,310               | 819,827               | 908,188             |
| Bond issuance costs  | 137,693             | -                     | -                     | -                     | -                   |
| <b>Total expenditures</b>                                  | <b>26,601,450</b>   | <b>24,238,618</b>     | <b>22,352,785</b>     | <b>20,398,723</b>     | <b>18,936,972</b>   |
| <b>Excess of revenues over (under) expenditures</b>        | <b>(4,880,680)</b>  | <b>(3,153,992)</b>    | <b>(3,792,530)</b>    | <b>(2,289,600)</b>    | <b>(974,102)</b>    |
| <b>Other Financing Sources (Uses)</b>                      |                     |                       |                       |                       |                     |
| Issuance of long-term debt                                 | 8,115,584           | -                     | -                     | -                     | -                   |
| Premium on issuance of long-term debt                      | 601,351             | -                     | -                     | -                     | -                   |
| Deposit to escrow for bond refunding                       | -                   | -                     | -                     | -                     | -                   |
| Cost of issuance   | -                   | -                     | -                     | -                     | -                   |
| Sales of Property  | -                   | -                     | -                     | -                     | -                   |
| Capital lease agreements                                   | -                   | 850,000               | 616,574               | 601,035               | -                   |
| Transfers in   | 3,119,148           | 305,268               | 1,613,600             | -                     | -                   |
| Transfers out  | (3,119,048)         | (305,268)             | (2,011,856)           | -                     | -                   |
| <b>Total other financing sources (uses)</b>                | <b>8,717,035</b>    | <b>850,000</b>        | <b>218,318</b>        | <b>601,035</b>        | <b>-</b>            |
| <b>Net change in fund balances</b>                         | <b>\$ 3,836,355</b> | <b>\$ (2,303,992)</b> | <b>\$ (3,574,212)</b> | <b>\$ (1,688,565)</b> | <b>\$ (974,102)</b> |
| Debt service as a percentage of<br>noncapital expenditures | 10.4%               | 10.0%                 | 14.7%                 | 13.0%                 | 13.6%               |

**City of Cottonwood**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(in thousands)**

| <b>Fiscal Year</b> | <b>Sales<br/>Tax</b> | <b>Occupancy<br/>Tax</b> | <b>Franchise<br/>Tax</b> | <b>Utility<br/>Taxes</b> | <b>Total</b> |
|--------------------|----------------------|--------------------------|--------------------------|--------------------------|--------------|
| 2020               | 18,223,410           | 386,302                  | 303,659                  | 365,137                  | 19,278,508   |
| 2019               | 16,136,973           | 288,333                  | 404,620                  | 316,692                  | 17,146,618   |
| 2018               | 14,023,394           | 243,347                  | 416,542                  | 252,417                  | 14,935,701   |
| 2017               | 13,758,577           | 214,976                  | 370,646                  | 224,390                  | 14,568,589   |
| 2016               | 12,967,957           | 187,211                  | 349,537                  | 230,088                  | 13,734,793   |
| 2015               | 12,390,295           | 161,960                  | 368,062                  | 222,605                  | 13,142,922   |
| 2014               | 11,930,653           | 129,820                  | 371,886                  | 216,143                  | 12,648,502   |
| 2013               | 11,014,097           | 105,538                  | 363,653                  | 209,718                  | 11,693,006   |
| 2012               | 10,265,355           | 104,143                  | 359,871                  | 210,485                  | 10,939,854   |
| 2011               | 10,319,948           | 101,677                  | 240,140                  | 203,346                  | 10,865,111   |

**City of Cottonwood**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

---

Overlapping Rates

---

| <u>Fiscal Year</u> | <u>City of Cottonwood</u> | <u>Yavapai County</u> | <u>State of Arizona</u> |
|--------------------|---------------------------|-----------------------|-------------------------|
| 2020               | 3.50                      | 0.75                  | 5.60                    |
| 2019               | 3.50                      | 0.75                  | 5.60                    |
| 2018               | 3.00                      | 0.75                  | 5.60                    |
| 2017               | 3.00                      | 0.75                  | 5.60                    |
| 2016               | 3.00                      | 0.75                  | 5.60                    |
| 2015               | 3.00                      | 0.75                  | 5.60                    |
| 2014               | 3.00                      | 0.75                  | 5.60                    |
| 2013               | 3.00                      | 0.75                  | 5.60                    |
| 2012               | 3.00                      | 0.75                  | 5.60                    |
| 2011               | 3.00                      | 0.75                  | 5.60                    |
| 2010               | 3.00                      | 0.75                  | 5.60                    |

