



City of C♥ttonwood



Annual Comprehensive Financial Report

Fiscal Year 2020-2021



City of Cottonwood, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2021

Prepared by the Finance Department

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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December 23, 2021

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, 2021.

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, 2021, 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, 2021, 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 increased from 15.75 square miles to 27.5 square miles with two annexations that occurred in FY 2020 & FY 2021. Cottonwood is near the geographic center of Arizona adjacent to Interstate 17 on State Highways 89A and 260. The 2020 Census places the population at 12,029. 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. As earlier noted, the management of the City of Cottonwood, Arizona is 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 deposition, 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 considered 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.

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 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.

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.

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 2021 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 economy is strong to keep the City on the right path as far as recurring costs 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 65% 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 spent on direct marketing for tourism and a portion of which is transferred to the local Chamber of Commerce to operate the City's Visitor's Centers and promote economic development and tourism.

The TPT on construction projects has two parts to it 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 had seen improved numbers recently and have increased by approximately 7% over the fiscal year 2019 and 2020.

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 recent 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 2020).

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 2.67% of the previous year's general fund operating revenues was set aside for capital projects. This year represents the seventeenth year of this policy. With this fund now over \$1,000,000, the City Council, at the recommendation of Management, made the decision to cap this fund at \$1,000,000 and use any excess 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 2021, \$1.2M was transferred to General Fund reserves from the increase and \$1.4M was transferred to the HURF Fund and Capital Improvement funds to assist those funds and create reserves.

Regular reporting to the City 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 2021 goals obtained are summarized within this list of accomplishments:
















Facilitate Economic Growth

-  Completed the sale of City-owned property at the corner of 6th Street and Mingus Avenue to SpringHill Suites by Marriott.
-  Coordinated with Chamber of Commerce to bring a satellite visitor center to Old Town.
-  Created and implemented a new e-newsletter for all business license holders in Cottonwood called SHOP Cottonwood.
-  Worked with City management, staff and special counsel to complete the annexation of approximately 11 square miles of Forest Service land and approximately 280 acres of private land, known as Spring Creek Ranch.
-  Worked with City management, staff and special counsel to negotiate a forbearance agreement to allow for the development of a second, 20-home phase at the Vineyards in Cottonwood while preserving the City's rights and remedies for default of the obligation to have the extension of Groseta Ranch Road to Main Street completed by the end of 2020.
-  Established a new City tourism office responsible for the Destination Marketing Organization (DMO) for Cottonwood with an outside partner.

Promote Quality of Life

-  Designed and implemented a new Parks and Recreation website to allow for online reservations and membership renewals.
-  Leased 100 percent of the 50 Community Garden plots.
-  Maintained a steady inventory of personal protective equipment (PPE) as well as cleaning and disinfection supplies for all City departments (in a volatile and challenging purchasing environment.)
-  Designed and published a new Ordinance Enforcement webpage to increase their online presence.
-  Creation of a City abatement program with a funding source to help abate serious health and safety issues in the city.
-  Upgraded the play structures in Garrison Park by including new ADA compliant borders, fall protection surfacing, and an expression swing, utilizing Prop 202 grant funding.
-  Purchased bike racks to match the City's brand and created a bike map that encompasses the City's trails and bike ways.
-  Created and implemented the Safe and Outside program to include instructional videos on how to Golf, Hike, Fish, Kayak, and play Disc Golf.
-  Enhanced physical security with the acquisition and installation of new hydraulically operated mobile surface mounted barriers and portable wall bollards. This was made possible by a grant from the Arizona Department of Homeland Security.
-  Hosted "Vacation Fire School" for area youth aimed at promoting fire safety and letting them explore possible fire service careers.
-  Implemented STEAM (Science, Technology, Engineering, Arts, and Mathematics) Kit checkout program so kids and parents can utilize STEAM kits at home.

Developing and Improving Infrastructure

-  Made significant investment in infrastructure resulting in additional sidewalk and road projects.
-  Improved building security of the Municipal Court building with the installation of three additional security cameras; two exterior and one interior.
-  Completed the design for the sidewalk on Fir Street.
-  Completed the design for the dip repair on Willard Street and that of the sight distance of Cottonwood Street.
-  Completed the design for the road diet on Main Street (Old Town).
-  Completed the Old Town alley improvement.
-  Contracted with a real-estate broker to sell the City-owned property located at 816 N Main Street.
-  Established and adopted an ordinance regulating sidewalk displays.
-  Created easier to read reports for the City Council and City Manager that relay information needed for their decision making.
-  Developed a routine maintenance plan for City-owned HVAC systems.
-  Upgraded the street lighting in Old town from 400 watt metal halide bulbs to LED.
-  Added two purpose-built van replacements for ADA transportation.
-  Implementation of Rapid-SOS Portal, a supplemental tool to the traditional 9-1-1 location information that utilizes additional location identification technology to identify a 9-1-1 caller's location.
-  Completed the road diet on Main Street in Old Town.
-  Completed the Riverfront Park Trail funded in part by an Arizona State Parks & Trails grant.

- 🔍 Conducted street sweeping activities along the highway, arterial and collector streets, and on City parking lots.
- 🔍 Installed a new virtual tower (Virtower) at the airport that will track aeronautical activity and provide a more accurate accounting of aircraft activity and fleet mix, and improve the ability of the airport to acquire more ADOT and FAA.
- 🔍 Received an emergency ADOT grant to replace the AWOS (Automated Weather Observation System) at the airport.
- 🔍 Crack-sealed City parking lots.

Protecting Water Resources

- 🔍 Completed the refurbishment and upgrade to Lift Station 4.
- 🔍 Initiated the project for sewer main inspection, camera and cleaning, which is projected to be a three-year program. This project was listed as a goal for FY 2020.
- 🔍 Completed the replacement of the Parshall Flume, adjoining manhole, flow meter, and sampler as required by ADEQ.

Refining/Strengthening the Budget Process

- 🔍 Added 3.2 million dollars to the City's fund balance by increasing reserves and being fiscally conservative.
- 🔍 Adopted a General Fund budget that was approximately 1.7% lower than in the previous budget year.
- 🔍 Realigned the City's organizational structure in response to the COVID-19 Pandemic, allowing for budget savings.
- 🔍 Coordinated one Town Hall meeting in regards to the City's budget for FY 2020-2021.
- 🔍 Received the 21st GFOA Distinguished Budget Presentation Award for the City's FY 2021 Budget Document.
- 🔍 Developed a survey to solicit citizen input in the budget process as directed in the 2019-2020 Strategic Plan.
- 🔍 Secured the matching grant of \$12,000 from the Arizona State Historic Preservation Office for the third phase in the creation of a historic district in Old Town Cottonwood .
- 🔍 Implemented pre- and post-academies for police recruitment to improve onboarding and retention of new police officers.
- 🔍 Coordinated the selection of Public Safety Personnel Consultants to conduct a compensation study.
- 🔍 Installed AZ TraCS Electronic Ticketing Software and related hardware (for the printing of tickets) in police vehicles through a grant from the Arizona Governor's Office of Highway Safety.
- 🔍 Created and implemented an employee cost saving program called H.E.A.R.T as directed in the 2019-2020 Strategic Plan, section Refine Budget Process.
- 🔍 Successfully transitioned to new recreation software systems to reduce transaction fees.
- 🔍 Implemented a self-service kiosk at the Guest Services counter to allow for day-pass purchases without staff involvement.
- 🔍 Designed and implemented a new Parks & Recreation website to allow for online reservations and membership renewals.

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, 2020. This was the 30th 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 2021 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

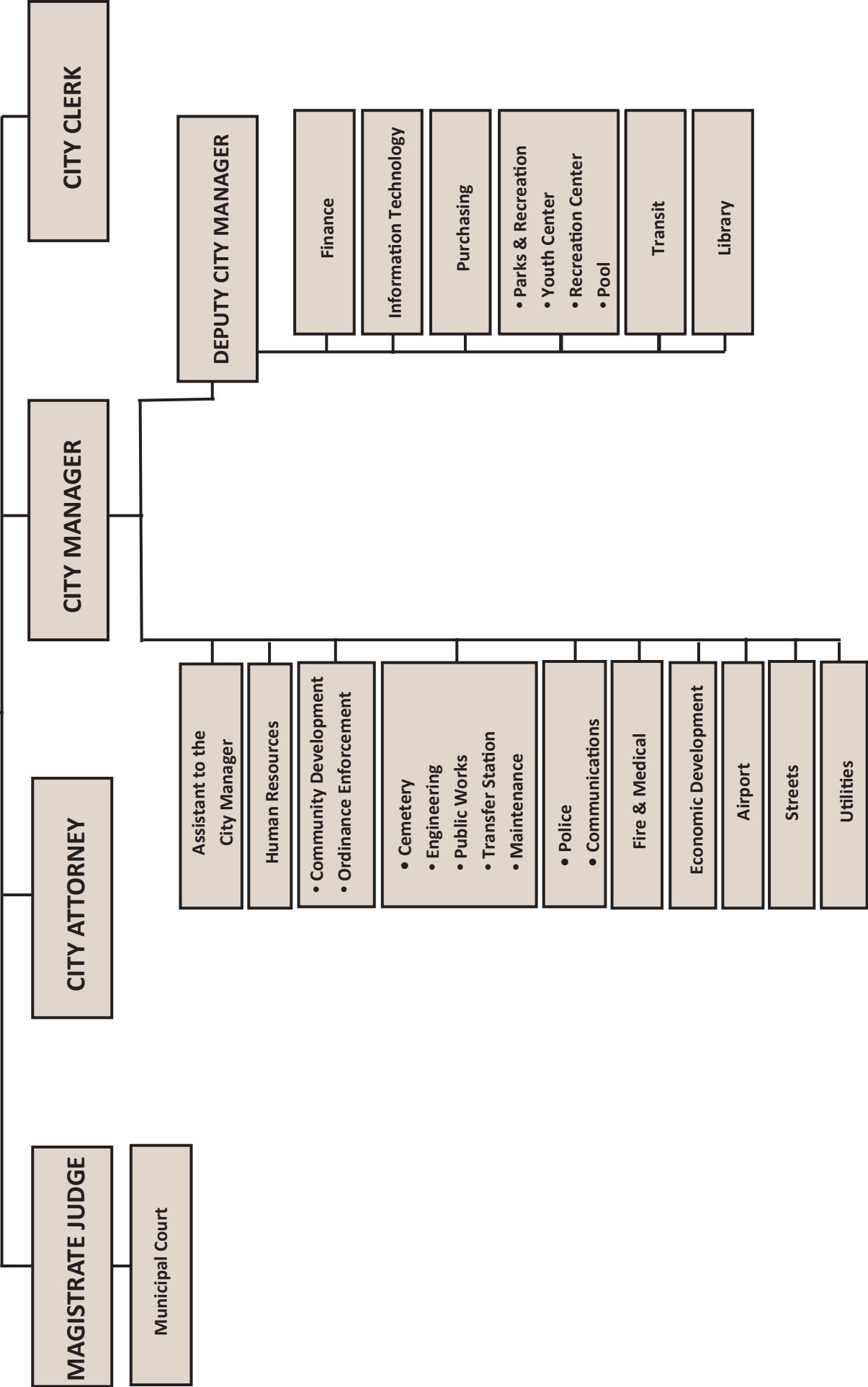
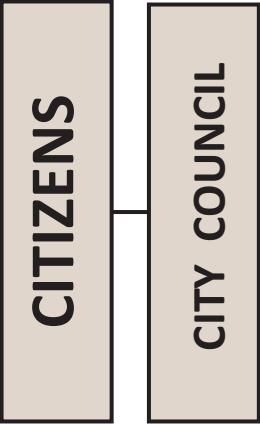
**City of Cottonwood
Arizona**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO



City of Cottonwood

Comprehensive Annual Financial Report

Principal Officials as of June 30, 2021



Mayor
Tim Elinski



Vice Mayor
Dough Hulse



Council Member
Tosca Henry



Council Member
Michael Mathews



Council Member
Jackie Nairn



Council Member
Debbie Wilden



Council Member
Helaine Kurot

City Staff as of June 30, 2021

Ron Corbin, City Manager

Jesus R. Rodriguez,
Deputy City Manager

Kirsten Lennon,
Financial Services Director

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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, 2021, 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, 2021, 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.

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 22, 2021, 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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
December 22, 2021

City of Cottonwood, Arizona

Management's Discussion and Analysis (Unaudited)

(Required Supplementary Information)

For the fiscal year ended June 30, 2021

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2021

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, 2021. 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, 2021 by \$79.4 million, this compared to \$66.7 million at fiscal year end June 30, 2020. This is an overall increase of \$12.7 million or an increase of 19% of prior year's net position. Net position for governmental activities exceeded liabilities by \$28.5 million and this compares to \$19.6 million at June 30, 2020, an increase of 46%. The amount of increase in net position was \$8.9 million. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$50.8 million compared to \$47.0 million at June 30, 2020, an increase of 8%.

Changes in Net Position – The City's net position increased \$12.7 million in FY 2020-2021; this compared to \$6.6 million increase in FY 2019-2020. Net position of governmental activities increased \$8.9 million compared to an increase of \$3.1 million in 2019-2020. Net position of business-type activities increased by \$3.8 million compared to a \$3.5 million increase in FY 2019-2020.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2020-2021 the City's total governmental funds reported a fund balance of \$24.2 million, a \$12.0 million increase from the FY 2019-2020 balance of \$12.2 million, an increase of 99.0%. 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. Due to the COVID 19 pandemic the FY 2021 budget did not include any capital or salary increase and was created conservatively anticipating a decrease in the City's main revenue stream TPT tax. This approach allowed the City to lower spending and with the lowered spending sales tax revenues actually increased by almost 17% which allowed the City to increase the fund balance.

General Fund – The fund balance of the general fund on June 30, 2021 was \$18.3 million. The fund balance increased \$10.2 million. This increase was due the City's sales tax rate that was increased in FY 2019 and the Council designating that a large portion of the revenues received be reserved. Also a conservative approach in spending taken by City Staff due to the uncertainty of COVID-19 and larger than anticipated increases in revenues allowed the City to increase the fund balance.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2021

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, 2021

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 (Custodial) funds are used to account for resources held for the benefit of parties outside the government. Custodial 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, 2021

City of Cottonwood Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Current & Other Assets	\$ 27,735,297	\$ 15,689,961	\$ 30,496,059	\$ 27,356,370	\$ 58,231,356	\$ 43,046,331
Capital Assets	45,486,398	46,226,384	41,129,782	41,645,114	86,616,180	87,871,498
Total Assets	73,221,695	61,916,345	71,625,841	69,001,484	144,847,536	130,917,829
Deferred Outflows	24,396,124	5,231,161	4,310,337	4,233,969	28,706,461	9,465,130
Current Liabilities	4,881,507	4,618,136	2,554,508	2,371,146	7,436,015	6,989,282
Long-term Liabilities	63,289,147	41,471,540	22,448,718	23,615,691	85,737,865	65,087,231
Total Liabilities	68,170,654	46,089,676	25,003,226	25,986,837	93,173,880	72,076,513
Deferred Inflows	926,215	1,462,910	81,278	193,831	1,007,493	1,656,741
Net Investment in						
Capital Assets	28,377,288	27,118,419	26,397,745	27,364,275	54,775,033	54,482,694
Restricted	9,151,977	4,127,464	9,501,748	7,674,983	18,653,725	11,802,447
Unrestricted	(9,008,315)	(11,650,963)	14,952,181	12,015,527	5,943,866	364,564
Total Net Position	\$ 28,520,950	\$ 19,594,920	\$ 50,851,674	\$ 47,054,785	\$ 79,372,624	\$ 66,649,705

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$79.4 million at the close of fiscal year ending June 30, 2021.

Of the City's total net position, 69.0% 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.

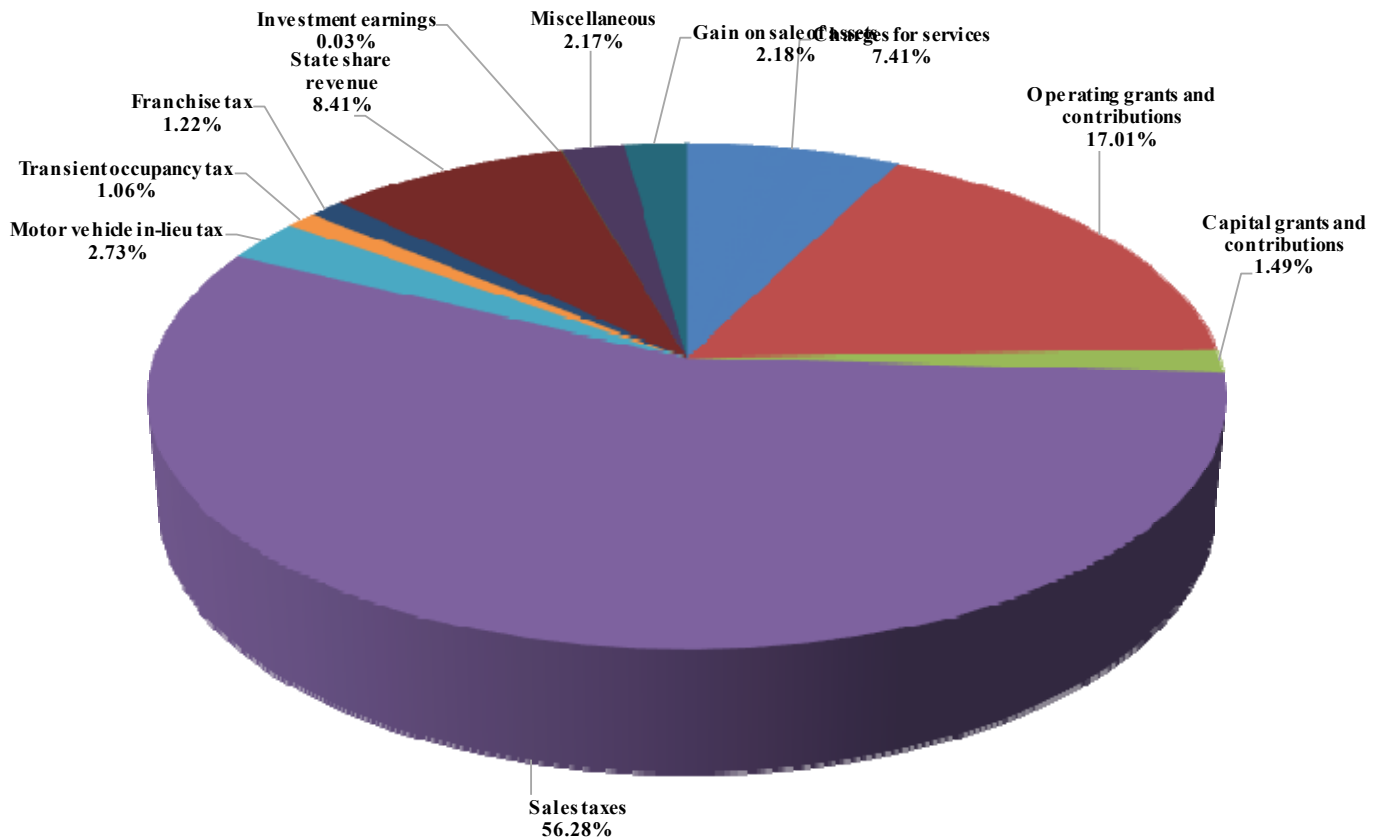
The City's net position was increased by \$12.7 million during the fiscal year, a 19% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase and an overall increase in the tax collections, 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, 2021

Governmental Activities

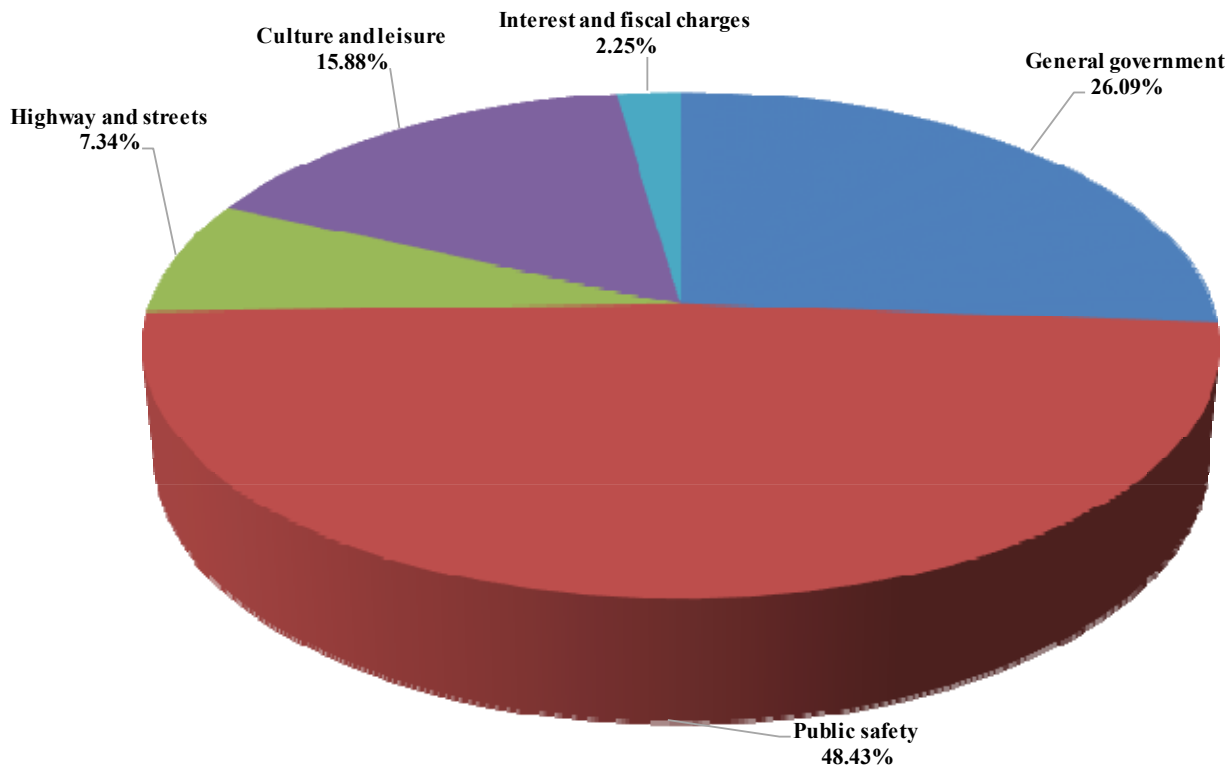
Governmental activities increased the City's net position by \$8.9 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses by function for all Governmental activities.

**REVENUE SOURCES
GOVERNMENTAL ACTIVITIES**



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2021

EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2021

Statement of Activities							
For the Year Ended June 30, 2021							
	Governmental Activities		Business Type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Revenues:							
Program revenues:							
Charges for services	\$ 2,823,819	\$ 3,102,697	\$ 12,685,051	\$ 11,340,094	\$ 15,508,870	\$ 14,442,791	
Operating grants and contributions	6,480,841	3,772,457	-	-	6,480,841	3,772,457	
Capital grants and contributions	567,018	770,600	-	-	567,018	770,600	
Total program revenues	9,871,678	7,645,754	12,685,051	11,340,094	22,556,729	18,985,848	
General revenues:							
Sales taxes	21,441,099	18,588,547	-	-	21,441,099	18,588,547	
Motor vehicle in-lieu tax	1,039,271	866,283	-	-	1,039,271	866,283	
Transient occupancy tax	405,373	386,302	-	-	405,373	386,302	
Franchise tax	465,588	303,659	-	-	465,588	303,659	
Total taxes	23,351,331	20,144,791	-	-	23,351,331	20,144,791	
State share revenue	3,204,737	2,838,005	-	-	3,204,737	2,838,005	
Investment earnings	10,635	129,036	16,978	353,649	27,613	482,685	
Miscellaneous	827,590	41,029	-	-	827,590	41,029	
Gain on sale of assets	830,504	-	(255,694)	-	574,810	-	
Total general revenues and transfers	28,224,797	23,152,861	(238,716)	353,649	27,986,081	23,506,510	
Total revenues	38,096,475	30,798,615	12,446,335	11,693,743	50,542,810	42,492,358	
Expenses:							
General government	6,927,542	6,651,834	-	-	6,927,542	6,651,834	
Public safety	12,859,366	11,945,539	-	-	12,859,366	11,945,539	
Highway and streets	1,949,637	1,809,652	-	-	1,949,637	1,809,652	
Transportation	2,620,605	2,147,294	-	-	2,620,605	2,147,294	
Culture and leisure	4,215,599	4,455,091	-	-	4,215,599	4,455,091	
Interest and fiscal charges	597,696	650,224	-	-	597,696	650,224	
Water	-	-	5,265,348	5,348,996	5,265,348	5,348,996	
Wastewater	-	-	3,384,098	2,830,268	3,384,098	2,830,268	
Total expenses	29,170,445	27,659,634	8,649,446	8,179,264	37,819,891	35,838,898	
Change in net position	8,926,030	3,138,981	3,796,889	3,514,479	12,722,919	6,653,460	
Net position, beginning of year	19,594,920	16,455,939	47,054,785	43,540,306	66,649,705	59,996,245	
Net position, end of year	\$ 28,520,950	\$ 19,594,920	\$ 50,851,674	\$ 47,054,785	\$ 79,372,624	\$ 66,649,705	

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2021

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 \$3.8 million, compared to an increase of \$0.3 million in the prior year FY 2019-2020.

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, 2021

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 are reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$24.3 million, an increase of \$12.1 million primarily due to an unanticipated increase in the sales tax revenue, the .5% tax rate increase and fiscally responsible spending that limited the transfers to other funds.

The General Fund comprises 75.2 percent of the total fund balance. Approximately \$14.1 million or 77.2 percent of the General Fund's fund balance is unassigned. The fund balance increased \$10.2 million due to the sales tax increase and Council direction to reserve the additional resources.

The HURF Fund comprises 11.9 percent of the total fund balance. The fund balance increased \$164,725 due to unfinished projects that will be finished in future years.

The Transit Fund comprises 0.9 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 5.8 percent of the total fund balance, all of which is restricted. The fund balance increased \$1.4 million due to increased grant funding from the CARES Act.

The Debt Service Fund comprises 1.5 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 4.7 percent of the total fund balance. All of the fund balance is assigned or restricted for capital projects. The fund balance increased \$305,107 due to the allocation of a portion of the .5% sales tax increase of FY 2019 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 \$50.8 million and \$97,118, respectively. The increase in net position in the Enterprise Funds of \$3.8 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, 2021

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 approximately \$20M or 90% which was due to the bonding to fund the unfunded liability of the Public Safety Personnel Retirement System for the Police and Fire.

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 on pg 100. There were no significant variances.

Capital Assets

As of the end of the current fiscal year, the City had invested \$89.0 million in governmental capital assets and \$69.6 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent an increase prior to depreciation of \$1.1 million for the governmental activities and a decrease prior to depreciation of \$742 thousand through 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 \$2.8 million for governmental activities and \$1.8 million for business-type activities.

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 2,619,885	\$ 4,132,241	\$ 6,752,126
Construction in process	559,411	3,841,916	4,401,327
Total non-depreciable assets, net	3,179,296	7,974,157	11,153,453
<i>Depreciable Assets:</i>			
Infrastructure	31,305,276	45,626,654	76,931,930
Buildings and improvements	40,571,811	10,873,815	51,445,626
Vehicles, machinery and equipment	13,983,345	5,143,790	19,127,135
	85,860,432	61,644,259	147,504,691
Less accumulated depreciation	(43,553,330)	(28,488,634)	(72,041,964)
Total depreciable assets, net	42,307,102	33,155,625	75,462,727
Total capital assets	\$ 45,486,398	\$ 41,129,782	\$ 86,616,180

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 \$49.4 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, 2021

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 \$29.1 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			Balance	Due within	Due in more
	June 30, 2020	Additions	Deletions	June 30, 2021	one year	than one year
<u>Governmental Activities</u>						
Capital leases	\$ 1,378,953	\$ -	\$ (485,106)	\$ 893,847	\$ 510,647	\$ 383,200
2015 Pledged revenue bonds	7,566,438	-	(376,552)	7,189,886	360,772	6,829,114
2016 Pledged revenue bonds	10,413,715	-	(1,168,590)	9,245,125	1,055,000	8,190,125
2016 Pledged revenue bonds	-	20,380,000	-	20,380,000	290,000	20,090,000
Total Government Activities	19,359,106	20,380,000	(2,030,248)	37,708,858	2,216,419	35,492,439
<u>Business-Type Activities</u>						
2015 WIFA refunding loan	7,680,328	-	(649,166)	7,031,162	663,447	6,367,715
2016 WIFA refunding loan	11,972,194	-	(719,786)	11,252,408	732,051	10,520,357
2015 Pledged revenue bonds	3,044,915	-	(151,872)	2,893,043	144,229	2,748,814
Total Business-Type Activities	22,697,437	-	(1,520,824)	21,176,613	1,539,727	19,636,886
Total	\$ 42,056,543	\$ 20,380,000	\$ (3,551,072)	\$ 58,885,471	\$ 3,756,146	\$ 55,129,325

Economic Factors and Next Year's Budget

Many factors were considered by the City's officials during the process of developing the fiscal year 2021-22 budget. Among them:

- Fiscal year 2021-22 general fund budget balance carry forward (estimated \$8 million).
- Employee salaries and benefits (estimated at \$20 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, 2021

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 21,420,889	\$ 17,473,259	\$ 38,894,148
Receivables:			
Accounts, net	49,968	866,024	915,992
Taxes	1,038,438	-	1,038,438
Intergovernmental	767,531	-	767,531
Inventories	36,013	-	36,013
Prepaid items	14,175	-	14,175
Total current assets	23,327,014	18,339,283	41,666,297
Noncurrent assets:			
Restricted cash and investment	4,248,537	12,145,632	16,394,169
Aggregate net OPEB asset	153,132	11,144	164,276
Aggregate net pension asset	6,614	-	6,614
Capital assets:			
Nondepreciable	3,179,296	7,974,157	11,153,453
Depreciable, net	42,307,102	33,155,625	75,462,727
Total capital assets, net	45,486,398	41,129,782	86,616,180
Total noncurrent assets	49,894,681	53,286,558	103,181,239
Total assets	73,221,695	71,625,841	144,847,536
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions (Note 6)	-	3,800,692	3,800,692
Deferred loss on refunding	219,748	-	219,748
Pension-related deferred outflows	24,004,544	478,831	24,483,375
OPEB-related deferred outflows	171,832	30,814	202,646
Total deferred outflows of resources	24,396,124	4,310,337	28,706,461

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	955,329	465,147	1,420,476
Accrued payroll and related liabilities	422,459	62,617	485,076
Interest payable	308,959	236,308	545,267
Deposits payable	59,150	202,299	261,449
Unearned revenue	33,218	-	33,218
Compensated absences - due within one year	885,973	48,410	934,383
Long-term debt - due within one year	2,216,419	1,539,727	3,756,146
Total current liabilities	4,881,507	2,554,508	7,436,015
Long-term liabilities:			
Compensated absences - due in more than one year	325,609	107,641	433,250
Long-term debt - due in more than one year	35,492,439	19,636,886	55,129,325
Aggregate net pension liability - due in more than one year	27,382,860	2,692,325	30,075,185
Aggregate net OPEB liability - due in more than one year	88,239	11,866	100,105
Total long-term liabilities	63,289,147	22,448,718	85,737,865
Total liabilities	68,170,654	25,003,226	93,173,880
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows	702,942	58,711	761,653
OPEB-related deferred inflows	223,273	22,567	245,840
Total deferred inflows of resources	926,215	81,278	1,007,493
NET POSITION			
Net investment in capital assets	28,377,288	26,397,745	54,775,033
Restricted for:			
Debt service	348,012	9,501,748	9,849,760
Pension	3,147,955	-	3,147,955
Grants	1,417,889	-	1,417,889
Highways and streets	3,090,698	-	3,090,698
Capital projects	1,147,423	-	1,147,423
Total restricted	9,151,977	9,501,748	18,653,725
Unrestricted	(9,008,315)	14,952,181	5,943,866
Total net position	<u>\$ 28,520,950</u>	<u>\$ 50,851,674</u>	<u>\$ 79,372,624</u>

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,927,542	\$ 1,506,871	\$ 1,987,930	\$ 63,892	\$ 3,558,693
Public safety	12,859,366	949,274	575,963	1,677	1,526,914
Highways and streets	1,949,637	-	1,179,785	164,462	1,344,247
Transportation	2,620,605	415	2,721,687	-	2,722,102
Culture and leisure	4,215,599	367,259	15,476	336,987	719,722
Interest and fiscal agent fees, net of amortization	597,696	-	-	-	-
Total governmental activities	29,170,445	2,823,819	6,480,841	567,018	9,871,678
Business-Type activities:					
Water	5,265,348	8,649,599	-	-	8,649,599
Wastewater	3,384,098	4,035,452	-	-	4,035,452
Total business-type activities	8,649,446	12,685,051	-	-	12,685,051
Total primary government	\$ 37,819,891	\$ 15,508,870	\$ 6,480,841	\$ 567,018	\$ 22,556,729

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2021

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (3,368,849)	\$ -	\$ (3,368,849)
Public safety	(11,332,452)	-	(11,332,452)
Highways and streets	(605,390)	-	(605,390)
Transportation	101,497	-	101,497
Culture and leisure	(3,495,877)	-	(3,495,877)
Interest and fiscal agent fees, net of amortization	(597,696)	-	(597,696)
Total governmental activities	<u>(19,298,767)</u>	<u>-</u>	<u>(19,298,767)</u>
Business-Type activities:			
Water	-	3,384,251	3,384,251
Wastewater	-	651,354	651,354
Total business-type activities	<u>-</u>	<u>4,035,605</u>	<u>4,035,605</u>
Total primary government	<u>(19,298,767)</u>	<u>4,035,605</u>	<u>(15,263,162)</u>
General revenues:			
Taxes:			
Sales tax	21,441,099	-	21,441,099
Motor vehicle in-lieu taxes	1,039,271	-	1,039,271
Franchise tax	465,588	-	465,588
Transient occupancy tax	405,373	-	405,373
Total taxes	<u>23,351,331</u>	<u>-</u>	<u>23,351,331</u>
State share revenue	3,204,737	-	3,204,737
Investment earnings	10,635	16,978	27,613
Miscellaneous	827,590	-	827,590
Gain (loss) on sale of assets	830,504	(255,694)	574,810
Total general revenues	<u>28,224,797</u>	<u>(238,716)</u>	<u>27,986,081</u>
Change in net position	<u>8,926,030</u>	<u>3,796,889</u>	<u>12,722,919</u>
Net position - beginning of year	<u>19,594,920</u>	<u>47,054,785</u>	<u>66,649,705</u>
Net position - end of year	<u>\$ 28,520,950</u>	<u>\$ 50,851,674</u>	<u>\$ 79,372,624</u>

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City of Cottonwood
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Fund Financial Statements

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

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Governmental Fund Financial Statements

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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, 2021

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 15,157,606	\$ 1,430,079	\$ 4,736,086	\$ 21,323,771
Restricted cash and cash investments	3,147,955	202,820	897,762	4,248,537
Receivables:				
Accounts	49,968	-	-	49,968
Taxes	742,409	136,844	159,185	1,038,438
Intergovernmental	151,973	-	615,558	767,531
Due from other funds	179,751	-	-	179,751
Inventories	22,085	-	13,928	36,013
Prepaid items	-	14,175	-	14,175
Total assets	\$ 19,451,747	\$ 1,783,918	\$ 6,422,519	\$ 27,658,184
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 726,254	\$ -	\$ 229,075	\$ 955,329
Accrued payroll and related liabilities	381,701	-	40,758	422,459
Due to other funds	-	-	179,751	179,751
Deposits payable	59,150	-	-	59,150
Unearned revenue	33,218	-	-	33,218
Interest payable - current portion	-	220,382	88,577	308,959
Principal payable - current portion	-	1,201,349	214,420	1,415,769
Total liabilities	1,200,323	1,421,731	752,581	3,374,635
Fund Balances:				
Nonspendable	22,085	14,175	13,928	50,188
Restricted	3,147,955	348,012	5,656,010	9,151,977
Assigned	1,000,000	-	-	1,000,000
Unassigned	14,081,384	-	-	14,081,384
Total fund balances	18,251,424	362,187	5,669,938	24,283,549
Total liabilities and fund balances	\$ 19,451,747	\$ 1,783,918	\$ 6,422,519	\$ 27,658,184

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, 2021

Total Fund Balances - Total Governmental Funds	\$ 24,283,549
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	45,486,398
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences - due within one year	(885,973)
Compensated absences - due in more than one year	(325,609)
Long-term debt - due within one year	(2,216,419)
Long-term debt - due in more than one year	(35,492,439)
less amount reported in governmental fund financial statements for current portion	1,415,769
	(37,504,671)
Aggregate net pension asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	6,614
Aggregate net OPEB asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	153,132
Deferred loss on refunding in the governmental activities are not financial resources and therefore are not reported in governmental funds.	219,748
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	171,832
Pension-related deferred outflows	24,004,544
	24,176,376
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.	(88,239)
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.	(27,382,860)
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	(223,273)
Pension-related deferred outflows	(702,942)
	(926,215)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.	97,118
Net Position of Governmental Activities	\$ 28,520,950

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 18,902,904	\$ 1,646,808	\$ 1,762,348	\$ 22,312,060
Intergovernmental	4,828,531	-	5,680,270	10,508,801
Licenses and permits	371,819	-	-	371,819
Fines and forfeitures	237,701	-	-	237,701
Rents and royalties	123,500	-	-	123,500
Investment income	7,756	3	2,876	10,635
Charges for services	1,530,098	-	415	1,530,513
Contributions	25,678	-	-	25,678
Miscellaneous	1,395,337	-	749,927	2,145,264
Total revenues	27,423,324	1,646,811	8,195,836	37,265,971
EXPENDITURES:				
Current:				
General government	6,352,475	-	209,335	6,561,810
Public safety	27,833,695	-	-	27,833,695
Highways and streets	-	-	1,395,849	1,395,849
Transportation	-	-	2,066,818	2,066,818
Culture and leisure	3,199,383	-	202,773	3,402,156
Capital outlay	94,266	-	2,148,612	2,242,878
Debt service:				
Principal	449,087	1,201,349	250,439	1,900,875
Interest and fiscal charges	104,503	447,487	182,971	734,961
Total expenditures	38,033,409	1,648,836	6,456,797	46,139,042
REVENUES OVER (UNDER) EXPENDITURES	(10,610,085)	(2,025)	1,739,039	(8,873,071)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of revenue bonds	20,380,000	-	-	20,380,000
Cost of issuance	(409,013)	-	-	(409,013)
Sales of property	985,538	-	-	985,538
Transfers in	-	-	137,518	137,518
Transfers out	(137,518)	-	-	(137,518)
Total other financing sources (uses)	20,819,007	-	137,518	20,956,525
Net changes in fund balances	10,208,922	(2,025)	1,876,557	12,083,454
FUND BALANCES:				
Beginning of year	8,042,502	364,212	3,793,381	12,200,095
End of year	\$ 18,251,424	\$ 362,187	\$ 5,669,938	\$ 24,283,549

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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 12,083,454
Governmental funds report capital outlay as expenditures. 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.	2,242,878
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.	(2,827,830)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.	(155,034)
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Issuance of long-term debt	(20,380,000)
Accrual of long-term liabilities payable on July 1, 2021 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	1,415,769
Repayment of long-term liabilities due on January 1, 2021 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	1,861,590
Less: accrual of long-term liabilities payable on July 1, 2020	(1,376,484)
Total	<u>485,106</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.	15,737,656
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.	43,695
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	143,278
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>(207)</u>
Change in Net Position of Governmental Activities	<u>\$ 8,926,030</u>

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City of Cottonwood
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Proprietary Fund Financial Statements

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Annual Comprehensive Financial Report
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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.