Source: The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation

**City of Cottonwood**  
**Taxable Sales By Category**  
**Last Ten Calendar Years (10,000)**

|                               | <u>2020</u>              | <u>2019</u>              | <u>2018</u>              | <u>2017</u>              | <u>2016</u>              |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Construction                  | \$ 23,321                | \$ 29,985                | \$ 27,795                | \$ 28,548                | \$ 12,131                |
| Manufacturing                 | 2,486                    | 2,512                    | 3,998                    | 754                      | 8,210                    |
| Communications and utilities  | 14,558                   | 16,041                   | 12,647                   | 12,647                   | 6,642                    |
| Wholesale Trade               | -                        |                          | -                        |                          | -                        |
| Retail Trade                  | 420,086                  | 331,672                  | 343,540                  | 343,540                  | 307,992                  |
| Restaurants and Bars          | 49,864                   | 46,149                   | 43,296                   | 43,296                   | 38,022                   |
| Real estate, rental and lease | 41,403                   | 40,220                   | 38,158                   | 38,159                   | 35,800                   |
| Hotels and Other Lodging      | 16,477                   | 21,596                   | 15,023                   | 15,023                   | 6,509                    |
| Services                      |                          |                          | -                        |                          | -                        |
| All Others Not Specified      | 1,269                    | 1,048                    | 483                      | 2,973                    | 57,943                   |
| <b>Total</b>                  | <u><u>\$ 569,464</u></u> | <u><u>\$ 489,223</u></u> | <u><u>\$ 484,940</u></u> | <u><u>\$ 484,940</u></u> | <u><u>\$ 473,249</u></u> |

**City of Cottonwood**  
**Taxable Sales By Category (Continued)**  
**Last Ten Calendar Years**

|                               | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       | <u>2012</u>       | <u>2011</u>       |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Construction                  | \$ 19,450         | \$ 19,609         | \$ 19,783         | \$ 19,783         | \$ 12,410         |
| Manufacturing                 | 7,198             | 7,055             | 6,146             | 6,146             | 5,803             |
| Communications and utilities  | 12,769            | 12,115            | 12,293            | 12,293            | 12,786            |
| Wholesale Trade               | 3,343             | 2,465             | 2,270             | 2,270             | 2,005             |
| Retail Trade                  | 292,839           | 268,377           | 260,464           | 260,464           | 236,753           |
| Restaurants and Bars          | 36,101            | 34,066            | 31,607            | 31,607            | 29,636            |
| Real estate, rental and lease | 37,018            | 39,539            | 36,120            | 36,120            | 31,397            |
| Hotels and Other Lodging      | 10,366            | 8,816             | 7,754             | 7,754             | 7,443             |
| Services                      | 10,999            | 9,924             | 9,402             | 9,402             | 8,359             |
| All Others Not Specified      | 9,857             | 2,703             | 5,292             | 5,292             | 5,347             |
| <b>Total</b>                  | <u>\$ 439,940</u> | <u>\$ 404,669</u> | <u>\$ 391,129</u> | <u>\$ 391,129</u> | <u>\$ 351,939</u> |

**Source:** The source of this information is the Arizona Department of Revenue.

**Note:** Taxable sales were only available on a calendar year basis.

The Department of Revenue has changed the way that they report sales tax to the Cities and some of the categories change in 2016

**City of Cottonwood**  
**Outstanding Debt by Type**  
**Last Ten Fiscal Years**

---

Governmental Activities

---

| Fiscal Year Ending<br>June 30 | General Obligation<br>and Other Bonds | Notes and Loans Payable | Capital Leases | Total         |
|-------------------------------|---------------------------------------|-------------------------|----------------|---------------|
| 2020                          | \$ 17,980,153                         | \$ -                    | 1,378,953      | \$ 19,359,106 |
| 2019                          | 19,498,151                            | -                       | 1,844,552      | 21,342,703    |
| 2018                          | 20,979,005                            | -                       | 1,140,441      | 22,119,446    |
| 2017                          | 22,531,286                            | -                       | 1,670,484      | 24,201,770    |
| 2016                          | 8,686,868                             | 14,177,929              | 895,278        | 23,760,075    |
| 2015                          | 8,716,935                             | 15,070,336              | 1,307,288      | 25,094,559    |
| 2014                          | -                                     | 15,700,000              | 1,764,937      | 17,464,937    |
| 2013                          | 150,000                               | 16,865,000              | 1,316,417      | 18,331,417    |
| 2012                          | 290,000                               | 17,975,000              | 1,057,258      | 19,322,258    |
| 2011                          | 290,000                               | 17,975,000              | 819,000        | 19,084,000    |

Source: The source of this information is the City's financial records.

Note: N/A indicates the information was either not available or not applicable.



**City of Cottonwood**  
**Outstanding Debt by Type (Continued)**  
**Last Ten Fiscal Years**

| Business-Type Activates       |               |               |                |               | Total Outstanding Debt |                                     |            |
|-------------------------------|---------------|---------------|----------------|---------------|------------------------|-------------------------------------|------------|
| Fiscal Year Ending<br>June 30 | Revenue Bonds | Loans Payable | Capital Leases | Total         | Total Debt             | Percentage of<br>Personal<br>Income | Per Capita |
| 2020                          | \$ 3,044,915  | \$ 19,652,522 | \$ -           | \$ 22,697,437 | \$ 42,056,543          | N/A                                 | \$ -       |
| 2019                          | 3,193,930     | 21,011,061    | -              | 24,204,991    | 45,547,694             | N/A                                 | -          |
| 2018                          | 3,340,090     | 22,343,732    | 413,270        | 26,097,092    | 48,216,538             | N/A                                 | -          |
| 2017                          | 3,244,416     | 22,418,796    | 820,068        | 26,483,280    | 50,685,050             | N/A                                 | 4,228      |
| 2016                          | 23,911,915    | 23,756,290    | 1,220,494      | 48,888,699    | 72,648,774             | 18.76                               | 6,147      |
| 2015                          | 24,551,327    | 9,696,290     | 1,614,650      | 35,862,267    | 60,956,826             | 15.75                               | 5,161      |
| 2014                          | 31,750,000    | -             | 2,000,000      | 33,750,000    | 51,214,937             | 13.72                               | 4,337      |
| 2013                          | 32,725,000    | -             | -              | 32,725,000    | 51,056,417             | 13.67                               | 4,323      |
| 2012                          | 33,690,000    | -             | -              | 33,690,000    | 53,012,258             | 14.42                               | 4,668      |
| 2011                          | 33,690,000    | -             | -              | 33,690,000    | 52,774,000             | 14.22                               | 4,685      |