Internal Service Fund – This 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.

City of Cottonwood
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
ASSETS				
Current assets:				
Cash and cash investments	\$ 13,509,786	\$ 3,963,473	\$ 17,473,259	\$ 97,118
Receivables:				
Accounts, net	597,989	268,035	866,024	-
Total current assets	<u>14,107,775</u>	<u>4,231,508</u>	<u>18,339,283</u>	<u>97,118</u>
Noncurrent assets:				
Restricted cash and cash equivalents	10,735,897	1,409,735	12,145,632	-
Net OPEB Asset	7,645	3,499	11,144	-
Capital assets:				
Non-depreciable	3,816,801	4,157,356	7,974,157	-
Depreciable, net	9,256,284	23,899,341	33,155,625	-
Total capital assets	<u>13,073,085</u>	<u>28,056,697</u>	<u>41,129,782</u>	<u>-</u>
Total noncurrent assets	<u>23,816,627</u>	<u>29,469,931</u>	<u>53,286,558</u>	<u>-</u>
Total assets	<u>37,924,402</u>	<u>33,701,439</u>	<u>71,625,841</u>	<u>97,118</u>
DEFERRED OUTFLOWS OF RESOURCES				
Excess consideration provided for acquisitions	3,800,692	-	3,800,692	-
Pension-related deferred outflows	328,498	150,333	478,831	-
OPEB-related deferred outflows	21,139	9,675	30,814	-
Total deferred outflows of resources	<u>4,150,329</u>	<u>160,008</u>	<u>4,310,337</u>	<u>-</u>
LIABILITIES				
Current liabilities:				
Accounts payable	102,254	362,893	465,147	-
Accrued payroll and related liabilities	42,777	19,840	62,617	-
Interest payable	193,773	42,535	236,308	-
Deposits payable	202,299	-	202,299	-
Compensated absences - due within one year	37,887	10,523	48,410	-
Long-term debt - due within one year	1,442,874	96,853	1,539,727	-
Total current liabilities	<u>2,021,864</u>	<u>532,644</u>	<u>2,554,508</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences - due in more than one year	88,248	19,393	107,641	-
Long term debt - due in more than one year	17,658,758	1,978,128	19,636,886	-
Aggregate net pension liability	1,847,044	845,281	2,692,325	-
Aggregate net OPEB liability	8,141	3,725	11,866	-
Total noncurrent liabilities	<u>19,602,191</u>	<u>2,846,527</u>	<u>22,448,718</u>	<u>-</u>
Total liabilities	<u>21,624,055</u>	<u>3,379,171</u>	<u>25,003,226</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension-related deferred inflows	40,278	18,433	58,711	-
OPEB-related deferred outflows	15,482	7,085	22,567	-
Total deferred inflows of resources	<u>55,760</u>	<u>25,518</u>	<u>81,278</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	416,029	25,981,716	26,397,745	-
Restricted for:				
Debt service	8,092,013	1,409,735	9,501,748	-
Unrestricted	11,886,874	3,065,307	14,952,181	97,118
Total net position	<u>\$ 20,394,916</u>	<u>\$ 30,456,758</u>	<u>\$ 50,851,674</u>	<u>\$ 97,118</u>

City of Cottonwood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
OPERATING REVENUES:				
Charges for services	\$ 8,637,955	\$ 4,035,430	\$ 12,673,385	\$ -
Other revenue	11,644	22	11,666	-
Total operating revenues	8,649,599	4,035,452	12,685,051	-
OPERATING EXPENSES:				
Salaries and benefits	1,706,070	820,767	2,526,837	-
Materials, supplies and operational expenses	2,061,189	1,660,800	3,721,989	-
Depreciation	973,736	817,459	1,791,195	-
Amortization	155,547	-	155,547	-
Total operating expenses	4,896,542	3,299,026	8,195,568	-
OPERATING INCOME	3,753,057	736,426	4,489,483	-
NONOPERATING REVENUES (EXPENSES):				
Investment income (loss)	15,340	1,638	16,978	(207)
Interest expense	(368,806)	(85,072)	(453,878)	-
Loss on sale of assets	(255,694)	-	(255,694)	-
Total nonoperating revenues (expenses)	(609,160)	(83,434)	(692,594)	(207)
Changes in net position	3,143,897	652,992	3,796,889	(207)
NET POSITION:				
Beginning of year	17,251,019	29,803,766	47,054,785	97,325
End of year	<u>\$ 20,394,916</u>	<u>\$ 30,456,758</u>	<u>\$ 50,851,674</u>	<u>\$ 97,118</u>

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 8,522,670	\$ 3,962,203	\$ 12,484,873	\$ -
Cash payments to suppliers for goods and services	(2,125,736)	(1,398,915)	(3,524,651)	-
Cash payments to employees for services	(1,723,203)	(792,166)	(2,515,369)	-
Net cash provided by operating activities	4,685,375	1,771,144	6,456,519	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(803,719)	(727,838)	(1,531,557)	-
Principal paid on capital-related debt	(1,418,112)	(89,357)	(1,507,469)	-
Interest paid on capital-related debt	(365,121)	(93,861)	(458,982)	-
Net cash (used in) capital and related financing activities	(2,586,952)	(911,056)	(3,498,008)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	15,340	1,638	16,978	(207)
Net cash provided by (used in) investing activities	15,340	1,638	16,978	(207)
Net increase (decrease) in cash and cash equivalents	2,113,763	861,726	2,975,489	(207)
CASH AND CASH EQUIVALENTS:				
Beginning of year	22,147,659	4,511,482	26,659,141	97,325
End of year	<u>\$ 24,261,422</u>	<u>\$ 5,373,208</u>	<u>\$ 29,634,630</u>	<u>\$ 97,118</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:				
Cash and cash investments	\$ 13,509,786	\$ 3,963,473	\$ 17,473,259	\$ 97,118
Restricted cash and investments	10,735,897	1,409,735	12,145,632	-
Total cash and cash equivalents	\$ 24,245,683	\$ 5,373,208	\$ 29,618,891	\$ 97,118

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2021

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 3,753,057	\$ 736,426	\$ 4,489,483	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	973,736	817,459	1,791,195	-
Amortization	155,547	-	155,547	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(100,022)	(73,227)	(173,249)	-
Aggregate net OPEB asset	(10,737)	(4,861)	(15,598)	-
OPEB-related deferred outflows	(6,608)	(3,274)	(9,882)	-
Pension-related deferred outflows	(150,223)	(71,810)	(222,033)	-
Accounts payable	(64,547)	261,885	197,338	-
Accrued payroll and related liabilities	3,779	2,276	6,055	-
Deposits payable	(15,263)	-	(15,263)	-
Compensated absences	(16,194)	1,724	(14,470)	-
Aggregate net OPEB liability	894	533	1,427	-
Aggregate net pension liability	240,756	137,766	378,522	-
OPEB-related deferred outflows	7,521	3,577	11,098	-
Pension-related deferred inflows	(86,321)	(37,330)	(123,651)	-
Total adjustments	932,318	1,034,718	1,967,036	-
Net cash provided by operating activities	\$ 4,685,375	\$ 1,771,144	\$ 6,456,519	\$ -

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Fiduciary Fund Financial Statements

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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.

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City of Cottonwood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Firemen Pension Trust Fund
	<u> </u>
ASSETS	
Restricted cash and investments	<u>\$ 295,258</u>
Total assets	<u> 295,258</u>
NET POSITION	
Net position restricted for pensions	<u><u>\$ 295,258</u></u>

City of Cottonwood
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Firemen Pension Trust Fund
ADDITIONS:	
Investment income	\$ 96,671
Total additions	<u>96,671</u>
DEDUCTIONS:	
Retirement benefits	1,800
Miscellaneous expense	<u>5,086</u>
Total deductions	<u>6,886</u>
Change in fiduciary net position	89,785
NET POSITION RESTRICTED FOR PENSIONS:	
Beginning of year	<u>205,473</u>
End of year	<u><u>\$ 295,258</u></u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

Notes to the Basic Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

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City of Cottonwood
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For the Year Ended June 30, 2021

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City of Cottonwood
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City of Cottonwood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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.

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 fair value 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, 2021

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 and Proprietary Fund Financial Statements 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, 2021

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, 2021

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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020
<u>PSPRS</u>	
Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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, 2021

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, increased by deferred outflows for deferred loss on refunding, 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, 2021

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 of the General Fund. 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.

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. Implementation of New GASB Pronouncements For the Year Ended June 30, 2021

During fiscal year ended June 30, 2021, the City has implemented the following new GASB Pronouncements:

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. Application of this statement did not have a significant effect on the City's financial statements for the fiscal year ending June 30, 2021.

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 did not have a significant effect on the City's financial statements for the fiscal year ending June 30, 2021.

GASB Statement No. 98

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*, to establish the term *annual comprehensive financial report* and its acronym *ACFR*. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. Application of this statement did not have a significant effect on the City's financial statements for the fiscal year ending June 30, 2021.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation

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

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. 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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments

The following is a summary of cash and investments and restricted cash and investments at June 30, 2021:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 21,420,889	\$ 17,473,259	\$ 38,894,148	\$ -	\$ 38,894,148
Restricted cash and investments	4,248,537	12,145,632	16,394,169	295,258	16,689,427
Total	\$ 25,669,426	\$ 29,618,891	\$ 55,288,317	\$ 295,258	\$ 55,583,575

Cash, cash equivalents, and investments, excluding investments with fiscal agents, consisted of the following at June 30, 2021:

Cash and cash equivalents:	
Petty cash	\$ 3,343
Demand deposits	12,663,938
Restricted demand deposits	9,684,198
Money market	3,550,801
Investments:	
Local Government Investment Pool	20,333,414
Mutual funds	328,837
U.S. Treasuries	1,965,100
U.S. Government Agency Securities	7,053,944
Total	\$ 55,583,575

At June 30, 2021, 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, 2021:

Investments by Fair Value Level Investment Type	Total Fair Value	Measurement Inputs	Valuation Technique
Investments:			
Mutual Funds	\$ 328,837	Level 1	Quoted price
U.S. Treasuries	1,965,100	Level 2	Matrix pricing model
U.S. Government Agency Securities	7,053,944	Level 2	Matrix pricing model
Total investments by fair value level	<u>\$ 9,347,881</u>		
External Investment Pools Measured at Fair Value			
Local Government Investment Pool	\$ 20,333,414	Uncategorized	
Total investment pools, measured at fair value	<u>20,333,414</u>		
Total investments	<u><u>\$ 29,681,295</u></u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$12,663,938 at June 30, 2021. Bank balances were \$12,672,621 at that date. Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

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
- City 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.

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, 2021, the City's investments had the following maturities:

	Amount	Weighted Average Maturities (in Years)	
		1 year or less	1 - 5 years
Investments:			
Local Government Investment Pool	\$ 20,333,414	\$ 20,333,414	\$ -
Mutual funds	328,837	328,837	-
U.S. Treasuries	1,965,100	-	1,965,100
U.S. Government Agency Securities	7,053,944	2,447,572	4,606,372
Total	\$ 29,681,295	\$ 23,109,823	\$ 6,571,472

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk (Continued)

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Government Investment Pool	\$ 20,333,414	Unrated	Not applicable
Mutual funds	328,837	Not Rated	Not Rated
U.S. Treasuries	1,965,100	Not Rated	AA+
U.S. Government Agency Securities	7,053,944	Not Rated	AA+
Total	<u>\$ 29,681,295</u>		

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 and (2) State, City, school district, and other district municipal bonds with an A rating or better. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. At June 30, 2020, investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Amount	Percentage of City's Investment Portfolio
Federal National Mortgage Association	U.S. Government Agency Securities	\$ 4,165,743	14.03%

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:

	General Fund	Grants Fund	HURF Fund	Transit Fund	City Capital Projects Fund	Total
Due from federal government	\$ -	\$ 20,207	\$ -	\$ -	\$ -	\$ 20,207
Due from state government	117,440	-	105,254	483,171	-	705,865
Due from county government	34,533	-	-	-	6,926	41,459
Total	<u>\$ 151,973</u>	<u>\$ 20,207</u>	<u>\$ 105,254</u>	<u>\$ 483,171</u>	<u>\$ 6,926</u>	<u>\$ 767,531</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 4 – Interfund Balances and Transactions

A. Due to and from other funds

Due from and to other funds as of June 30, 2021, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Transit Fund	\$ 179,751	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, 2021, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Grants Fund	General Fund	\$ 61,220	Grant matching funds
Transit Fund	General Fund	76,298	Grant matching funds
	Total	\$ 137,518	

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2021 is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2021</u>
Nondepreciable assets:					
Land	\$ 2,587,885	\$ 32,000	\$ -	\$ -	\$ 2,619,885
Construction in progress	514,936	1,202,765	-	(1,158,290)	559,411
Total nondepreciable assets	3,102,821	1,234,765	-	(1,158,290)	3,179,296
Depreciable assets					
Infrastructure	29,946,665	340,395	-	1,018,216	31,305,276
Building and improvements	40,941,166	-	(369,355)	-	40,571,811
Vehicles, machinery and equipment	13,924,086	667,718	(748,533)	140,074	13,983,345
Subtotal	84,811,917	1,008,113	(1,117,888)	1,158,290	85,860,432
Less accumulated depreciation					
Infrastructure	(15,377,495)	(938,542)	-	-	(16,316,037)
Building and improvements	(15,008,225)	(1,052,975)	312,738	-	(15,748,462)
Vehicles, machinery and equipment	(11,302,634)	(836,313)	650,116	-	(11,488,831)
Subtotal	(41,688,354)	(2,827,830)	962,854	-	(43,553,330)
Total depreciable assets, net	43,123,563	(1,819,717)	(155,034)	1,158,290	42,307,102
Total	\$ 46,226,384	\$ (584,952)	\$ (155,034)	\$ -	\$ 45,486,398

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2021 are as follows:

General government	\$ 356,405
Public safety	504,666
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation expense	\$ 2,827,830

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2021
Nondepreciable assets:					
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	2,539,519	1,302,397	-	-	3,841,916
Total nondepreciable assets	6,671,760	1,302,397	-	-	7,974,157
Depreciable assets					
Water distribution system	17,461,664	36,406	(15,739)	-	17,482,331
Wastewater systems	28,097,329	52,255	(5,261)	-	28,144,323
Building and improvements	10,874,428	-	(613)	-	10,873,815
Vehicles, machinery and equipment	5,771,546	140,499	(768,255)	-	5,143,790
Subtotal	62,204,967	229,160	(789,868)	-	61,644,259
Less accumulated depreciation					
Water distribution system	(9,573,539)	(643,801)	13,535	-	(10,203,805)
Wastewater systems	(9,881,846)	(552,570)	5,261	-	(10,429,155)
Building and improvements	(3,330,725)	(266,106)	613	-	(3,596,218)
Vehicles, machinery and equipment	(4,445,503)	(328,718)	514,765	-	(4,259,456)
Subtotal	(27,231,613)	(1,791,195)	534,174	-	(28,488,634)
Total depreciable assets, net	34,973,354	(1,562,035)	(255,694)	-	33,155,625
Total	\$ 41,645,114	\$ (259,638)	\$ (255,694)	\$ -	\$ 41,129,782

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2021 are as follows:

Water	973,736
Wastewater	817,459
Total depreciation expense	\$ 1,791,195

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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	2006	Business-Type
	Purchase	Purchase	Activities
			Total
Excess Consideration Provided for Acquisition	\$ 1,474,221	\$ 4,851,022	\$ 6,325,243
Less: Accumulated amortization	(615,400)	(1,909,151)	(2,524,551)
Total	<u>\$ 858,821</u>	<u>\$ 2,941,871</u>	<u>\$ 3,800,692</u>

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, 2021 is as follows:

	Balance	Debt	Debt	Balance	Classification	
	July 1, 2020	Issued	Retired	June 30, 2021	Due within	Due in More
					One Year	Than One Year
Governmental Activities:						
Capital leases	\$ 1,378,953	\$ -	\$ (485,106)	\$ 893,847	\$ 510,647	\$ 383,200
Revenue bonds:						
2015 Pledged revenue bonds	7,115,424	-	(346,484)	6,768,940	360,772	6,408,168
Plus: unamortized premium	451,014	-	(30,068)	420,946	-	420,946
2016 Pledged revenue bonds	9,305,000	-	(1,030,000)	8,275,000	1,055,000	7,220,000
Plus: unamortized premium	1,108,715	-	(138,590)	970,125	-	970,125
2021 Pledged revenue bonds	-	20,380,000	-	20,380,000	290,000	20,090,000
Total revenue bonds	17,980,153	20,380,000	(1,545,142)	36,815,011	1,705,772	35,109,239
Total	<u>\$ 19,359,106</u>	<u>\$ 20,380,000</u>	<u>\$ (2,030,248)</u>	<u>\$ 37,708,858</u>	<u>\$ 2,216,419</u>	<u>\$ 35,492,439</u>

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, 2021 are as follows:

Year Ending			
June 30,	Principal	Interest	Total
2022	\$ 510,647	\$ 49,912	\$ 560,559
2023	334,072	21,615	355,687
2024	49,128	967	50,095
Total	<u>\$ 893,847</u>	<u>\$ 72,494</u>	<u>\$ 966,341</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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	(1,646,625)
Total	<u>\$ 960,692</u>

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 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 bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$9.1 million. The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.6 million (Note 7B).

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	421,496	248,790	670,286
2027-2031	2,439,676	795,213	3,234,889
2032-2035	2,393,240	196,031	2,589,271
Total	<u>\$ 6,768,940</u>	<u>\$ 2,334,203</u>	<u>\$ 9,103,143</u>

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, 2021 were \$8,275,000.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2016 Pledged Revenue Bonds (Continued)

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.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,225,000	128,100	1,353,100
2027-2028	2,590,000	104,600	2,694,600
Total	\$ 8,275,000	\$ 1,190,675	\$ 9,465,675

2021 Pledged Revenue Bonds

On June 29, 2021, the City issued Pledged Revenue Refunding Bonds, Series 2021 in the amount of \$20,380,000, maturing through 2038 in annual principal payments ranging in amounts from \$290,000 to \$1,530,000. Interest is payable semi-annually ranging from 0.26% to 2.88%. The proceeds of the bonds were used to: (i) fund all or a portion of the City's unfunded liabilities with respect to Arizona Public Safety Personnel Retirement System ("PSPRS"), (ii) fund amounts all or portion of which will fund future portions of the City's unfunded liabilities with respect to PSPRS and, (iii) paying costs incurred in connection with the execution and delivery of the Bonds. The total of \$16,823,031 was deposited to PSPRS and \$3,149,099 to the additional projects fund. The bonds are secured by the City's Excise Tax Revenues and State Shared Revenues. Bonds outstanding at June 30, 2021 were \$20,380,000. Amounts due before July 1, 2031 cannot be prepaid prior to those due dates.

The 2021 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:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 290,000	\$ 409,642	\$ 699,642
2023	700,000	407,840	1,107,840
2024	905,000	403,574	1,308,574
2025	1,070,000	395,703	1,465,703
2026	1,285,000	383,338	1,668,338
2027-2031	6,205,000	1,618,261	7,823,261
2032-2036	6,905,000	889,533	7,794,533
2038-2039	3,020,000	87,028	3,107,028
Total	\$ 20,380,000	\$ 4,594,919	\$ 24,974,919

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Debt Issued/ Adjustment	Debt Retired	Balance June 30, 2021	Classification	
					Due within One Year	Due in More Than One Year
Business-Type Activities:						
Loans payable:						
2015 WIFA refunding loan	\$ 7,680,328	\$ -	\$ (649,166)	\$ 7,031,162	\$ 663,447	\$ 6,367,715
2016 WIFA refunding loan	11,972,194	-	(719,786)	11,252,408	732,051	10,520,357
Total loans payable	19,652,522	-	(1,368,952)	18,283,570	1,395,498	16,888,072
Revenue bonds:						
2015 Pledged revenue bonds	2,844,576	-	(138,517)	2,706,059	144,229	2,561,830
Plus: unamortized premium	200,339	-	(13,355)	186,984	-	186,984
Total revenue bonds	3,044,915	-	(151,872)	2,893,043	144,229	2,748,814
Total	\$ 22,697,437	\$ -	\$ (1,520,824)	\$ 21,176,613	\$ 1,539,727	\$ 19,636,886

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.

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 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 total principal and interest remaining to be paid on the loan is \$7.3 million. The debt principal and interest paid on this debt during fiscal year 2021 was \$810,817 (approximately 9.4% percent of pledged revenues).

The annual requirements to amortize the bonds outstanding at June 30, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 663,447	\$ 46,896	\$ 710,343
2023	678,043	42,201	720,244
2024	692,960	37,402	730,362
2025	708,205	32,498	740,703
2026	723,786	27,486	751,272
2027-2031	3,564,721	59,357	3,624,078
Total	\$ 7,031,162	\$ 245,840	\$ 7,277,002

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2016 Water Infrastructure Financing Authority Loan

On May 20, 2016, the City entered into an advanced 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, 2021. This loan refunded the remainder of the MPC Series 2006 revenue bonds. The refunding was undertaken to reduce total debt service payments over the next 19 years by \$5.0 million.

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 debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$11.4 million. The debt principal and interest paid on this debt during fiscal year 2021 was \$917,660 (approximately 10.6% 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, 2021, are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 732,051	\$ 22,208	\$ 754,259
2023	744,526	20,702	765,228
2024	757,212	19,170	776,382
2025	770,115	17,612	787,727
2026	783,238	16,028	799,266
2027-2031	4,120,993	55,413	4,176,406
2032-2035	3,344,273	13,147	3,357,420
Total	\$ 11,252,408	\$ 164,280	\$ 11,416,688

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 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 bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$9.1 million (Note 7A). The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.6 million.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2015 Pledged Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	168,504	91,249	259,753
2027-2031	975,325	317,907	1,293,232
2032-2035	956,756	78,369	1,035,125
Total	\$ 2,706,059	\$ 924,948	\$ 3,631,007

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 \$1,367,633 at June 30, 2021. Summary of changes in compensated absences for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Classification	
					Due within One Year	Due in More Than One Year
Compensated absences:						
Governmental Activities	\$ 1,354,860	\$ 770,402	\$ (913,680)	\$ 1,211,582	\$ 885,973	\$ 325,609
Business-Type Activities	170,521	87,841	(102,311)	156,051	48,410	107,641
Total compensated absences	\$ 1,525,381	\$ 858,243	\$ (1,015,991)	\$ 1,367,633	\$ 934,383	\$ 433,250

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021

Note 10 – Pension Plans and Other Postemployment Benefits

A. Summary – Pension and OPEB

Deferred Outflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred outflows of resources:			
Pension contributions made after measurement date:			
ASRS	\$ 765,098	\$ 194,796	\$ 959,894
PSPRS - Police Plan - Tier 1 & 2	13,975,602	-	13,975,602
PSPRS - Fire Plan - Tier 1 & 2	4,198,944	-	4,198,944
PSPRS - Police Plan - Tier 3	85,625	-	85,625
PSPRS - Fire Plan - Tier 3	43,657	-	43,657
Total pension contributions made after measurement date	19,068,926	194,796	19,263,722
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS	1,019,932	259,678	1,279,610
PSPRS - Police Plan - Tier 1 & 2	413,084	-	413,084
PSPRS - Fire Plan - Tier 1 & 2	410,240	-	410,240
PSPRS - Police Plan - Tier 3	113	-	113
PSPRS - Fire Plan - Tier 3	1,079	-	1,079
Total projected earnings on pension plan investments in excess of actual earnings	1,844,448	259,678	2,104,126
Change in assumptions:			
PSPRS - Police Plan - Tier 1 & 2	627,557	-	627,557
PSPRS - Fire Plan - Tier 1 & 2	662,817	-	662,817
PSPRS - Police Plan - Tier 3	17	-	17
PSPRS - Fire Plan - Tier 3	158	-	158
Total change in assumption	1,290,549	-	1,290,549
Difference between expected and actual experience			
ASRS	95,665	24,357	120,022
PSPRS - Police Plan - Tier 1 & 2	973,817	-	973,817
PSPRS - Fire Plan - Tier 1 & 2	694,040	-	694,040
PSPRS - Police Plan - Tier 3	2,192	-	2,192
PSPRS - Fire Plan - Tier 3	20,861	-	20,861
Total difference between expected and actual experience	1,786,575	24,357	1,810,932
Change in proportion and differences between employer contributions and proportionate share of contributions			
PSPRS - Police Plan - Tier 3	12,212	-	12,212
PSPRS - Fire Plan - Tier 3	1,834	-	1,834
Total change in proportion and differences between employer contributions and proportionate share of contributions	14,046	-	14,046
Total pension-related deferred outflows of resources			
ASRS	1,880,695	478,831	2,359,526
PSPRS - Police Plan - Tier 1 & 2	15,990,060	-	15,990,060
PSPRS - Fire Plan - Tier 1 & 2	5,966,041	-	5,966,041
PSPRS - Police Plan - Tier 3	100,159	-	100,159
PSPRS - Fire Plan - Tier 3	67,589	-	67,589
Total pension-related deferred outflows of resources	<u>\$ 24,004,544</u>	<u>\$ 478,831</u>	<u>\$ 24,483,375</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

A. Summary – Pension and OPEB (Continued)

Deferred Outflows of Resources (Continued)

	Governmental Activities	Business-Type Activities	Total
OPEB-related deferred outflows of resources:			
OPEB contributions made after measurement date:			
ASRS - Health Benefit Supplement Plan	\$ 25,613	\$ 6,521	\$ 32,134
ASRS - Long-Term Disability Plan	11,904	3,030	14,934
PSPRS - Police Plan - Tier 1 & 2	-	-	-
PSPRS - Fire Plan - Tier 1 & 2	9,941	-	9,941
PSPRS - Police Plan - Tier 3	1,302	-	1,302
PSPRS - Fire Plan - Tier 3	664	-	664
Total OPEB contributions made after measurement date	49,424	9,551	58,975
Projected earnings on OPEB plan investments in excess of actual earnings:			
ASRS - Health Benefit Supplement Plan	44,783	11,402	56,185
ASRS - Long-Term Disability Plan	5,132	1,306	6,438
PSPRS - Police Plan - Tier 1 & 2	19,294	-	19,294
PSPRS - Fire Plan - Tier 1 & 2	10,118	-	10,118
PSPRS - Police Plan - Tier 3	3	-	3
PSPRS - Fire Plan - Tier 3	52	-	52
Total projected earnings on OPEB plan investments in excess of actual earnings	79,382	12,708	92,090
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	24,265	6,178	30,443
ASRS - Long-Term Disability Plan	5,022	1,278	6,300
PSPRS - Police Plan - Tier 1 & 2	3,992	-	3,992
PSPRS - Fire Plan - Tier 1 & 2	1,799	-	1,799
Total change in assumption	35,078	7,456	42,534
Difference between expected and actual experience			
ASRS - Long-Term Disability Plan	4,056	1,033	5,089
PSPRS - Fire Plan - Tier 1 & 2	3,055	-	3,055
PSPRS - Police Plan - Tier 3	6	-	6
PSPRS - Fire Plan - Tier 3	91	-	91
Total difference between expected and actual experience	7,208	1,033	8,241
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	138	35	173
ASRS - Long-Term Disability Plan	122	31	153
PSPRS - Police Plan - Tier 3	351	-	351
PSPRS - Fire Plan - Tier 3	129	-	129
Total change in proportion and differences between employer contributions and proportionate share of contributions	740	66	806
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	94,799	24,136	118,935
ASRS - Long-Term Disability Plan	26,236	6,678	32,914
PSPRS - Police Plan - Tier 1 & 2	23,286	-	23,286
PSPRS - Fire Plan - Tier 1 & 2	24,913	-	24,913
PSPRS - Police Plan - Tier 3	1,662	-	1,662
PSPRS - Fire Plan - Tier 3	936	-	936
Total OPEB-related deferred outflows of resources	\$ 171,832	\$ 30,814	\$ 202,646

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Assets and Liabilities

	Governmental Activities	Business-Type Activities	Total
Net pension liability			
ASRS	\$ 10,574,591	\$ 2,692,325	\$ 13,266,916
PSPRS - Police Plan - Tier 1 & 2	12,623,587	-	12,623,587
PSPRS - Fire Plan - Tier 1 & 2	4,184,012	-	4,184,012
PSPRS - Police Plan - Tier 3	64	-	64
PSPRS - Fire Plan - Tier 3	606	-	606
Total net pension liability	<u>\$ 27,382,860</u>	<u>\$ 2,692,325</u>	<u>\$ 30,075,185</u>
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 43,768	\$ 11,144	\$ 54,912
PSPRS - Police Plan - Tier 1 & 2	108,307	-	108,307
PSPRS - Police Plan - Tier 3	65	-	65
PSPRS - Fire Plan - Tier 3	992	-	992
Total Net OPEB asset	<u>\$ 153,132</u>	<u>\$ 11,144</u>	<u>\$ 164,276</u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 46,608	\$ 11,866	\$ 58,474
PSPRS - Fire Plan - Tier 1 & 2	41,631	-	41,631
Total Net OPEB liability	<u>\$ 88,239</u>	<u>\$ 11,866</u>	<u>\$ 100,105</u>

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred inflows of resources:			
Difference between expected and actual experience			
PSPRS - Fire Plan - Tier 1 & 2	\$ 469,742	\$ -	\$ 469,742
Total difference between expected and actual experience	<u>469,742</u>	<u>-</u>	<u>469,742</u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS	230,597	58,711	289,308
PSPRS - Fire Plan - Tier 3	2,603	-	2,603
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>233,200</u>	<u>58,711</u>	<u>291,911</u>
Total pension-related deferred inflows of resources			
ASRS	230,597	58,711	289,308
PSPRS - Fire Plan - Tier 1 & 2	469,742	-	469,742
PSPRS - Fire Plan - Tier 3	2,603	-	2,603
Total pension-related deferred inflows of resources	<u>\$ 702,942</u>	<u>\$ 58,711</u>	<u>\$ 761,653</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

A. Summary – Pension and OPEB (Continued)

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
OPEB-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
PSPRS - Police Plan - Tier 3	\$ 6	\$ -	\$ 6
PSPRS - Fire Plan - Tier 3	99	-	99
	<u>105</u>	<u>-</u>	<u>105</u>
Total projected earnings on pension plan investments in excess of actual earnings			
Change in assumptions:			
PSPRS - Police Plan - Tier 1 & 2	5,070	-	5,070
PSPRS - Fire Plan - Tier 1 & 2	2,671	-	2,671
PSPRS - Fire Plan - Tier 3	1	-	1
	<u>7,742</u>	<u>-</u>	<u>7,742</u>
Total change in assumption			
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	86,243	21,958	108,201
ASRS - Long-Term Disability Plan	1,200	306	1,506
PSPRS - Police Plan - Tier 1 & 2	68,044	-	68,044
PSPRS - Fire Plan - Tier 1 & 2	58,628	-	58,628
	<u>214,115</u>	<u>22,264</u>	<u>236,379</u>
Total difference between expected and actual experience			
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	29	7	36
ASRS - Long-Term Disability Plan	1,161	296	1,457
PSPRS - Fire Plan - Tier 3	121	-	121
	<u>1,311</u>	<u>303</u>	<u>1,614</u>
Total change in proportion and differences between employer contributions and proportionate share of contributions			
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	86,272	21,965	108,237
ASRS - Long-Term Disability Plan	2,361	602	2,963
PSPRS - Police Plan - Tier 1 & 2	73,114	-	73,114
PSPRS - Fire Plan - Tier 1 & 2	61,299	-	61,299
PSPRS - Police Plan - Tier 3	6	-	6
PSPRS - Fire Plan - Tier 3	221	-	221
	<u>\$ 223,273</u>	<u>\$ 22,567</u>	<u>\$ 245,840</u>
Total OPEB-related deferred inflows of resources			

Pension/OPEB Expenses

	Governmental Activities	Business-Type Activities	Total
Pension expenses:			
ASRS	\$ 946,787	\$ 240,193	\$ 1,186,980
PSPRS - Police Plan - Tier 1 & 2	1,937,354	-	1,937,354
PSPRS - Fire Plan - Tier 1 & 2	733,511	-	733,511
PSPRS - Police Plan - Tier 3	1,213	-	1,213
PSPRS - Fire Plan - Tier 3	1,798	-	1,798
	<u>\$ 3,620,663</u>	<u>\$ 240,193</u>	<u>\$ 3,860,856</u>
Total net pension expenses			

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Expenses (Continued)

	Governmental Activities	Business-Type Activities	Total
OPEB expenses/(income):			
ASRS - Health Benefit Supplement Plan	\$ 13,865	\$ 3,530	\$ 17,395
ASRS - Long-Term Disability Plan	14,592	3,715	18,307
PSPRS - Police Plan - Tier 1 & 2	(14,125)	-	(14,125)
PSPRS - Fire Plan - Tier 1 & 2	5,766	-	5,766
PSPRS - Police Plan - Tier 3	24	-	24
PSPRS - Fire Plan - Tier 3	(13)	-	(13)
Total net OPEB expenses	<u>\$ 20,109</u>	<u>\$ 7,245</u>	<u>\$ 27,354</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.