Source: The source of this information is the City's financial records. Note: N/A

Note: N/A indicates the information was either not available or not applicable.

**City of Cottonwood**  
**Ratios of Debt Outstanding**  
**Last Ten Calendar Years**

| <b>Year</b> | <b>Excise tax<br/>Backed Bonds</b> | <b>Taxable<br/>Sales</b> | <b>Percentage of<br/>outstanding bonds<br/>to taxable sales</b> | <b>Population</b> | <b>Net general<br/>obligation<br/>bonded debt<br/>per capita</b> |
|-------------|------------------------------------|--------------------------|---|-------------------|--|
| 2020        | \$ 21,025,068                      | \$ 566,876,577           | 3.71%   | 12,253            | \$ 1,716   |
| 2019        | 22,692,081                         | \$ 501,274,855           | 0.05  | 12,249            | 1,853  |
| 2018        | 24,319,095                         | 484,940,003              | 5.01  | 12,133            | 2,004  |
| 2017        | 25,775,702                         | 473,249,667              | 5.45  | 11,990            | 2,150  |
| 2016        | 10,900,000                         | 439,940,000              | 2.48  | 11,818            | 922  |
| 2015        | 11,360,000                         | 404,669,000              | 2.81  | 11,810            | 962  |
| 2014        | -                                  | 391,129,000              | 0.00  | 11,810            | -  |
| 2013        | 150,000                            | 372,907,000              | 0.04  | 11,810            | 13   |
| 2012        | 290,000                            | 351,940,000              | 0.08  | 11,356            | 26   |
| 2011        | 290,000                            | 344,346,000              | 0.08  | 11,265            | 26   |
| 2010        | 425,000                            | 358,070,000              | 0.12  | 12,180            | 35   |

Sources: The City of Cottonwood, Arizona and the Department of Economic Security.

**City of Cottonwood**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2019**

| <u>Governmental Unit</u>          | <u>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Estimated Amount<br/>Overlapping<br/>Debt</u> |
|-----------------------------------|-----------------------------|--|--|
| <b>Overlapping Debt:</b>          |                             |  |  |
| Yavapai Community College         | \$ 16,505,000               | 42.98%   | 12,292,280                                       |
| Mingus Union High School District | \$ 10,435,004               | 11.39%   | \$ 1,707,931                                     |
| <b>Total Overlapping Debt</b>     |                             |  | <u>14,000,211</u>                                |
| <b>Direct:</b>                    |                             |  |  |
| City of Cottonwood                |                             |  | <u>40,762,034</u>                                |
| <b>Total Direct Debt</b>          |                             |  | <u><u>54,762,245</u></u>                         |

DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS

|   |             |     |
|---|-------------|-----|
| Net Direct General Obligation Bonded Debt         |             |     |
| As a Percentage of Net Limited Assessed Valuation |             | N/A |
| Net Direct and Overlapping General Bonded Debt    |             |     |
| Per Capita  | \$ 3,208.00 |     |
| As a Percentage of Net Limited Assessed Valuation | 36.93%      |     |
| As a Percentage of Gross Full Cash Value          | 5.51%       |     |

Source: The source of this information is the City's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable government unit.

Notes: 1) Estimated percentage of debt outstanding applicable to the City is calculated based on a portion of the City's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.

2) Outstanding debt as of June 30, 2015 is presented for the overlapping governments as this is the most recent available information.

**City of Cottonwood**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

**Total Legal Debt Margin Calculation for Fiscal Year 2020:**

|                                  |                             |
|----------------------------------|-----------------------------|
| Net full cash assessed valuation | \$144,894,937               |
| Debt limit (6%)                  | 8,693,696                   |
| Debt applicable to limit         | -                           |
| Legal debt margin                | <u><u>\$153,588,633</u></u> |