Benefits Provided

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
	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		Highest 60 months of last
based on	120 months	120 months
Benefit percent per	2.1% to 2.3%	2.1% to 2.3%
year of service		

*With actuarially reduced benefits

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Employees Covered

At June 30, 2021 the City had 143 active and contributing employees were covered by the benefit terms of 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 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 10.21 percent (10.14 percent for retirement and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the City 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, 2021, were:

	Contributions - employer
Pension Plan	\$ 959,894
Health Benefit Supplement Plan	32,134
Long-Term Disability Plan	14,934
Total	<u>\$ 1,006,962</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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

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

Contributions (Continued)

During fiscal year 2021, 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, 2021, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

	Net pension/OPEB (asset) liability
Pension Plan	\$ 13,266,916
Health Benefit Supplement Plan	(54,912)
Long-Term Disability Plan	58,474
Total	<u>\$ 13,270,478</u>

The net asset and net liabilities were measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. 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, 2020. The City’s proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Proportion June 30, 2018	0.0785800%	0.0796500%	0.0791900%
Proportion June 30, 2019	0.0765700%	0.0775600%	0.0770800%
Change - Increase (Decrease)	<u>-0.0020100%</u>	<u>-0.0020900%</u>	<u>-0.0021100%</u>

As of June 30, 2021, the City reported net pension and OPEB (asset)/liability for its proportionate shares of the net pension and OPEB (asset)/liability of the Arizona State Retirement System Plans as follows:

	Plan's Net Pension and OPEB Liability/(Asset)		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Balance at: 6/30/19 (Valuation date)	\$ 11,434,304	\$ (22,012)	\$ 51,588
Balance at: 6/30/20 (Measurement date)	13,266,916	(54,912)	58,474
Net Changes during 2019-2020	<u>(1,832,612)</u>	<u>32,900</u>	<u>(6,886)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021:

	Pension/OPEB expenses
Pension Plan	\$ 1,186,980
Health Benefit Supplement Plan	17,395
Long-Term Disability Plan	18,307
Total	<u>\$ 1,222,682</u>

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension Plan		Health Benefit Supplement Plan		Long-Term Disability Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made subsequent to measurement date	\$ 959,894	\$ -	\$ 32,134	\$ -	\$ 14,934	\$ -
Difference between projected and actual earning on pension plan investments	1,279,610	-	56,185	-	6,438	-
Changes in assumptions	-	-	30,443	-	6,300	-
Difference between actual and expected experience	120,022	-	-	(108,201)	5,089	(1,506)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(289,308)	173	(36)	153	(1,457)
Total	<u>\$ 2,359,526</u>	<u>\$ (289,308)</u>	<u>\$ 118,935</u>	<u>\$ (108,237)</u>	<u>\$ 32,914</u>	<u>\$ (2,963)</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, 2022. 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:

	Deferred Outflows/ (Inflows) of Resources		
Year Ended June 30,	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
2022	\$ (45,532)	\$ (11,643)	\$ 2,490
2023	297,231	241	3,536
2024	462,848	2,843	3,727
2025	395,777	(2,960)	3,329
2026	-	(9,917)	1,661
Thereafter	-	-	274
	<u>\$ 1,110,324</u>	<u>\$ (21,436)</u>	<u>\$ 15,017</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2020 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. Both the June 30, 2019 and the June 30, 2020 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. 68/75
Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
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, 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 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%	6.39%	3.20%
Fixed income - credit	20.00%	5.44%	1.09%
Fixed income - interest rate sen	10.00%	0.22%	0.02%
Real Estate	20.00%	5.85%	1.17%
Total	100.00%		5.48%

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, 2021

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

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

Discount Rate (Continued)

Sensitivity of the City’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the City’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City’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:

	Aggregate Net Pension and OPEB Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.50%)	Rate (7.50%)	(8.50%)
Pension Plan	\$ 18,142,328	\$ 13,266,916	\$ 9,191,323
Health Benefit Supplement Plan	\$ 72,051	\$ (54,912)	\$ (162,962)
Long-Term Disability Plan	\$ 63,844	\$ 58,474	\$ 46,249
Total	\$ 18,278,223	\$ 13,270,478	\$ 9,074,610

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.

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 Membership Date:		
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017	On or After July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years 50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 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, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

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

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, 2020, the following employees were covered by the benefit terms for each Plan:

	Police Plan (Tier 1 & 2)		Fire Plan (Tier 1 & 2)		Police Plan (Tier 3)		Fire Plan (Tier 3)	
	Pension	Health	Pension	Health	Pension	Health	Pension	Health
Active employees	20	20	20	20	1	1	2	2
Transferred and terminated employees	3	3	0	0	2	2	1	1
Retired employees and beneficiaries	23	23	9	9	0	0	0	0
Total	46	46	29	29	3	3	3	3

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Police Plan (Tier 1 & 2)	Fire Plan (Tier 1 & 2)	Police Plan (Tier 3)	Fire Plan (Tier 3)
	(Tier 1) 7.65%			
Active members - pension	(Tier 2 - hired after 7/2011) 11.65%		10.41%	
City of Cottonwood, Arizona:				
Pension	58.39%	26.45%	54.22%	21.34%
Health Insurance	0.00%	0.69%	1.41%	1.41%

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 58.39%, 55.63%, 27.14%, and 22.75%, 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, 2021, the City’s contributions made for each Plan was as follows:

	Police Plan (Tier 1 & 2)		Fire Plan (Tier 1 & 2)		Police Plan (Tier 3)		Fire Plan (Tier 3)	
	Pension	Health	Pension	Health	Pension	Health	Pension	Health
Contributions - employer	\$13,975,602	\$ -	\$ 4,198,944	\$ 9,941	\$ 85,625	\$ 1,302	\$ 43,657	\$ 664

During fiscal year 2021, the City paid for the total PSPRS pension and OPEB contributions from the general fund. On June 28, 2021, the City through the issuance of the 2021 Pledged Revenue Bond made a one-time payment towards the unfunded liability for the City’s Police and Fire PSPRS pension plans (Tier 1 & 2) in the amounts of \$13,028,599 and \$3,794,432, respectively. The amounts were included within the contributions noted above.

Net Pension and OPEB Liability/(Asset)

The City’s net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

The City’s proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2018	0.2178110%	0.19159%	0.2427230%	0.3735360%
Proportion June 30, 2019	0.0212430%	0.01849%	0.2021680%	0.2838920%
Change - Increase (Decrease)	-0.1965680%	-0.1731050%	-0.0405550%	-0.0896440%

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2020 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:	
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, 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 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:

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-Term Expected Real Rate of Return¹</u>
U.S. public equity	23.00%	4.93%
International public equity	15.00%	6.09%
Global private equity	18.00%	8.42%
Other assets (capital appreciation)	7.00%	5.61%
Core bonds	2.00%	0.22%
Private credit	22.00%	5.31%
Diversifying strategies	12.00%	3.22%
Cash - Mellon	1.00%	-0.60%
	<u>100.00%</u>	

¹ An expected inflation of 2.5% used for this period

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 total pension/OPEB liabilities was 7.3 percent. 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:

Police Plan - 066						
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019 (Valuation Date)	\$ 19,496,199	\$ 8,133,920	\$ 11,362,279	\$ 243,511	\$ 358,353	\$ (114,842)
Changes in the year:						
Service cost	389,109	-	389,109	9,013	-	9,013
Interest on the total pension liabilities	1,415,377	-	1,415,377	18,367	-	18,367
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	762,140	-	762,140	(10,223)	-	(10,223)
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(993,151)	(993,151)	-	(8,651)	(8,651)	-
Contributions - employer	-	1,058,404	(1,058,404)	-	6,473	(6,473)
Contributions - employee	-	172,672	(172,672)	-	-	-
Net investment income	-	111,874	(111,874)	-	4,516	(4,516)
Administrative expenses	-	(9,122)	9,122	-	(367)	367
Other changes	-	(28,510)	28,510	-	-	-
Net changes	1,573,475	312,167	1,261,308	8,506	1,971	6,535
Balance at June 30, 2020 (Measurement Date)	\$ 21,069,674	\$ 8,446,087	\$ 12,623,587	\$ 252,017	\$ 360,324	\$ (108,307)

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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)

	Fire Plan - 102					
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2019 (Valuation Date)	\$ 10,589,364	\$ 7,651,861	\$ 2,937,503	\$ 221,179	\$ 183,114	\$ 38,065
Changes in the year:						
Service cost	355,804	-	355,804	8,671	-	8,671
Interest on the total pension liabilities	792,524	-	792,524	16,828	-	16,828
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	755,614	-	755,614	(9,293)	-	(9,293)
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(177,347)	(177,347)	-	(4,896)	(4,896)	-
Contributions - employer	-	430,262	(430,262)	-	10,538	(10,538)
Contributions - employee	-	132,611	(132,611)	-	-	-
Net investment income	-	102,955	(102,955)	-	2,288	(2,288)
Administrative expenses	-	(8,395)	8,395	-	(186)	186
Other changes	-	-	-	-	-	-
Net changes	1,726,595	480,086	1,246,509	11,310	7,744	3,566
Balance at June 30, 2020 (Measurement Date)	\$ 12,315,959	\$ 8,131,947	\$ 4,184,012	\$ 232,489	\$ 190,858	\$ 41,631

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

Sensitivity of the City’s net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the City’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the City’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:

	Plan's Aggregate Net Pension/OPEB (Asset) Liability		
	Discount Rate - 1% (6.30%)	Current Discount Rate (7.30%)	Discount Rate + 1% (8.30%)
Police Pension Plan (Tier 1 & 2)	\$ 15,736,227	\$ 12,623,587	\$ 10,117,102
Police OPEB Plan (Tier 1 & 2)	\$ (75,422)	\$ (108,307)	\$ (135,690)
Fire Pension Plan (Tier 1 & 2)	\$ 6,046,123	\$ 4,184,012	\$ 2,681,327
Fire OPEB Plan (Tier 1 & 2)	\$ 71,130	\$ 41,631	\$ 16,917
Aggregate Total	\$ 21,778,058	\$ 16,740,923	\$ 12,679,656

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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% (6.40%)	Current Discount Rate (7.40%)	Discount Rate + 1% (8.40%)
Police Pension Plan (Tier 3)	\$ 1,446	\$ (64)	\$ (963)
Police OPEB Plan (Tier 3)	\$ (49)	\$ (65)	\$ (1,182)
Fire Pension Plan (Tier 3)	\$ 13,788	\$ (606)	\$ (9,168)
Fire OPEB Plan (Tier 3)	\$ (753)	\$ (992)	\$ (1,182)
Aggregate Total	\$ 14,432	\$ (1,727)	\$ (12,495)

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, 2021, the City recognized the following pension and OPEB expense:

	Pension/OPEB expense/(income)
Pension Plan - Police (Tier 1 & 2)	\$ 1,937,354
Pension Plan - Fire (Tier 1 & 2)	733,511
Pension Plan - Police (Tier 3)	1,213
Pension Plan - Fire (Tier 3)	1,798
OPEB Plan - Police (Tier 1 & 2)	(14,125)
OPEB Plan - Fire (Tier 1 & 2)	5,766
OPEB Plan - Police (Tier 3)	24
OPEB Plan - Fire (Tier 3)	(13)
Total	\$ 2,665,528

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan (Tier 1 & 2)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 13,975,602	\$ -	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	413,084	-	19,294	-
Changes in assumptions	627,557	-	3,992	(5,070)
Difference between actual and expected experience	973,817	-	-	(68,044)
Total	<u>\$ 15,990,060</u>	<u>\$ -</u>	<u>\$ 23,286</u>	<u>\$ (73,114)</u>

	Fire Plan (Tier 1 & 2)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 4,198,944	\$ -	\$ 9,941	\$ -
Difference between projected and actual earning on pension plan investments	410,240	-	10,118	-
Changes in assumptions	662,817	-	1,799	(2,671)
Difference between actual and expected experience	694,040	(469,742)	3,055	(58,628)
Total	<u>\$ 5,966,041</u>	<u>\$ (469,742)</u>	<u>\$ 24,913</u>	<u>\$ (61,299)</u>

	Police Plan (Tier 3)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 85,625	\$ -	\$ 1,302	\$ -
Difference between projected and actual earning on pension plan investments	113	-	3	(6)
Changes in assumptions	17	-	-	-
Difference between actual and expected experience	2,192	-	6	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,212	-	351	-
Total	<u>\$ 100,159</u>	<u>\$ -</u>	<u>\$ 1,662</u>	<u>\$ (6)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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 of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 43,657	\$ -	\$ 664	\$ -
Difference between projected and actual earning on pension plan investments	1,079	-	52	(99)
Changes in assumptions	158	-	-	(1)
Difference between actual and expected experience	20,861	-	91	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,834	(2,603)	129	(121)
Total	<u>\$ 67,589</u>	<u>\$ (2,603)</u>	<u>\$ 936</u>	<u>\$ (221)</u>

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, 2022. 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 Plan (Tier 1 & 2)	Fire Pension Plan (Tier 1 & 2)	Police OPEB Plan (Tier 1 & 2)	Fire OPEB Plan (Tier 1 & 2)
2022	\$ 692,235	\$ 209,980	\$ (15,807)	\$ (6,352)
2023	600,497	261,240	(13,364)	(5,172)
2024	471,247	258,025	(10,929)	(5,319)
2025	250,479	231,507	(9,728)	(5,979)
2026	-	117,004	-	(8,235)
Thereafter	-	219,599	-	(15,270)
	<u>\$ 2,014,458</u>	<u>\$ 1,297,355</u>	<u>\$ (49,828)</u>	<u>\$ (46,327)</u>

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources			
	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
2022	\$ 1,230	\$ 26	\$ 1,952	\$ 14
2023	1,230	26	1,952	14
2024	1,230	26	1,952	14
2025	1,232	26	1,974	16
2026	1,202	25	1,688	1
Thereafter	8,410	225	11,811	(8)
	<u>\$ 14,534</u>	<u>\$ 354</u>	<u>\$ 21,329</u>	<u>\$ 51</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

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, 2021, 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, 2021, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$9,008,315.

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in the following function(s) by fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Principal	\$ (18,712)
General Fund	Interest and fiscal charges	(1,738)
Debt Service	Interest and fiscal charges	(527)
Capital Projects Fund	General government	(8,414)

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 12 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2021 as follows:

	Major Funds		Other	
	General Fund	Debt Service Fund	Governmental Funds	Total
Nonspendable:				
Inventories	\$ 22,085	\$ -	\$ 13,928	\$ 36,013
Prepaid items	-	14,175	-	14,175
Total nonspendable	22,085	14,175	13,928	50,188
Restricted:				
Debt service	-	348,012	-	348,012
Pension	3,147,955	-	-	3,147,955
Grants	-	-	1,417,889	1,417,889
Highways and streets	-	-	3,090,698	3,090,698
Capital projects	-	-	1,147,423	1,147,423
Total restricted	3,147,955	348,012	5,656,010	9,151,977
Assigned:				
General capital outlay	900,000	-	-	900,000
Public safety capital outlay	100,000	-	-	100,000
Total assigned	1,000,000	-	-	1,000,000
Unassigned	14,081,384	-	-	14,081,384
Total Fund Balances	\$ 18,251,424	\$ 362,187	\$ 5,669,938	\$ 24,283,549

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.

Note 14 – Subsequent Events

A. American Rescue Plan Act

On March, 2021, the American Rescue Plan Act was signed into law delivering \$65 billion of direct and flexible aid to cities and towns across the nation to provide substantial flexibility for each government to meet local needs including support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the COVID-19 Pandemic. Based on the City's population, the City was allocated \$4,092,259 when will be received in two installments starting July 2021. The first installment was received in July 2021. The second installment is expected to be received in July 2022.

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

Required Supplementary Information (Unaudited)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2021

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2021

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 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, 2021, and therefore are properly authorized. The City's total expenditure limit was \$79,468,850.

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.

City of Cottonwood
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Final Budget
	Original	Final	Amounts	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 13,828,555	\$ 17,139,540	\$ 18,902,904	\$ 1,763,364
Intergovernmental	4,319,995	4,606,890	4,828,531	221,641
Licenses and permits	330,000	359,490	371,819	12,329
Fines and forfeitures	210,650	211,120	237,701	26,581
Rents and royalties	131,345	123,200	123,500	300
Investment income	25,060	80,200	7,756	(72,444)
Charges for services	1,880,180	1,527,110	1,530,098	2,988
Contributions	24,000	20,750	25,678	4,928
Miscellaneous	1,463,115	1,603,420	1,395,337	(208,083)
Total revenues	22,212,900	25,671,720	27,423,324	1,751,604
EXPENDITURES:				
Current:				
General government	6,417,910	6,384,580	6,352,475	32,105
Public safety	11,517,520	32,301,570	27,833,695	4,467,875
Culture and leisure	3,882,660	3,269,725	3,199,383	70,342
Capital outlay	68,000	118,175	94,266	23,909
Debt service:				
Principal	203,565	430,375	449,087	(18,712)
Interest and fiscal charges	122,715	102,765	104,503	(1,738)
Total expenditures	22,212,370	42,607,190	38,033,409	4,573,781
REVENUES OVER (UNDER) EXPENDITURES	530	(16,935,470)	(10,610,085)	6,325,385
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of revenue bonds	-	20,960,000	20,380,000	(580,000)
Cost of issuance	-	-	(409,013)	(409,013)
Sale of property	25,000	8,000	985,538	977,538
Transfers in	140,445	195,895	-	(195,895)
Transfers out	(908,560)	(480,290)	(137,518)	342,772
Total other financing sources (uses)	(743,115)	20,683,605	20,819,007	135,402
Net change in fund balances	\$ (742,585)	\$ 3,748,135	10,208,922	\$ 6,460,787
FUND BALANCES:				
Beginning of year			8,042,502	
End of year			<u>\$ 18,251,424</u>	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability
Last Ten Years
For the Year Ended June 30, 2021

	Arizona Employees' Retirement System ("ASRS") Pension Plan						
Measurement Period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014 ¹
City's Proportion of the the Net Pension Liability	0.07657%	0.07858%	0.08049%	0.07980%	0.07865%	0.07549%	0.07042%
City's Proportionate Share of the Net Pension Liability	\$ 13,266,916	\$ 11,434,304	\$ 11,225,522	\$ 12,431,284	\$ 12,694,900	\$ 11,759,105	\$ 10,420,105
City's Covered Payroll	\$ 8,062,107	\$ 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 as a Percentage of its Covered Payroll	164.56%	146.08%	147.72%	168.49%	177.23%	169.09%	173.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	73.24%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

Notes to Schedule:

¹ 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, 2021

Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit					
Measurement Period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.07756%	0.07965%	0.08156%	0.08061%	0.08061%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (54,912)	\$ (22,012)	\$ (29,369)	\$ (43,884)	\$ 23,309
City's Covered Payroll	\$ 8,062,107	\$ 7,827,288	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-0.68%</u>	<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 as a Percentage of the Total OPEB Liability	<u>101.62%</u>	<u>101.62%</u>	<u>102.20%</u>	<u>103.57%</u>	<u>103.57%</u>

Notes to Schedule:

¹ 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, 2021

Arizona Employees' Retirement System ("ASRS") Long-Term Disability					
Measurement Period	<u>June 30, 2020</u>	<u>June 30, 2018</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016¹</u>
City's Proportion of the the Net OPEB (Asset)/Liability	0.07708%	0.07919%	0.08066%	0.08001%	0.08001%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 58,474	\$ 51,588	\$ 42,145	\$ 29,002	\$ 28,753
City's Covered Payroll	<u>\$ 8,062,107</u>	<u>\$ 7,827,288</u>	<u>\$ 7,599,309</u>	<u>\$ 7,377,970</u>	<u>\$ 7,163,077</u>
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>0.73%</u>	<u>0.66%</u>	<u>0.55%</u>	<u>0.39%</u>	<u>0.40%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>72.85%</u>	<u>72.85%</u>	<u>77.83%</u>	<u>84.44%</u>	<u>84.44%</u>

Notes to Schedule:

¹ 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, 2021

Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tier 3)			
Measurement Period	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018¹</u>
City's Proportion of the the Net Pension (Asset)/Liability	0.02124%	0.21781%	0.47335%
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ (64)	\$ (3,128)	\$ 933
City's Covered Payroll	<u>\$ 106,456</u>	<u>\$ 103,355</u>	<u>\$ 100,345</u>
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	<u>-0.06%</u>	<u>-3.03%</u>	<u>0.93%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>116.90%</u>	<u>116.90%</u>	<u>89.24%</u>

Notes to Schedule:

¹ 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, 2021

Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tier 3)			
Measurement Period	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018¹</u>
City's Proportion of the the Net Pension (Asset)/Liability	0.20217%	0.24272%	0.04223%
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ (606)	\$ (3,486)	\$ 1,923
City's Covered Payroll	<u>\$ 80,234</u>	<u>\$ 77,897</u>	<u>\$ 75,628</u>
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	<u>-0.76%</u>	<u>-4.48%</u>	<u>2.54%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>116.90%</u>	<u>116.90%</u>	<u>89.24%</u>

Notes to Schedule:

¹ 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, 2021

Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan (Tier 3)			
Measurement Period	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018¹</u>
City's Proportion of the the Net OPEB (Asset)/Liability	0.01849%	0.19159%	0.47333%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (65)	\$ (281)	\$ (20)
City's Covered Payroll	<u>\$ 106,456</u>	<u>\$ 103,355</u>	<u>\$ 100,345</u>
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-0.06%</u>	<u>-0.27%</u>	<u>-0.02%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>205.30%</u>	<u>205.30%</u>	<u>110.51%</u>

Notes to Schedule:

¹ 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, 2021

Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan (Tier 3)			
Measurement Period	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018¹</u>
City's Proportion of the the Net OPEB (Asset)/Liability	0.28389%	0.37354%	0.04223%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (992)	\$ (549)	\$ (2)
City's Covered Payroll	<u>\$ 80,234</u>	<u>\$ 77,897</u>	<u>\$ 75,628</u>
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-1.24%</u>	<u>-0.70%</u>	<u>0.00%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>205.30%</u>	<u>205.30%</u>	<u>110.51%</u>

Notes to Schedule:

¹ 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 (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

Total Pension Liability	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 389,109	\$ 414,083	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471	\$ 354,387
Interest on total pension liability	1,415,377	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	762,140	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	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Net change in total pension liability	1,573,475	1,883,185	1,104,713	1,603,028	1,844,693	941,394	2,115,565
Total pension liability - beginning	19,496,199	17,613,014	16,508,301	14,905,273	13,060,580	12,119,186	10,003,621
Total pension liability - ending (a)	\$ 21,069,674	\$ 19,496,199	\$ 17,613,014	\$ 16,508,301	\$ 14,905,273	\$ 13,060,580	\$ 12,119,186
Plan fiduciary net position							
Contributions - employer	\$ 1,058,404	\$ 1,072,824	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731	\$ 562,803
Contributions - employee	172,672	166,941	171,124	217,925	235,544	227,682	199,451
Investment income (net of administrative expenses)	111,874	430,937	487,040	666,184	31,475	167,936	531,085
Benefit payments	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Administrative expenses	(9,122)	(8,482)	(8,113)	(6,295)	(4,929)	(4,475)	-
Other	(28,510)	(5,668)	(344,947)	63	(7,369)	(12,483)	(211,221)
Net change in plan fiduciary net position	312,167	854,454	985,922	1,109,706	295,537	427,963	435,931
Plan fiduciary net position - beginning	8,133,920	7,279,466	6,293,544	5,183,838	4,888,301	4,460,338	4,024,407
Plan fiduciary net position - ending (b)	\$ 8,446,087	\$ 8,133,920	\$ 7,279,466	\$ 6,293,544	\$ 5,183,838	\$ 4,888,301	\$ 4,460,338
Net pension liability - ending (a)-(b)	\$ 12,623,587	\$ 11,362,279	\$ 10,333,548	\$ 10,214,757	\$ 9,721,435	\$ 8,172,279	\$ 7,658,848
Plan fiduciary net position as a percentage of the total pension liability	40.09%	41.72%	41.33%	38.12%	34.78%	37.43%	36.80%
Covered payroll	\$ 1,640,880	\$ 1,868,782	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913	\$ 2,034,987	\$ 1,913,359
Net pension liability as a percentage of covered payroll	769.32%	608.00%	498.00%	507.04%	497.03%	401.59%	400.28%

Notes to Schedule:

¹ 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 (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

Total Pension Liability	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 355,804	\$ 383,528	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663	\$ 303,278
Interest on total pension liability	792,524	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	755,614	(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	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Net change in total pension liability	1,726,595	1,042,344	632,281	1,069,791	1,381,797	470,323	1,078,710
Total pension liability - beginning	10,589,364	9,547,020	8,914,739	7,844,948	6,463,151	5,992,828	4,914,118
Total pension liability - ending (a)	\$ 12,315,959	\$ 10,589,364	\$ 9,547,020	\$ 8,914,739	\$ 7,844,948	\$ 6,463,151	\$ 5,992,828
Plan fiduciary net position							
Contributions - employer	\$ 430,262	\$ 487,369	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248	\$ 261,908
Contributions - employee	132,611	141,988	145,107	183,748	195,245	187,916	171,178
Investment income (net of administrative expenses)	102,955	389,112	446,127	651,916	29,391	167,246	505,572
Benefit payments	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Administrative expenses	(8,395)	(7,759)	(7,490)	(6,168)	(4,629)	(4,470)	-
Other	-	(5,161)	(383,143)	64	(88,820)	(78,930)	(22,265)
Net change in plan fiduciary net position	480,086	819,738	726,274	1,010,109	270,316	391,635	790,437
Plan fiduciary net position - beginning	7,651,861	6,832,123	6,105,849	5,095,740	4,825,424	4,433,789	3,643,352
Plan fiduciary net position - ending (b)	\$ 8,131,947	\$ 7,651,861	\$ 6,832,123	\$ 6,105,849	\$ 5,095,740	\$ 4,825,424	\$ 4,433,789
Net pension liability - ending (a)-(b)	\$ 4,184,012	\$ 2,937,503	\$ 2,714,897	\$ 2,808,890	\$ 2,749,208	\$ 1,637,727	\$ 1,559,039
Plan fiduciary net position as a percentage of the total pension liability							
	66.03%	72.26%	71.56%	68.49%	64.96%	74.66%	73.98%
Covered payroll	\$ 1,408,258	\$ 1,626,376	\$ 1,929,297	\$ 1,873,104	\$ 1,818,548	\$ 1,604,216	\$ 1,689,214
Net pension liability as a percentage of covered payroll							
	297.11%	180.62%	140.72%	149.96%	166.38%	102.09%	92.29%

Notes to Schedule:

¹ 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 (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

Total OPEB Liability	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 9,013	\$ 6,658	\$ 6,462	\$ 8,171
Interest on total OPEB liability	18,367	21,966	21,101	21,172
Changes in assumptions	-	5,987	-	253
Differences between expected and actual experience	(10,223)	(77,946)	(12,591)	(5,210)
Changes in benefit terms	-	-	-	(13,866)
Benefit payments, including refunds of employee contributions	(8,651)	(6,661)	(6,760)	(6,868)
Net change in total OPEB liability	8,506	(49,996)	8,212	3,652
Total OPEB liability - beginning	243,511	293,507	285,295	281,643
Total OPEB liability - ending (a)	\$ 252,017	\$ 243,511	\$ 293,507	\$ 285,295
Plan fiduciary net position				
Contributions - employer	\$ 6,473	\$ 6,629	\$ 2,588	\$ 5,612
Contributions - employee	-	-	-	-
Investment income (net of administrative expenses)	4,516	18,162	21,981	33,569
Benefit payments	(8,651)	(6,661)	(6,760)	(6,868)
Administrative expenses	(367)	(314)	(335)	(297)
Other	-	5,668	1	-
Net change in plan fiduciary net position	1,971	23,484	17,475	32,016
Plan fiduciary net position - beginning	358,353	334,869	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 360,324	\$ 358,353	\$ 334,869	\$ 317,394
Net OPEB asset - ending (a)-(b)	\$ (108,307)	\$ (114,842)	\$ (41,362)	\$ (32,099)
 Plan fiduciary net position as a percentage of the total OPEB liability	 142.98%	 147.16%	 114.09%	 111.25%
Covered payroll	\$ 1,640,880	\$ 1,868,782	\$ 2,075,028	\$ 2,014,590
Net OPEB liability (asset) as a percentage of covered payroll	-6.60%	-6.15%	-1.99%	-1.59%

Notes to Schedule:

¹ 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 (Continued)
Last Ten Years
For the Year Ended June 30, 2021

Arizona Public Safety Public Retirement System ("PS PRS") Fire OPEB Plan

Total OPEB Liability	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 8,671	\$ 6,215	\$ 6,551	\$ 6,493
Interest on total OPEB liability	16,828	18,429	18,603	17,608
Changes in assumptions	-	2,311	-	1,094
Differences between expected and actual experience	(9,293)	(45,117)	(22,528)	4,879
Changes in benefit terms	-	-	-	(4,263)
Benefit payments, including refunds of employee contributions	(4,896)	(6,957)	(8,901)	(9,522)
Net change in total OPEB liability	11,310	(25,119)	(6,275)	16,289
Total OPEB liability - beginning	221,179	246,298	252,573	236,284
Total OPEB liability - ending (a)	\$ 232,489	\$ 221,179	\$ 246,298	\$ 252,573
Plan fiduciary net position				
Contributions - employer	\$ 10,538	\$ 12,994	\$ 7,543	\$ 9,935
Contributions - employee	-	-	-	-
Investment income (net of administrative expenses)	2,288	8,985	10,605	16,231
Benefit payments	(4,896)	(6,957)	(8,901)	(9,522)
Administrative expenses	(186)	(155)	(161)	(143)
Other	-	5,161	(1)	-
Net change in plan fiduciary net position	7,744	20,028	9,085	16,501
Plan fiduciary net position - beginning	183,114	163,086	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 190,858	\$ 183,114	\$ 163,086	\$ 154,001
Net OPEB liability - ending (a)-(b)	\$ 41,631	\$ 38,065	\$ 83,212	\$ 98,572
Plan fiduciary net position as a percentage of the total OPEB liability	82.09%	82.79%	66.21%	60.97%
Covered payroll	\$ 1,408,258	\$ 1,626,376	\$ 1,929,297	\$ 1,873,104
Net OPEB liability (asset) as a percentage of covered payroll	2.96%	2.34%	4.31%	5.26%

Notes to Schedule:

¹ 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, 2021

Arizona State Retirement System ("ASRS") Pension Plan								
	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Statutorily required contribution	\$ 959,894	\$ 966,830	\$ 914,919	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845	\$ 623,008
Contributions in relation to the statutorily required contributions	(959,894)	(966,830)	(914,919)	(882,838)	(810,358)	(815,999)	(271,845)	(623,008)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,123,060	\$ 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	23.28%	24.15%	23.54%	23.40%	22.12%	22.94%	7.87%	17.91%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date: 6/30/2019

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit Plan					
	2020-21	2019-20	2018-19	2017-18	2016-17¹
Statutorily required contribution	\$ 32,134	\$ 32,019	\$ 37,644	\$ 34,932	\$ 43,396
Contributions in relation to the statutorily required contributions	(32,134)	(32,019)	(37,644)	(34,932)	(43,396)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
Contributions as a percentage of covered payroll	0.78%	0.80%	0.97%	0.93%	1.18%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2019

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17¹</u>
Statutorily required contribution	\$ 14,934	\$ 14,131	\$ 13,094	\$ 12,706	\$ 10,882
Contributions in relation to the statutorily required contributions	<u>(14,934)</u>	<u>(14,131)</u>	<u>(13,094)</u>	<u>(12,706)</u>	<u>(10,882)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
Contributions as a percentage of covered payroll	0.36%	0.35%	0.34%	0.34%	0.30%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2019

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Actuarially determined contribution	\$ 13,975,602	\$ 878,499	\$ 940,547	\$ 974,192	\$ 879,100	\$ 910,441	\$ 601,731	\$ 562,803
Contributions in relation to the actuarially determined contributions	(13,975,602)	(878,499)	(940,547)	(974,192)	(879,100)	(910,441)	(601,731)	(562,803)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,267,439	\$ 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	616.36%	39.91%	44.01%	46.95%	43.64%	46.55%	29.57%	29.41%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date: 6/30/2020

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, 2021

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

	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Actuarially determined contribution	\$ 4,198,944	\$ 392,866	\$ 442,193	\$ 430,827	\$ 324,450	\$ 323,156	\$ 243,520	\$ 268,585
Contributions in relation to the actuarially determined contributions	(4,198,944)	(392,866)	(442,193)	(430,827)	(324,450)	(323,156)	(243,520)	(268,585)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,108,196	\$ 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	199.17%	19.19%	22.25%	22.33%	17.32%	17.77%	15.18%	15.90%

¹ Historical information is presented only for measurement periods for which GASB 68 is applicable.

Notes to Schedule

Valuation date: 6/30/2020

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, 2021

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

	2020-21	2019-20	2018-19	2017-18	2016-17 ¹
Actuarially determined contribution	\$ -	\$ 6,146	\$ 6,482	\$ 8,256	\$ 5,612
Contributions in relation to the actuarially determined contributions	-	(6,146)	(6,482)	(8,256)	(5,612)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,267,439	\$ 2,201,397	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590
Contributions as a percentage of covered payroll	0.00%	0.28%	0.30%	0.40%	0.28%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2020

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, 2021

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

	2020-21	2019-20	2018-19	2017-18	2016-17¹
Actuarially determined contribution	\$ 9,941	\$ 3,179	\$ 12,495	\$ 9,935	\$ 9,935
Contributions in relation to the actuarially determined contributions	(9,941)	(3,179)	(12,495)	(9,935)	(9,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,046,792	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,873,104
Contributions as a percentage of covered payroll	0.49%	0.16%	0.65%	0.53%	0.53%

¹ Historical information is presented only for measurement periods for which GASB 75 is applicable.

Notes to Schedule

Valuation date: 6/30/2020

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, 2021

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 85,625	\$ 4,933	\$ 8,220	\$ 3,731
Contributions in relation to the statutorily required contributions	<u>(85,625)</u>	<u>(4,933)</u>	<u>(8,220)</u>	<u>(3,731)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	78.09%	4.63%	7.95%	3.72%

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

Notes to Schedule

Valuation date: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 43,657	\$ 28,740	\$ 9,090	\$ 333
Contributions in relation to the statutorily required contributions	<u>(43,657)</u>	<u>(28,740)</u>	<u>(9,090)</u>	<u>(333)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	52.83%	35.82%	11.67%	0.44%

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

Notes to Schedule

Valuation date: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

	2020-21	2019-20	2018-19	2017-18¹
Statutorily required contribution	\$ 1,302	\$ 106	\$ 47	\$ 100
Contributions in relation to the statutorily required contributions	(1,302)	(106)	(47)	(100)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	1.19%	0.10%	0.05%	0.10%

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

Notes to Schedule

Valuation date: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2021

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

	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 664	\$ 616	\$ 93	\$ 9
Contributions in relation to the statutorily required contributions	<u>(664)</u>	<u>(616)</u>	<u>(93)</u>	<u>(9)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	0.80%	0.77%	0.12%	0.01%

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

Notes to Schedule

Valuation date: 6/30/2020

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

Supplementary Information

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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Non-Major Governmental Funds

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.

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, 2021

	Special Revenue Fund		
	Grants Fund	HURF Fund	Transit Fund
ASSETS			
Cash and cash investments	\$ 1,416,759	\$ 2,378,399	\$ -
Restricted cash and cash investments	-	722,115	-
Receivables:			
Taxes	-	128,181	-
Intergovernmental	20,207	105,254	483,171
Inventories	-	13,928	-
Total assets	<u><u>\$ 1,436,966</u></u>	<u><u>\$ 3,347,877</u></u>	<u><u>\$ 483,171</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 19,077	\$ 144,527	\$ 58,389
Accrued payroll and related liabilities	-	9,043	31,715
Due to other funds	-	-	179,751
Interest payable - current portion	-	88,577	-
Principal payable - current portion	-	214,420	-
Total liabilities	<u>19,077</u>	<u>456,567</u>	<u>269,855</u>
Fund Balances:			
Nonspendable	-	13,928	-
Restricted	1,417,889	2,877,382	213,316
Total fund balances	<u>1,417,889</u>	<u>2,891,310</u>	<u>213,316</u>
Total liabilities and fund balances	<u><u>\$ 1,436,966</u></u>	<u><u>\$ 3,347,877</u></u>	<u><u>\$ 483,171</u></u>

City of Cottonwood
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2021

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
ASSETS		
Cash and cash investments	\$ 940,928	\$ 4,736,086
Restricted cash and cash investments	175,647	897,762
Receivables:		
Taxes	31,004	159,185
Intergovernmental	6,926	615,558
Inventories	-	13,928
Total assets	<u><u>\$ 1,154,505</u></u>	<u><u>\$ 6,422,519</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 7,082	\$ 229,075
Accrued payroll and related liabilities	-	40,758
Due to other funds	-	179,751
Interest payable - current portion	-	88,577
Principal payable - current portion	-	214,420
Total liabilities	<u><u>7,082</u></u>	<u><u>752,581</u></u>
Fund Balances:		
Nonspendable	-	13,928
Restricted	1,147,423	5,656,010
Total fund balances	<u><u>1,147,423</u></u>	<u><u>5,669,938</u></u>
Total liabilities and fund balances	<u><u>\$ 1,154,505</u></u>	<u><u>\$ 6,422,519</u></u>

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue Fund		
	Grants Fund	HURF Fund	Transit Fund
REVENUES:			
Taxes	\$ -	\$ 1,448,071	\$ -
Intergovernmental	1,757,327	1,179,785	2,721,687
Investment income	-	1,493	-
Charges for services	-	-	415
Miscellaneous	-	747,902	2,025
Total revenues	<u>1,757,327</u>	<u>3,377,251</u>	<u>2,724,127</u>
EXPENDITURES:			
Current:			
General government	177,311	-	-
Highways and streets	-	1,395,849	-
Transportation	-	-	2,066,818
Culture and leisure	202,773	-	-
Capital outlay	31,738	1,383,267	733,607
Debt service:			
Principal	-	250,439	-
Interest and fiscal charges	-	182,971	-
Total expenditures	<u>411,822</u>	<u>3,212,526</u>	<u>2,800,425</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,345,505</u>	<u>164,725</u>	<u>(76,298)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	61,220	-	76,298
Total other financing sources (uses)	<u>61,220</u>	<u>-</u>	<u>76,298</u>
Net changes in fund balances	1,406,725	164,725	-
FUND BALANCES:			
Beginning of year	11,164	2,726,585	213,316
End of year	<u>\$ 1,417,889</u>	<u>\$ 2,891,310</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, 2021

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
REVENUES:		
Taxes	\$ 314,277	\$ 1,762,348
Intergovernmental	21,471	5,680,270
Investment income	1,383	2,876
Charges for services	-	415
Miscellaneous	-	749,927
Total revenues	<u>337,131</u>	<u>8,195,836</u>
EXPENDITURES:		
Current:		
General government	32,024	209,335
Highways and streets	-	1,395,849
Transportation	-	2,066,818
Culture and leisure	-	202,773
Capital outlay	-	2,148,612
Debt service:		
Principal	-	250,439
Interest and fiscal charges	-	182,971
Total expenditures	<u>32,024</u>	<u>6,456,797</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>305,107</u>	<u>1,739,039</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	137,518
Total other financing sources (uses)	<u>-</u>	<u>137,518</u>
Net changes in fund balances	305,107	1,876,557
FUND BALANCES:		
Beginning of year	842,316	3,793,381
End of year	<u>\$ 1,147,423</u>	<u>\$ 5,669,938</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

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City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,644,160	\$ 1,644,160	\$ 1,646,808	\$ 2,648
Investment income	650	100	3	(97)
Total revenues	<u>1,644,810</u>	<u>1,644,260</u>	<u>1,646,811</u>	<u>2,551</u>
EXPENDITURES:				
Debt service:				
Principal	1,201,350	1,201,350	1,201,349	1
Interest and fiscal charges	<u>443,460</u>	<u>446,960</u>	<u>447,487</u>	<u>(527)</u>
Total expenditures	<u>1,644,810</u>	<u>1,648,310</u>	<u>1,648,836</u>	<u>(526)</u>
REVENUE OVER				
(UNDER) EXPENDITURES	<u>-</u>	<u>(4,050)</u>	<u>(2,025)</u>	<u>2,025</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (4,050)</u>	<u>(2,025)</u>	<u>\$ 2,025</u>
FUND BALANCE:				
Beginning of year			<u>364,212</u>	
End of year			<u>\$ 362,187</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, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Intergovernmental	\$ 2,032,620	\$ 1,895,625	\$ 1,757,327	\$ (138,298)
Total revenues	<u>2,032,620</u>	<u>1,895,625</u>	<u>1,757,327</u>	<u>(138,298)</u>
EXPENDITURES:				
Current:				
General government	505,000	308,850	177,311	131,539
Highways and streets	11,165	1,406,725	-	1,406,725
Culture and leisure	423,900	190,975	202,773	(11,798)
Capital outlay	1,630,310	42,850	31,738	11,112
Total expenditures	<u>2,570,375</u>	<u>1,949,400</u>	<u>411,822</u>	<u>1,537,578</u>
REVENUE OVER				
(UNDER) EXPENDITURES	<u>(537,755)</u>	<u>(53,775)</u>	<u>1,345,505</u>	<u>1,399,280</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	(526,590)	42,610	61,220	18,610
Total other financing sources (uses)	<u>(526,590)</u>	<u>42,610</u>	<u>61,220</u>	<u>18,610</u>
Net change in fund balances	<u>\$ (1,064,345)</u>	<u>\$ (11,165)</u>	<u>1,406,725</u>	<u>\$ 1,417,890</u>
FUND BALANCE:				
Beginning of year			11,164	
End of year			<u>\$ 1,417,889</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, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,245,815	\$ 1,356,975	\$ 1,448,071	\$ 91,096
Intergovernmental	1,427,860	1,538,995	1,179,785	(359,210)
Investment income	18,000	2,170	1,493	(677)
Miscellaneous	-	747,900	747,902	2
Total revenues	2,691,675	3,646,040	3,377,251	(268,789)
EXPENDITURES:				
Current:				
Highways and streets	2,368,498	4,701,223	1,395,849	3,305,374
Capital outlay	2,879,507	1,479,777	1,383,267	96,510
Debt service:				
Principal	250,439	250,439	250,439	-
Interest and fiscal charges	182,971	182,971	182,971	-
Total expenditures	5,681,415	6,614,410	3,212,526	3,401,884
REVENUE OVER				
(UNDER) EXPENDITURES	(2,989,740)	(2,968,370)	164,725	3,133,095
OTHER FINANCING SOURCES (USES):				
Transfers in	241,525	241,785	-	(241,785)
Total other financing sources (uses)	241,525	241,785	-	(241,785)
Net change in fund balances	\$ (2,748,215)	\$ (2,726,585)	164,725	\$ 2,891,310
FUND BALANCE:				
Beginning of year			2,726,585	
End of year			\$ 2,891,310	

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, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 166,495	\$ -	\$ -	\$ -
Intergovernmental	3,093,565	2,753,560	2,721,687	(31,873)
Charges for services	223,850	-	415	415
Total revenues	3,483,910	2,754,585	2,724,127	(30,458)
EXPENDITURES:				
Current:				
Transportation	2,230,710	2,097,160	2,066,818	30,342
Capital outlay	1,253,200	870,740	733,607	137,133
Total expenditures	3,483,910	2,967,900	2,800,425	167,475
REVENUE OVER				
(UNDER) EXPENDITURES	-	(213,315)	(76,298)	137,017
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	76,298	76,298
Total other financing sources (uses)	-	-	76,298	76,298
Net change in fund balances	\$ -	\$ (213,315)	-	\$ 213,315
FUND BALANCE:				
Beginning of year			213,316	
End of year			<u>\$ 213,316</u>	

City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 241,525	\$ 241,525	\$ 314,277	\$ 72,752
Intergovernmental	143,000	50,690	21,471	(29,219)
Investment income	3,150	11,400	1,383	(10,017)
Total revenues	387,675	303,615	337,131	33,516
EXPENDITURES:				
Current:				
General government	148,000	23,610	32,024	(8,414)
Total expenditures	148,000	23,610	32,024	(8,414)
Net change in fund balances	\$ 239,675	\$ 280,005	305,107	\$ 25,102
FUND BALANCE:				
Beginning of year			842,316	
End of year			\$ 1,147,423	

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For the Year Ended June 30, 2021

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2021

Statistical Section

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

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City of Cottonwood

Statistical Section

Overview

This part of the City of Cottonwood's Annual Comprehensive 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.

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City of Cottonwood
Net Position by Component
Last Ten Fiscal Years Ended June 30, 2021
(accrual basis of accounting)

	Fiscal Year				
	2021	2020	2019	2018	2017
Governmental activities					
Net investment in capital assets	\$ 28,377,288	\$ 27,118,419	\$ 27,277,629	\$ 27,332,884	\$ 24,457,732
Restricted	9,151,977	4,127,464	3,010,461	2,612,991	4,287,185
Unrestricted	(9,008,315)	(11,650,963)	(13,832,151)	(15,403,566)	(7,801,463)
Total governmental activities net position	<u>\$ 28,520,950</u>	<u>\$ 19,594,920</u>	<u>\$ 16,455,939</u>	<u>\$ 14,542,309</u>	<u>\$ 20,943,454</u>
Business-type activities					
Net investment in capital assets	\$ 26,397,745	\$ 27,364,275	\$ 27,089,493	\$ 24,493,779	\$ 18,333,192
Restricted	9,501,748	7,674,983	12,252,785	7,536,216	-
Unrestricted	14,952,181	12,015,527	4,198,028	8,424,140	10,483,581
Total business-type activities net position	<u>\$ 50,851,674</u>	<u>\$ 47,054,785</u>	<u>\$ 43,540,306</u>	<u>\$ 40,454,135</u>	<u>\$ 28,816,773</u>
Primary government					
Net investment in capital assets	\$ 54,775,033	\$ 54,482,694	\$ 54,367,122	\$ 51,826,663	\$ 42,790,924
Restricted	18,653,725	11,802,447	15,263,246	10,149,207	4,287,185
Unrestricted	5,943,866	364,564	(9,634,123)	(6,979,426)	2,682,118
Total primary government net position	<u>\$ 79,372,624</u>	<u>\$ 66,649,705</u>	<u>\$ 59,996,245</u>	<u>\$ 54,996,444</u>	<u>\$ 49,760,227</u>

City of Cottonwood
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2021
(accrual basis of accounting)

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities					
Net investment in capital assets	\$ 26,266,479	\$ 32,767,938	\$ 29,811,017	\$ 26,606,032	\$ 23,573,513
Restricted	3,059,882	1,290,122	1,210,126	1,371,766	2,034,245
Unrestricted	(5,612,279)	(7,294,803)	12,155,916	15,580,011	19,084,334
Total governmental activities net position	<u>\$ 23,714,082</u>	<u>\$ 26,763,257</u>	<u>\$ 43,177,059</u>	<u>\$ 43,557,809</u>	<u>\$ 44,692,092</u>
Business-type activities					
Net investment in capital assets	\$ 13,642,806	\$ 5,440,590	\$ 4,851,385	\$ 4,306,570	\$ 3,354,977
Restricted	1,802,675	2,557,734	2,557,755	2,557,755	2,557,735
Unrestricted	9,576,508	15,069,210	15,941,213	15,474,955	18,780,859
Total business-type activities net position	<u>\$ 25,021,989</u>	<u>\$ 23,067,534</u>	<u>\$ 23,350,353</u>	<u>\$ 22,339,280</u>	<u>\$ 24,693,571</u>
Primary government					
Net investment in capital assets	\$ 39,909,285	\$ 38,208,528	\$ 34,662,402	\$ 30,912,602	\$ 26,928,490
Restricted	4,862,557	3,847,856	3,767,881	3,929,521	4,591,980
Unrestricted	3,964,229	7,774,407	28,097,129	31,054,966	37,865,193
Total primary government net position	<u>\$ 48,736,071</u>	<u>\$ 49,830,791</u>	<u>\$ 66,527,412</u>	<u>\$ 65,897,089</u>	<u>\$ 69,385,663</u>

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

	Fiscal Year				
	2021	2020	2019	2018	2017
Expenses					
Governmental Activities					
General government	\$ 6,927,542	\$ 6,651,834	\$ 5,947,814	\$ 5,357,347	\$ 9,016,421
Public Safety	12,859,366	11,945,539	12,099,647	12,214,453	12,252,315
Highway and streets	1,949,637	1,809,652	1,419,997	1,634,741	3,817,500
Transportation	2,620,605	2,147,294	2,300,410	2,174,021	-
Culture and recreation	4,215,599	4,455,091	4,107,450	4,144,697	3,767,245
Redevelopment and housing	-	-	-	-	-
Interest on long-term debt	597,696	650,224	691,681	614,906	1,208,866
Total governmental activities expenses	29,170,445	27,659,634	26,566,999	26,140,165	30,062,347
Business-Type Activities					
Water	5,265,348	5,348,996	5,273,405	5,409,263	4,667,663
Sewer	3,384,098	2,830,268	2,876,534	2,386,840	2,750,544
Total business-type activities expenses	8,649,446	8,179,264	8,149,939	7,796,103	7,418,207
Total primary government expenses	\$ 37,819,891	\$ 35,838,898	\$ 34,716,938	\$ 33,936,268	\$ 37,480,554
Program Revenues					
Governmental Activities:					
Fines, Fees and Charges for services:					
General government	\$ 1,506,871	\$ 1,267,587	\$ 1,469,608	\$ 1,886,679	\$ 1,745,730
Public safety	949,274	905,165	888,666	835,855	800,601
Highways and streets	-	-	-	-	207,002
Transportation	415	154,367	211,490	207,920	-
Culture and leisure	367,259	775,578	1,029,563	1,093,849	1,023,178
Redevelopment and housing	-	-	-	-	-
Operating grants and contributions	6,480,841	3,772,457	3,358,972	3,292,725	2,971,986
Capital grants and contributions	567,018	770,600	601,461	2,494,456	2,220,427
Total governmental activities program revenues	9,871,678	7,645,754	7,559,760	9,811,484	8,968,924
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,649,599	8,073,195	7,744,901	8,011,771	7,608,838
Sewer	4,035,452	3,266,899	3,076,218	2,620,736	2,486,514
Total business-type activities program revenues	12,685,051	11,340,094	10,821,119	10,632,507	10,095,352
Total primary government program revenues	\$ 22,556,729	\$ 18,985,848	\$ 18,380,879	\$ 20,443,991	\$ 19,064,276
Net (Expense) Revenue					
Governmental activities	\$ (19,298,767)	\$ (20,013,880)	\$ (19,007,239)	\$ (16,328,681)	\$ (21,093,423)
Business-type activities	4,035,605	3,160,830	2,671,180	2,836,404	2,677,145
Total primary government	\$ (15,263,162)	\$ (16,853,050)	\$ (16,336,059)	\$ (13,492,277)	\$ (18,416,278)

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Expenses					
Governmental Activities					
General government	\$ 5,653,593	\$ 4,815,686	\$ 5,245,413	\$ 4,584,034	\$ 5,162,738
Public Safety	10,567,676	9,270,523	8,354,188	8,035,427	7,364,363
Highway and streets	3,999,492	4,222,310	3,468,654	3,134,571	2,373,133
Transportation	-	-	-	-	-
Culture and recreation	4,239,038	3,748,143	3,687,518	3,561,035	3,347,540
Redevelopment and housing	-	-	-	-	120,858
Interest on long-term debt	938,399	815,524	710,755	790,903	822,514
Total governmental activities expenses	25,398,198	22,872,186	21,466,528	20,105,970	19,191,146
Business-Type Activities					
Water	6,667,587	5,776,752	6,206,940	6,650,327	5,988,525
Wastewater	2,339,933	2,360,966	2,377,111	2,423,868	2,176,959
Total business-type activities expenses	9,007,520	8,137,718	8,584,051	9,074,195	8,165,484
Total primary government expenses	\$ 34,405,718	\$ 31,009,904	\$ 30,050,579	\$ 29,180,165	\$ 27,356,630
Program Revenues					
Governmental Activities:					
Fines, Fees and Charges for services:					
General government	\$ 1,252,512	\$ 1,249,543	\$ 1,248,788	\$ 1,234,930	\$ 1,740,320
Public safety	626,941	182,682	65,481	204,582	178,281
Highways and streets	358,991	336,854	362,365	286,118	-
Transportation	-	-	-	-	-
Culture and leisure	984,529	938,362	824,333	829,139	913,028
Redevelopment and housing	-	-	-	-	10,698
Operating grants and contributions	2,434,617	2,383,018	2,330,406	2,824,452	1,359,992
Capital grants and contributions	348,290	288,143	509,917	19,699	293,486
Total governmental activities program revenues	6,005,880	5,378,602	5,341,290	5,398,920	4,495,805
Program Revenues					
Business-type activities					
Charges for services:					
Water	7,496,231	7,432,085	6,818,887	5,885,521	5,699,389
Sewer	2,438,088	2,305,897	2,406,542	1,642,860	1,448,862
Total business-type activities program revenues	9,934,319	9,737,982	9,225,429	7,528,381	7,148,251
Total primary government program revenues	\$ 15,940,199	\$ 15,116,584	\$ 14,566,719	\$ 12,927,301	\$ 11,644,056
Net (Expense) Revenue					
Governmental activities	\$ (19,392,318)	\$ (17,493,584)	\$ (16,125,238)	\$ (14,707,050)	\$ (14,695,341)
Business-type activities	926,799	1,600,264	641,378	(1,545,814)	(1,017,233)
Total primary government	<u>\$ (18,465,519)</u>	<u>\$ (15,893,320)</u>	<u>\$ (15,483,860)</u>	<u>\$ (16,252,864)</u>	<u>\$ (15,712,574)</u>

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

	Fiscal Year				
	2021	2020	2019	2018	2017
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	(15,263,162)	(16,853,050)	(16,336,059)	(13,492,277)	(18,416,278)
Governmental Activities					
Taxes:					
Sales taxes	21,441,099	18,588,547	16,453,665	14,275,812	\$ 13,982,967
Motor vehicle in-lieu tax	1,039,271	866,283	848,579	781,103	758,271
Franchise taxes	465,588	303,659	404,620	416,542	370,646
Transit occupancy tax	405,373	386,302	288,333	243,347	214,976
State shared revenue	3,204,737	2,838,005	2,666,814	2,637,072	2,528,894
Investment Income	10,635	129,036	135,426	75,947	17,668
Miscellaneous	827,590	41,029	48,496	278,646	445,770
Gain (loss) on sale of assets	830,504	-	74,936	12,466	3,603
Transfers	-	-	-	(8,715,709)	-
Total governmental activities	28,224,797	23,152,861	20,920,869	10,005,226	18,322,795
Business-type activities:					
Investment income	16,978	353,649	364,451	119,643	374,976
Miscellaneous	-	-	78,225	60,644	28,288
Gain (loss) on sale of assets	(255,694)	-	(27,685)	(95,441)	4,975
Transfers	-	-	-	8,715,709	-
Total business activities	(238,716)	353,649	414,991	8,800,555	408,239
Total primary government	\$ 27,986,081	\$ 23,506,510	\$ 21,335,860	\$ 18,805,781	\$ 18,731,034
Change in Net Position	\$ 12,722,919	\$ 6,653,460	\$ 4,999,801	\$ 5,313,504	\$ 314,756

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General Revenue and Other Changes in Net Position	(18,465,519)	(15,893,320)	(15,893,320)	(16,252,864)	(15,712,574)
Governmental Activities					
Taxes:					
Sales taxes	\$ 13,385,256	\$ 12,774,860	\$ 12,774,860	\$ 11,329,353	\$ 10,579,983
Motor Vehicle in-lieu tax	710,155	660,786	660,786	563,851	602,832
Franchise taxes	349,537	368,062	368,062	363,653	359,871
Transit occupancy tax	-	-	-	-	-
Unrestricted state shared revenue	2,422,844	2,393,192	2,393,192	2,088,713	1,831,024
Investment earnings	175,351	146,102	146,102	(71,463)	240,737
Miscellaneous	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-
Transfers	(700,000)	-	-	(398,256)	-
Total governmental activities	16,343,143	16,343,002	16,343,002	13,875,851	13,614,447
Business-type activities:					
Investment income	327,656	305,896	305,896	328,570	395,242
Miscellaneous	-	-	-	-	-
Gain of disposal of capital assets	-	-	-	-	-
Transfers	700,000	-	-	398,256	-
Total business activities	1,027,656	305,896	305,896	726,826	395,242
Total primary government	\$ 17,370,799	\$ 16,648,898	\$ 16,648,898	\$ 14,602,677	\$ 14,009,689
Change in Net Position	\$ (1,094,720)	\$ 755,578	\$ 755,578	\$ (1,650,187)	\$ (1,702,885)