|   | 2020                        | 2019                        | 2018                        | 2017                        | 2016                        |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total 20% Debt Limit  | 28,978,987                  | 25,587,171                  | 24,009,228                  | \$19,767,803                | \$20,447,479                |
| Total net debt applicable to 20% limit  | 0                           | 0                           | 0                           | 0                           | 0                           |
| Legal 20% debt margin   | <u><u>\$ 28,978,987</u></u> | <u><u>\$ 25,587,171</u></u> | <u><u>\$ 24,009,228</u></u> | <u><u>\$ 19,767,803</u></u> | <u><u>\$ 20,447,479</u></u> |
| Total net debt applicable to the 20% limit<br>as a percentage of 20% debt limit | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       |
|   | 2020                        | 2019                        | 2018                        | 2017                        | 2016                        |
| Total 6% Debt Limit   | 8,693,696                   | 7,676,151                   | 7,202,768                   | \$5,930,341                 | \$6,134,244                 |
| Total net debt applicable to 6% limit   | 0                           | 0                           | 0                           | 0                           | 0                           |
| Legal 6% debt margin  | <u><u>\$ 8,693,696</u></u>  | <u><u>\$ 7,676,151</u></u>  | <u><u>\$ 7,202,768</u></u>  | <u><u>\$ 5,930,341</u></u>  | <u><u>\$ 6,134,244</u></u>  |
| Total net debt applicable to the 6% limit<br>as a percentage of 6% debt limit   | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       |

**Source:** The source of this information is the City's financial records.

**Note:** For statutory purposes, the City's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the City's bonds outstanding were secured by state shared revenues and sales tax rather than property taxes.

**City of Cottonwood**  
**Legal Debt Margin Information (Continued)**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**

**Total Legal Debt Margin Calculation for Fiscal Year 2020:**

|                                  |                             |
|----------------------------------|-----------------------------|
| Net full cash assessed valuation | \$144,894,937               |
| Debt limit (20%)                 | 28,978,987                  |
| Debt application to limit        | -                           |
| Legal debt margin                | <u><u>\$173,873,924</u></u> |

|   | 2015                        | 2014                        | 2013                        | 2012                        | 2011                        |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total 20% Debt Limit  | \$ 18,658,140               | \$ 19,360,743               | \$ 21,087,938               | \$ 24,518,865               | \$ 28,743,703               |
| Total net debt applicable to 20% limit  | 0                           | 0                           | 0                           | 0                           | 0                           |
| Legal 20% debt margin   | <u><u>\$ 18,658,140</u></u> | <u><u>\$ 19,360,743</u></u> | <u><u>\$ 21,087,938</u></u> | <u><u>\$ 24,518,865</u></u> | <u><u>\$ 28,743,703</u></u> |
| Total net debt applicable to the 20% limit<br>as a percentage of 20% debt limit | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       |
|   | 2015                        | 2014                        | 2013                        | 2012                        | 2011                        |
| Total 6% Debt Limit   | \$ 5,597,442                | \$ 5,808,223                | \$ 6,326,381                | \$ 7,355,660                | \$ 8,623,111                |
| Total net debt applicable to 6% limit   | 0                           | 0                           | 0                           | 0                           | 0                           |
| Legal 6% debt margin  | <u><u>\$ 5,597,442</u></u>  | <u><u>\$ 5,808,223</u></u>  | <u><u>\$ 6,326,381</u></u>  | <u><u>\$ 7,355,660</u></u>  | <u><u>\$ 8,623,111</u></u>  |
| Total net debt applicable to the 6% limit<br>as a percentage of 6% debt limit   | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       | 0.00%                       |

**Source:** The source of this information is the City's financial records.

**Note:** For statutory purposes, the City's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the City's bonds outstanding were secured by state shared revenues and sales tax rather than property taxes.

**City of Cottonwood  
Pledged Revenue Coverage  
Last Ten Fiscal Years**

|   | Fiscal Year Ending |              |              |              |              |
|---|--------------------|--------------|--------------|--------------|--------------|
|   | 2020               | 2019         | 2018         | 2017         | 2016         |
| <b>WIFA Loan/ Water Revenue Bonds:</b>                    |                    |              |              |              |              |
| Water charges and other (1)                               | \$ 8,386,920       | \$ 8,120,944 | \$ 8,174,427 | \$ 7,608,838 | \$ 7,819,312 |
| Less: Operating expenses (2)                              | 5,331,836          | 5,273,405    | 4,859,357    | 4,489,731    | 3,591,176    |
| Net available revenue                                     | 3,055,084          | 2,847,539    | 3,315,070    | 3,119,107    | 4,228,136    |
| Debt Service  |                    |              |              |              |              |
| Principal   | 1,358,539          | 1,332,671    | 1,307,304    | 709,004      | 610,000      |
| Interest  | 386,162            | 398,108      | 410,792      | 613,923      | 1,205,635    |
| Total Annual Requirement                                  | 1,744,701          | 1,730,779    | 1,718,096    | 1,322,927    | 1,815,635    |
| Estimated Coverage  | 1.75               | 1.65         | 1.93         | 2.36         | 2.33         |
| <b>Excise Tax Revenue/General Obligation Bonds (3)(4)</b> |                    |              |              |              |              |
| Pledged revenues  | 18,803,787         | 16,736,469   | 14,949,167   | 14,070,668   | 15,808,100   |
| Debt Service  |                    |              |              |              |              |
| Principal   | 1,485,001          | 1,445,000    | -            | -            | -            |
| Interest  | 797,024            | 853,100      | -            | -            | 465,916      |
| Total Annual Requirement                                  | 2,282,025          | 2,298,100    | -            | -            | 465,916      |
| Estimated Coverage  | 8.24               | 7.28         | N/A          | N/A          | 33.93        |
| <b>General Arizona Development Authority Loan (3)</b>     |                    |              |              |              |              |
| Pledged revenues  | -                  | -            | -            | -            | 15,808,100   |
| Debt Service  |                    |              |              |              |              |
| Principal   | -                  | -            | -            | -            | 875,000      |
| Interest  | -                  | -            | -            | -            | 631,276      |
| Total Annual Requirement                                  | -                  | -            | -            | -            | 1,506,276    |
| Estimated Coverage  | N/A                | N/A          | N/A          | N/A          | 10.49        |

Source: The source of this information is the City's financial records.

Notes: 1) Water charges and other includes charges for services, investment income, and miscellaneous revenues.

2) Operating expenses do not include depreciation and interest expense.

3) Information prior to 2008 is not available for the General Obligation and General Arizona Development Authority Loans.

4) Final payments on the general obligations bonds were made in fiscal year 2014.

**City of Cottonwood**  
**Pledged Revenue Coverage (Continued)**  
**Last Ten Fiscal Years**

|   | Fiscal Year Ending |              |              |              |              |
|---|--------------------|--------------|--------------|--------------|--------------|
|   | 2015               | 2014         | 2013         | 2012         | 2011         |
| <b>WIFA Loan/ Water Revenue Bonds:</b>                    |                    |              |              |              |              |
| Water charges and other (1)                               | \$ 7,736,434       | \$ 7,185,880 | \$ 6,203,779 | \$ 6,046,477 | \$ 5,987,454 |
| Less: Operating expenses (2)                              | 3,169,489          | 3,754,462    | 3,855,986    | 3,627,892    | 3,109,285    |
| Net available revenue                                     | 4,566,945          | 3,431,418    | 2,347,793    | 2,418,585    | 2,878,169    |
| Debt Service  |                    |              |              |              |              |
| Principal   | 1,000,000          | 975,000      | 965,000      | 920,000      | 920,000      |
| Interest  | 1,464,618          | 1,482,773    | 1,559,310    | 1,592,304    | 1,561,373    |
| Total Annual Requirement                                  | 2,464,618          | 2,457,773    | 2,524,310    | 2,512,304    | 2,481,373    |
| Estimated Coverage  | 1.85               | 1.40         | 0.93         | 0.96         | 1.16         |
| <b>Excise Tax Revenue/General Obligation Bonds (3)(4)</b> |                    |              |              |              |              |
| Pledged revenues  | 15,168,053         | 12,276,616   | 11,329,353   | 10,579,983   | 7,794,838    |
| Debt Service  |                    |              |              |              |              |
| Principal   | -                  | 150,000      | 140,000      | 135,000      | 135,000      |
| Interest  | -                  | 4,150        | 12,175       | 23,500       | 23,500       |
| Total Annual Requirement                                  | -                  | 154,150      | 152,175      | 158,500      | 158,500      |
| Estimated Coverage  | N/A                | 79.64        | 74.45        | 66.75        | 49.18        |
| <b>General Arizona Development Authority Loan (3)</b>     |                    |              |              |              |              |
| Pledged revenues  | 15,168,053         | 14,512,780   | 13,418,066   | 12,411,007   | 11,576,006   |
| Debt Service  |                    |              |              |              |              |
| Principal   | 840,000            | 1,165,000    | 1,110,000    | 1,070,000    | 1,070,000    |
| Interest  | 683,076            | 724,776      | 749,675      | 977,703      | 842,577      |
| Total Annual Requirement                                  | 1,523,076          | 1,889,776    | 1,859,675    | 2,047,703    | 1,912,577    |
| Estimated Coverage  | 9.96               | 7.68         | 7.22         | 6.06         | 6.05         |

Source: The source of this information is the City's financial records.

Notes: 1) Water charges and other includes charges for services, investment income, and miscellaneous revenues.

2) Operating expenses do not include depreciation and interest expense.

3) Information prior to 2008 is not available for the General Obligation and General Arizona Development Authority Loans.

4) Final payments on the general obligations bonds were made in fiscal year 2014.

**City of Cottonwood**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

| <u>Fiscal Year</u> | <u>Population (2)</u> | <u>Personal Income<br/>(thousands of dollars)</u> | <u>Per Capita<br/>Personal Income (3)</u> | <u>School<br/>Enrollment</u> | <u>City of Cottonwood<br/>Unemployment<br/>Rates (4)</u> |
|--------------------|-----------------------|---|---|------------------------------|--|
| 2020               | 12,253                | N/A   | N/A                                       | 3,211                        | 9.20 2   |
| 2019               | 12,249                | N/A   | N/A                                       | 3,283                        | 4.60 2   |
| 2018               | 12,133                | 9,352,066   | \$ 40,312                                 | 3,487                        | 4.40 2   |
| 2017               | 11,974                | 8,753,027   | 38,381                                    | 3,331                        | 4.60 2   |
| 2016               | 11,818                | 8,199,948   | 36,353                                    | 3,060                        | 5.40 2   |
| 2015               | 11,810                | 7,888,490   | 35,600                                    | 3,191                        | 6.00 2   |
| 2014               | 11,532                | 7,482,253   | 34,259                                    | 3,351                        | 7.10 2   |
| 2013               | 11,402                | 6,936,360   | 32,222                                    | 3,102                        | 7.90 2   |
| 2012               | 11,313                | 6,623,513   | 31,174                                    | 2,889                        | 8.20 2   |
| 2011               | 11,224                | 6,387,827   | 30,255                                    | 3,108                        | 10.40 2  |
| 2010               | 11,238                | 6,141,108   | 29,088                                    | 2,722                        | 9.70   |
| 2009               | 11,379                | 6,301,415   | 29,840                                    | 2,876                        | 9.10   |
| 2008               | 11,399                | 6,501,350   | 30,781                                    | 3,369                        | 5.10   |

Source: The City of Cottonwood, Arizona, the Economic Estimates Commissions, and the U.S. Department of Commerce, Bureau of Economic Analysis.

1) U.S. Census Bureau 2010 Census

2) Yavapai County Unemployment Rate

3) Arizona Office of Economic Opportunity

Note: Per capita personal income is based on the calendar year information ending during that fiscal year.



**City of Cottonwood**  
**Principal Employers**  
**Current Fiscal Year and Nine Fiscal Years Ago**

|                              | 2020              |  | 2011             |  |
|------------------------------|-------------------|--|------------------|--|
| <u>Employer</u>              | <u>Employees</u>  | <u>Percentage<br/>of Total Area<br/>Employment</u> | <u>Employees</u> | <u>Percentage<br/>of Total Area<br/>Employment</u> |
| Verde Valley Medical Center  | 992               | 0.009 %  | 900              | 0.008 %  |
| Wal-Mart                     | 385               | 0.004  | 385              | 0.004  |
| Cottonwood Oak Creek Schools | 230               | 0.002  | 230              | 0.002  |
| City of Cottonwood           | 212               | 0.002  | 187              | 0.002  |
| Mingus Union High School     | 128               | 0.001  | 122              | 0.001  |
| Fry's                        | 118               | 0.001  | 118              | 0.001  |
| Spectrum Healthcare          | 140               | 0.001  | -                | 0.000  |
| Home Depot                   | 100               | 0.001  | 120              | 0.001  |
| Safeway                      | 120               | 0.001  | 95               | 0.001  |
| Food City                    | 52                | 0.000  | 37               | 0.000  |
| Total                        | <u>2,477</u>      | <u>          </u> %                                | <u>2,194</u>     | <u>2%   </u> %                                     |
| <br>Total employment         | <br><u>108470</u> |  | <br><u>95238</u> |  |

Source: The source of this information is the City's records.

Note: Total employment is shown for Yavapai County for 2020

**City of Cottonwood**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>     | <b>Full-Time Equivalent Employees as of June 30</b> |             |             |             |             |             |             |             |             |             |
|-----------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                             | <b>2020</b>   | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> |
| <b>General Government</b>   |   |             |             |             |             |             |             |             |             |             |
| Management Services         | 21.50   | 20.50       | 14.00       | 14.00       | 18.50       | 19.50       | 11.80       | 15.80       | 14.80       | 10.80       |
| Finance                     | 3.50  | 2.50        | 2.50        | 2.50        | 2.50        | 2.50        | 3.20        | 3.20        | 4.20        | 4.20        |
| Planning                    | 10.00   | 8.00        | 7.00        | 7.00        | 6.00        | 6.00        | 6.00        | 6.00        | 4.00        | 6.00        |
| Building                    | -   | 5.50        | 5.50        | 5.50        | 5.50        | -           | -           | 6.50        | -           | -           |
| Legal                       | 1.00  | 1.00        | 1.00        | 1.00        | 1.00        | 1.00        | 1.00        | 1.00        | 1.00        | 1.00        |
| Court                       | 4.60  | 5.00        | 5.00        | 5.00        | 5.00        | 5.00        | 6.00        | 6.00        | 6.00        | 6.00        |
| Total general government    | 40.60   | 42.50       | 35.00       | 35.00       | 38.50       | 34.00       | 28.00       | 38.50       | 30.00       | 28.00       |
| <b>Public Safety</b>        |   |             |             |             |             |             |             |             |             |             |
| Police                      | 60.00   | 62.00       | 61.00       | 64.00       | 63.50       | 57.50       | 57.50       | 48.50       | 49.50       | 46.50       |
| Firefighters                | 28.00   | 28.00       | 28.00       | 28.00       | 28.00       | 28.00       | 28.00       | 28.00       | 28.00       | 29.00       |
| Total public safety         | 88.00   | 90.00       | 89.00       | 92.00       | 91.50       | 85.50       | 85.50       | 76.50       | 77.50       | 75.50       |
| <b>Public Works</b>         |   |             |             |             |             |             |             |             |             |             |
| Engineering                 | 3.00  | 3.00        | 3.00        | 3.00        | 5.00        | 4.00        | 5.00        | 5.00        | 6.00        | 6.00        |
| Others                      | 8.50  | 4.00        | 4.00        | 4.00        | 4.00        | 9.50        | 5.50        | 4.00        | 4.00        | 3.00        |
| Streets                     | 4.50  | 4.50        | 4.50        | 4.50        | 4.50        | 4.50        | 4.50        | 5.50        | 5.50        | 5.00        |
| Total public works          | 16.00   | 11.50       | 11.50       | 11.50       | 13.50       | 18.00       | 15.00       | 14.50       | 15.50       | 14.00       |
| <b>Parks and Recreation</b> | 12.00   | 12.00       | 17.50       | 17.50       | 12.00       | 12.00       | 12.00       | 12.00       | 19.50       | 21.00       |
| <b>Library</b>              | 9.00  | 9.00        | 9.00        | 9.00        | 9.00        | 9.00        | 9.00        | 11.00       | 11.00       | 10.00       |
| <b>Water</b>                | 19.60   | 19.60       | 18.60       | 18.60       | 18.80       | 18.30       | 17.80       | 18.80       | 18.10       | 17.30       |
| <b>Sewer</b>                | 10.40   | 10.40       | 10.40       | 10.40       | 10.80       | 11.30       | 10.80       | 10.80       | 10.40       | 10.30       |
| <b>Transit</b>              | 18.00   | 14.00       | 14.00       | 17.00       | 14.00       | 13.00       | 12.00       | 11.00       | -           | 11.00       |
|                             | 69.00   | 65.00       | 69.50       | 72.50       | 64.60       | 63.60       | 61.60       | 63.60       | 59.00       | 69.60       |
| <b>Total</b>                | 213.60  | 209.00      | 205.00      | 211.00      | 208.10      | 201.10      | 190.10      | 193.10      | 182.00      | 187.10      |

Source: The source of this information is the City's Annual Budget.

**City of Cottonwood**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>                     | <u>Fiscal Year Ended June 30,</u> |             |             |             |             |             |             |             |             |             |
|---|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2020</u>                       | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Police                                      |                                   |             |             |             |             |             |             |             |             |             |
| Stations                                    | 1                                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units                                | 26                                | 30          | 34          | 32          | 32          | 28          | 26          | 27          | 20          | 30          |
| Non-Patrol Units                            | 8                                 |             |             |             |             |             |             |             |             |             |
| Fire stations                               | 1                                 | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Public works                                |                                   |             |             |             |             |             |             |             |             |             |
| Streets (miles)                             | 67                                | 67          | 52          | 52          | 62          | 63          | 63          | 63          | 63          | 63          |
| Highways (Miles)                            | 12                                | 12          | 12          | 12          | 12          | 20          | 20          | 20          | 10          | 10          |
| Streetlights                                | 644                               | 644         | 644         | 644         | 644         | 644         | 644         | 644         | 644         | 644         |
| Traffic Signals                             | 1                                 | 1           | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          |
| Recreation and culture                      |                                   |             |             |             |             |             |             |             |             |             |
| Acreage                                     | 39                                | 39          | 39          | 39          | 39          | 125         | 125         | 125         | 125         | 125         |
| Playgrounds                                 | 2                                 | 2           | 2           | 2           | 2           | 5           | 5           | 5           | 5           | 5           |
| Baseball/Softball Diamonds                  | 8                                 | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           | 8           |
| Soccer/Football Fields                      | 1                                 | 1           | 1           | 1           | 1           | 4           | 4           | 4           | 4           | 3           |
| Community Centers                           | 2                                 | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Water                                       |                                   |             |             |             |             |             |             |             |             |             |
| Water Mains (Miles)                         | 189                               | 189         | 187         | 186         | 186         | 94          | 94          | 94          | 94          | 92          |
| Fire Hydrants                               | 231                               | 514         | 512         | 496         | 496         | 687         | 579         | 573         | 569         | 558         |
| Storage Capacity<br>(Thousands of gallons)  | 4450                              | 4450        | 4450        | 4,450       | 4,450       | 3,800       | 3,800       | 3,800       | 3,208       | 3,208       |
| Wastewater                                  |                                   |             |             |             |             |             |             |             |             |             |
| Sanitary Sewers (Miles)                     | 62                                | 62          | 61          | 60          | 60          | 51          | 50          | 50          | 49          | 49          |
| Treatment Capacity<br>(Millions of Gallons) | 1.8                               | 1.8         | 1.5         | 1.5         | 1.5         | 1.5         | 1.5         | 1.5         | 1.5         | 1.5         |
| Transportation                              |                                   |             |             |             |             |             |             |             |             |             |
| Buses                                       | 20                                | 20          | 19          | 19          | 19          | 14          | 11          | 11          | N/A         | N/A         |

Source: The source of this information is the City's facilities records.

Note: N/A indicates that the information is not available.

**City of Cottonwood**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>                                  | <u>Fiscal Year Ended June 30,</u> |             |             |             |             |
|--|-----------------------------------|-------------|-------------|-------------|-------------|
|  | <u>2020</u>                       | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
| General Government                                       |                                   |             |             |             |             |
| Building Permits Issued                                  | 498                               | 590         | 479         | 373         | 379         |
| Police   |                                   |             |             |             |             |
| Physical Arrests   | 1938                              | 1776        | 1,921       | 756         | 1,703       |
| Parking Violations                                       | N/A                               | N/A         | N/A         | N/A         | 87          |
| Traffic Violations                                       | 2056                              | 2694        | 2,037       | 1,248       | 2,199       |
| Calls for Service  | 13162                             | 14468       |             |             |             |
| Fire   |                                   |             |             |             |             |
| Emergency Responses                                      | 3,361                             | 3,448       | 3,655       | 3,626       | 3,455       |
| Fires Extinguished                                       | 300                               | 304         | 305         | 315         | 291         |
| Inspections  | 1,558                             | 1,398       | 1,306       | 1,543       | 1,649       |
| Public Works   |                                   |             |             |             |             |
| Street Resurfacing (Miles)                               | 6.54                              | 0.74        | 1           | N/A         | 0.8         |
| Library  |                                   |             |             |             |             |
| Volumes in Collection                                    | 97,311                            | 110,034     | 109,308     | 133,668     | 110,385     |
| *Ebooks in Collection                                    | 28,647                            |             |             |             |             |
| Volumes Borrowed   | 159,074                           | 197,357     | 208,580     | 241,679     | 264,135     |
| *Ebooks in Borrowed                                      | 24,807                            |             |             |             |             |
| Water  |                                   |             |             |             |             |
| New Connections  | 67                                | 86          | 91          | N/A         | 74          |
| Water Main Breaks  | 189                               | 188         | 156         | N/A         | 131         |
| Average Daily Consumption<br>(Thousands of Gallons)      | 1938                              | 1821        | 1,880       | N/A         | 2,800       |
| Peak Daily Consumption<br>(Thousands of Gallons)         | 2419                              | 2326        | 2,470       | N/A         | 3,200       |
| Wastewater   |                                   |             |             |             |             |
| Average Daily Sewage Treatment<br>(Thousands of Gallons) | 876                               | 1012        | 1,000       | 949         | 949         |
| Transit  |                                   |             |             |             |             |
| Total Route Miles  | 460,351                           | 455,476     | 451,022     | 435,228     | 416,116     |
| Passengers   | 146,981                           | 164,930     | 165,099     | 150,354     | 153,889     |

Source: The source of this information is the City's facilities records.

Notes: 1) N/A indicates the information was either not available or not applicable.

2) \*The significant decline was due to the elimination of a portion of the City's transit.

**City of Cottonwood**  
**Operating Indicators by Function/Program (Continued)**  
**Last Ten Fiscal Years**

| <u>Function/Program</u>                                  | <u>Fiscal Year Ended June 30,</u> |             |             |             |             |
|--|-----------------------------------|-------------|-------------|-------------|-------------|
|  | <u>2015</u>                       | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| General Government                                       |                                   |             |             |             |             |
| Building Permits Issued                                  | 304                               | 301         | 291         | 251         | 208         |
| Police   |                                   |             |             |             |             |
| Physical Arrests   | 1,390                             | 813         | 1,355       | 1,564       | 1,292       |
| Parking Violations                                       | 177                               | 118         | 108         | 75 #        | 127         |
| Traffic Violations                                       | 1,450                             | 1,827       | 2,152       | 1,850       | 1,607       |
| Fire   |                                   |             |             |             |             |
| Emergency Responses                                      | 3,080                             | 2,756       | 2,699       | 2,804       | 2,550       |
| Fires Extinguished                                       | 245                               | 241         | 208         | 247         | 242         |
| Inspections  | 1,591                             | 1,896       | 1,650       | 1,559       | 2,063       |
| Public Works   |                                   |             |             |             |             |
| Street Resurfacing (Miles)                               | 0.8                               | 0.3         | 1.0         | N/A         | 8.3         |
| Library  |                                   |             |             |             |             |
| Volumes in Collection                                    | 137,444                           | 106,713     | 104,052     | 96,673      | 102,015     |
| Total Volumes Borrowed                                   | 283,432                           | 228,870     | 218,391     | 245,786     | 246,786     |
| Water  |                                   |             |             |             |             |
| New Connections  | 29                                | 48          | 30          | 12          | 26          |
| Water Main Breaks  | 120                               | 183         | 125         | 150         | 237         |
| Average Daily Consumption<br>(Thousands of Gallons)      | 2,083                             | 2,235       | 2,095       | 2,096       | 2,073       |
| Peak Daily Consumption<br>(Thousands of Gallons)         | 2,625                             | 3,147       | 2,763       | 2,714       | 2,654       |
| Wastewater   |                                   |             |             |             |             |
| Average Daily Sewage Treatment<br>(Thousands of Gallons) | 949                               | 969         | 963         | 983         | 957         |
| Transit  |                                   |             |             |             |             |
| Total Route Miles  | 266,688                           | 321,387     | 267,256     | N/A         | 94,804*     |
| Passengers   | 149,492                           | 122,874     | 117,519     | N/A         | 2,009*      |

Source: The source of this information is the City's facilities records.

Notes: 1) N/A indicates the information was either not available or not applicable.

2) \*The significant decline was due to the elimination of a portion of the City's transit.

City of Cottonwood  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2020

**This Page Intentionally Left Blank.**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditors' Report**

To the Honorable Mayor and Members of the City Council  
of the City of Cottonwood  
Cottonwood, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, Arizona (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

To the Honorable Mayor and Members of the City Council  
of the City of Cottonwood  
Cottonwood, Arizona  
Page 2

### **Purpose of this Report**

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

*The PwC Group, LLP*

Phoenix, Arizona  
December 31, 2020