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

	Fiscal Year				
	2021	2020	2019	2018	2017
General Fund					
Nonspendable	\$ 22,085	\$ 86,988	\$ 21,568	\$ 29,225	\$ 21,397
Restricted	3,147,955	-	-	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	14,081,384	6,955,514	3,772,894	2,154,755	4,206,786
Total general fund	<u>\$ 18,251,424</u>	<u>\$ 8,042,502</u>	<u>\$ 4,794,462</u>	<u>\$ 3,183,980</u>	<u>\$ 5,228,183</u>
All Other Governmental Funds					
Nonspendable	\$ 28,103	\$ 30,129	\$ 40,510	\$ 50,131	\$ 22,275
Restricted	6,004,022	4,127,464	3,010,461	2,622,474	4,287,185
Assigned		-	-	-	5,674,582
Unassigned		-	(418)	-	-
Total all other governmental funds	<u>\$ 6,032,125</u>	<u>\$ 4,157,593</u>	<u>\$ 3,050,553</u>	<u>\$ 2,672,605</u>	<u>\$ 9,984,042</u>

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

	Fiscal Year				
	2016	2015	2014	2013	2012
General Fund					
Nonspendable	\$ 40,249	46,261	20,608	5,095	35,436
Restricted	-	144,477	1,287,757	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,259,750	2,214,190
Unassigned	4,187,934	4,599,804	3,674,772	4,624,668	4,177,319
Total general fund	<u>\$ 5,228,183</u>	<u>\$ 5,790,542</u>	<u>\$ 5,983,137</u>	<u>\$ 5,889,513</u>	<u>\$ 6,426,945</u>
All Other Governmental Funds					
Nonspendable	\$ 15,311	\$ 15,311	\$ 18,988	\$ 21,233	\$ 31,164
Restricted	5,708,599	9,421,521	1,210,126	2,241,263	2,034,245
Assigned	5,592,044	3,650,405	8,318,189	9,658,940	12,906,562
Unassigned	-	-	(488,916)	(465,433)	(479,188)
Total all other governmental funds	<u>\$ 11,315,954</u>	<u>\$ 13,087,237</u>	<u>\$ 9,058,387</u>	<u>\$ 11,456,003</u>	<u>\$ 14,492,783</u>

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

	Fiscal Year				
	2021	2020	2019	2018	2017
Revenues:					
Taxes	\$ 22,312,060	\$ 19,278,508	\$ 17,146,618	\$ 14,935,701	\$ 14,568,589
Intergovernmental revenues	10,508,801	7,629,598	6,518,230	8,704,128	7,862,119
Licenses and permits	371,819	281,099	568,297	327,452	279,814
Fines and forfeits	237,701	172,572	213,450	178,504	147,698
Rents and royalties	123,500	129,751	159,879	118,756	257,931
Investment income	10,635	129,036	134,119	75,947	17,668
Charges for services	1,530,513	1,956,531	2,333,342	2,547,571	2,481,394
Contributions	25,678	34,050	30,935	36,419	31,725
Miscellaneous	2,145,264	1,187,470	1,300,823	1,595,475	1,740,887
Total revenues	37,265,971	30,798,615	28,405,693	28,519,953	27,387,825
Expenditures:					
Current:					
General government	6,561,810	6,317,896	6,139,003	6,103,437	5,705,624
Public safety	27,833,695	10,277,695	11,071,615	10,801,786	10,657,958
Highways and street	1,395,849	1,085,263	908,747	1,059,037	2,429,760
Transportation	2,066,818	2,036,416	1,789,161	1,598,318	-
Culture and recreation	3,402,156	3,609,900	3,303,096	3,401,603	3,222,539
Redevelopment and housing	-	-	-	-	-
Capital outlay	2,242,878	592,442	2,200,382	3,672,088	5,157,047
Debt service:					
Principal retirement	1,900,875	1,842,083	1,544,610	1,783,911	1,776,500
Interest on long-term debt	734,961	787,489	828,946	752,170	999,972
Bond issuance costs	-	-	-	-	-
Total expenditures	46,139,042	26,549,184	27,785,560	29,172,350	29,949,400
Excess of revenues over (under) expenditures	(8,873,071)	4,249,431	620,133	(652,397)	(2,561,575)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	1,285,928	-	13,544,732
Premium on issuance of long-term debt	20,380,000	-	-	-	1,524,485
Deposit to escrow for bond refunding	(409,013)	-	-	-	(13,613,249)
Cost of issuance	-	-	-	-	(238,961)
Sales of Property	985,538	105,649	82,369	12,466	12,656
Capital lease agreements	-	-	-	-	-
Transfers in	137,518	230,361	25,512	5,146,961	1,112,808
Transfers out	(137,518)	(230,361)	(25,512)	(13,862,670)	(1,112,808)
Total other financing sources (uses)	20,956,525	105,649	1,368,297	(8,703,243)	1,229,663
Net change in fund balances	\$ 12,083,454	\$ 4,355,080	\$ 1,988,430	\$ (9,355,640)	\$ (1,331,912)
Debt service as a percentage of noncapital expenditures	6.0%	10.1%	9.3%	9.9%	10.7%

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

	Fiscal Year				
	2016	2015	2014	2013	2012
Revenues:					
Taxes	\$ 13,734,793	\$ 13,142,922	\$ 12,648,502	\$ 11,693,006	\$ 10,939,854
Intergovernmental revenues	5,742,590	5,724,063	5,714,445	4,373,390	3,953,440
Licenses and permits	279,698	229,810	292,341	227,930	120,239
Fines and forfeits	149,459	160,813	176,208	175,728	220,557
Rents and royalties	181,608	143,578	162,606	117,969	95,311
Investment income	174,473	145,268	211,420	(69,562)	239,608
Charges for services	2,454,952	1,906,025	1,739,844	1,771,992	2,322,410
Contributions	73,607	1,076	9,292	8,652	133,894
Miscellaneous	157,256	267,215	129,968	261,150	83,810
Total revenues	22,948,436	21,720,770	21,084,626	18,560,255	18,109,123
Expenditures:					
Current:					
General government	4,665,822	4,510,920	4,347,532	3,899,655	4,909,750
Public safety	9,251,574	8,254,360	7,888,166	6,909,737	6,843,873
Highways and street	2,816,635	3,111,725	2,565,264	2,196,120	1,788,597
Transportation	-	-	-	-	-
Culture and recreation	3,198,799	3,059,962	2,869,610	2,593,264	2,437,903
Redevelopment and housing	-	-	-	-	113,931
Capital outlay	2,341,365	5,498,903	4,598,404	4,273,284	1,872,067
Debt service:					
Principal retirement	1,322,010	1,332,649	1,241,480	1,672,415	1,612,775
Interest on long-term debt	985,873	695,238	728,162	808,310	819,827
Bond issuance costs	-	137,693	-	-	-
Total expenditures	24,582,078	26,601,450	24,238,618	22,352,785	20,398,723
Excess of revenues over (under) expenditures	(1,633,642)	(4,880,680)	(3,153,992)	(3,792,530)	(2,289,600)
Other Financing Sources (Uses)					
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	4,216	3,119,148	305,268	1,613,600	-
Transfers out	(704,216)	(3,119,048)	(305,268)	(2,011,856)	-
Total other financing sources (uses)	(700,000)	8,717,035	850,000	218,318	601,035
Net change in fund balances	\$ (2,333,642)	\$ 3,836,355	\$ (2,303,992)	\$ (3,574,212)	\$ (1,688,565)
Debt service as a percentage of noncapital expenditures	9.8%	10.4%	10.0%	14.7%	13.0%

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

Fiscal Year	Sales Tax	Occupancy Tax	Franchise Tax	Utility Taxes	Total
2021	\$ 21,056,079	\$ 465,589	\$ 405,383	\$ 385,020	\$ 22,312,071
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>
2021	3.50	0.75	5.60
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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Construction	\$ 24,344	\$ 23,321	\$ 29,985	\$ 27,795	\$ 28,548
Manufacturing	705	2,486	2,512	3,998	754
Communications and utilities	14,502	14,558	16,041	12,647	12,647
Retail Trade	474,798	420,086	331,672	343,540	343,540
Restaurants and Bars	61,235	49,864	46,149	43,296	43,296
Real estate, rental and lease	43,858	41,403	40,220	38,158	38,159
Hotels and Other Lodging	14,499	16,477	21,596	15,023	15,023
All Others Not Specified	26,178	1,269	1,048	483	2,973
Total	<u><u>\$ 660,119</u></u>	<u><u>\$ 569,464</u></u>	<u><u>\$ 489,223</u></u>	<u><u>\$ 484,940</u></u>	<u><u>\$ 484,940</u></u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Construction	\$ 12,131	\$ 19,450	\$ 19,609	\$ 19,783	\$ 19,783
Manufacturing	8,210	7,198	7,055	6,146	6,146
Communications and utilities	6,642	12,769	12,115	12,293	12,293
#	-	3,343	2,465	2,270	2,270
Retail Trade	307,992	292,839	268,377	260,464	260,464
Restaurants and Bars	38,022	36,101	34,066	31,607	31,607
Real estate, rental and lease	35,800	37,018	39,539	36,120	36,120
Hotels and Other Lodging	6,509	10,366	8,816	7,754	7,754
Services	-	10,999	9,924	9,402	9,402
All Others Not Specified	57,943	9,857	2,703	5,292	5,292
Total	<u>\$ 473,249</u>	<u>\$ 439,940</u>	<u>\$ 404,669</u>	<u>\$ 391,129</u>	<u>\$ 391,129</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
General Fund Historical Excise Tax Revenues and State Shared Revenue Collections
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Source</u>					
City Sales Tax	\$ 21,435,371	\$ 18,385,925	\$ 16,474,873	\$ 14,703,470	\$ 13,516,835
State Shared Sales Taxes	1,453,612	1,260,498	1,210,830	1,151,996	1,083,047
State Shared Income Taxes	1,751,125	1,577,507	1,455,983	1,485,076	1,445,847
Fines and Forfeitures	259,423	172,572	213,450	178,504	147,698
Licenses & Permits	<u>573,515</u>	<u>281,099</u>	<u>568,297</u>	<u>327,452</u>	<u>279,814</u>
Total	<u><u>\$ 25,473,045</u></u>	<u><u>\$ 21,677,601</u></u>	<u><u>\$ 19,923,433</u></u>	<u><u>\$ 17,846,498</u></u>	<u><u>\$ 16,473,241</u></u>

City of Cottonwood
General Fund Historical Excise Tax Revenues and State Shared Revenue Collections (Continued)
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Source</u>					
City Sales Tax	13,198,045	13,142,922	12,648,502	11,693,006	10,939,854
State Shared Sales Taxes	1,066,539	1,029,494	980,537	922,061	880,250
State Shared Income Taxes	1,356,305	1,363,698	1,255,627	1,150,696	950,774
Fines and Forfeitures	149,459	160,813	176,208	175,728	20,557
Licenses & Permits	<u>279,698</u>	<u>229,810</u>	<u>292,341</u>	<u>227,930</u>	<u>120,239</u>
Total	<u><u>\$ 16,050,046</u></u>	<u><u>\$ 15,926,737</u></u>	<u><u>\$ 15,353,215</u></u>	<u><u>\$ 14,169,421</u></u>	<u><u>\$ 12,911,675</u></u>

Source:

(a) The City levies an additional 3.5% transient lodging tax on any hotel, motel, apartment or individual charging for lodging space to any person for less than 30 consecutive days. A portion of this tax is restricted by State Statute to use for visitor and hospitality services. Such amounts are not part of the Excise Tax Revenues pledged to payment of the Payments.

City of Cottonwood
Tax Collections by Industry Classification
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Industry Classification</u>					
Retail Trade	\$ 15,963,435	\$ 13,280,014	\$ 11,751,602	\$ 10,487,520	\$ 10,098,671
Contracting	834,667	1,052,796	776,728	858,037	681,940
Real estate, rental and lease	1,377,587	1,327,528	1,354,733	1,195,647	1,101,019
Communications and utilities	498,298	510,615	465,369	385,296	414,051
Restaurants and Bars	2,003,950	1,736,839	1,572,599	1,356,197	1,238,284
All Others Not Specified	<u>776,496</u>	<u>808,435</u>	<u>815,439</u>	<u>664,120</u>	<u>197,846</u>
Total	<u><u>\$ 21,454,432</u></u>	<u><u>\$ 18,716,227</u></u>	<u><u>\$ 16,736,470</u></u>	<u><u>\$ 14,946,817</u></u>	<u><u>\$ 13,731,811</u></u>

City of Cottonwood
Tax Collections by Industry Classification (Continued)
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Industry Classification</u>					
Retail Trade	\$ 9,239,760	\$ 8,526,527	\$ 7,227,946	\$ 7,640,351	\$ 7,134,383
Contracting	363,930	686,093	491,176	286,634	277,251
Real estate, rental and lease	1,074,000	1,108,026	1,053,823	1,037,289	967,333
Communications and utilities	199,260	152,080	134,746	165,938	208,937
Restaurants and Bars	1,140,660	1,076,267	892,193	922,294	883,208
All Others Not Specified	<u>1,367,646</u>	<u>712,582</u>	<u>1,047,770</u>	<u>195,461</u>	<u>354,642</u>
Total	<u><u>\$ 13,385,256</u></u>	<u><u>\$ 12,261,575</u></u>	<u><u>\$ 10,847,653</u></u>	<u><u>\$ 10,247,967</u></u>	<u><u>\$ 9,825,753</u></u>

City of Cottonwood
Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year Ending June 30	General Obligation and Other Bonds	Notes and Loans Payable	Capital Leases	Total
2021	\$ 36,815,011	\$ -	\$ 893,847	\$ 37,708,858
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 June 30	Revenue Bonds	Loans Payable	Capital Leases	Total	Total Debt	Percentage of Personal Income	Per Capita
2021	\$ 2,893,043	\$ 18,283,570	\$ -	\$ 21,176,613	\$ 58,885,471	N/A	4,895
2020	3,044,915	19,652,522	-	22,697,437	42,056,543	25.4%	3,432
2019	3,193,930	21,011,061	-	24,204,991	45,547,694	21.3%	3,718
2018	3,340,090	22,343,732	413,270	26,097,092	48,216,538	19.3%	3,974
2017	3,244,416	22,418,796	820,068	26,483,280	50,685,050	17.3%	4,233
2016	23,911,915	23,756,290	1,220,494	48,888,699	72,648,774	11.3%	6,147
2015	24,551,327	9,696,290	1,614,650	35,862,267	60,956,826	12.9%	5,161
2014	31,750,000	-	2,000,000	33,750,000	51,214,937	14.6%	4,441
2013	32,725,000	-	-	32,725,000	51,056,417	13.6%	4,478
2012	33,690,000	-	-	33,690,000	53,012,258	12.5%	4,686
2011	33,690,000	-	-	33,690,000	52,774,000	12.1%	4,702

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**

Year	Excise tax Backed Bonds	Taxable Sales	Percentage of outstanding bonds to taxable sales	Population	Net general obligation bonded debt per capita
2021	\$ 39,708,054	\$ 628,349,935	6.32%	12,029	3,301
2020	21,025,068	566,876,577	3.71%	12,253	1,716
2019	22,692,081	501,274,855	4.53%	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, 2021

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Amount Overlapping Debt</u>
Overlapping Debt:			
Yavapai Community College	\$ 16,505,000	42.98%	\$ 12,292,280
Mingus Union High School District	10,435,004	11.39%	1,707,931
Total Overlapping Debt			<u>14,000,211</u>
Direct:			
City of Cottonwood			<u>42,056,543</u>
Total Direct Debt			<u><u>\$ 56,056,754</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	\$ 3,301.03	
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 2021:

Net full cash assessed valuation	\$145,606,774
Debt limit (6%)	8,736,406
Debt applicable to limit	-
Legal debt margin	<u><u>\$154,343,180</u></u>

	2021	2020	2019	2018	2017
Total 20% Debt Limit	\$ 29,121,355	\$ 28,978,987	\$ 25,587,171	\$ 24,009,228	\$ 19,767,803
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 29,121,355</u></u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
	2021	2020	2019	2018	2017
Total 6% Debt Limit	\$ 8,736,406	\$ 8,693,696	\$ 7,676,151	\$ 7,202,768	\$ 5,930,341
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 8,736,406</u></u>	<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>
Total net debt applicable to the 6% limit 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 2021:

Net full cash assessed valuation	\$145,606,774
Debt limit (20%)	29,121,355
Debt application to limit	-
Legal debt margin	<u><u>\$174,728,129</u></u>

	2016	2015	2014	2013	2012
Total 20% Debt Limit	\$ 20,447,479	\$ 18,658,140	\$ 19,360,743	\$ 21,087,938	\$ 24,518,865
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 20,447,479</u></u>	<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>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
	2016	2015	2014	2013	2012
Total 6% Debt Limit	\$6,134,244	\$ 5,597,442	\$ 5,808,223	\$ 6,326,381	\$ 7,355,660
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 6,134,244</u></u>	<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>
Total net debt applicable to the 6% limit 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				
	2021	2020	2019	2018	2017
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 8,664,939	\$ 8,386,920	\$ 8,120,944	\$ 8,174,427	\$ 7,608,838
Less: Operating expenses (2)	4,756,733	5,331,836	5,273,405	4,859,357	4,489,731
Net available revenue	3,908,206	3,055,084	2,847,539	3,315,070	3,119,107
Debt Service					
Principal	1,374,916	1,358,539	1,332,671	1,307,304	709,004
Interest	359,525	386,162	398,108	410,792	613,923
Total Annual Requirement	1,734,441	1,744,701	1,730,779	1,718,096	1,322,927
Estimated Coverage	2.25	1.75	1.65	1.93	2.36
Excise Tax Revenue/General Obligation Bonds (3)(4)					
Pledged revenues	25,473,045	18,803,787	16,736,469	14,949,167	14,070,668
Debt Service					
Principal	1,515,001	1,485,001	1,445,000	-	-
Interest	758,363	797,024	853,100	-	-
Total Annual Requirement	2,273,364	2,282,025	2,298,100	-	-
Estimated Coverage	11.21	8.24	7.28	N/A	N/A
General Arizona Development Authority Loan (3)					
Pledged revenues	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Annual Requirement	-	-	-	-	-
Estimated Coverage	N/A	N/A	N/A	N/A	N/A

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				
	2016	2015	2014	2013	2012
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 7,819,312	\$ 7,736,434	\$ 7,185,880	\$ 6,203,779	\$ 6,046,477
Less: Operating expenses (2)	3,591,176	3,169,489	3,754,462	3,855,986	3,627,892
Net available revenue	4,228,136	4,566,945	3,431,418	2,347,793	2,418,585
Debt Service					
Principal	610,000	1,000,000	975,000	965,000	920,000
Interest	1,205,635	1,464,618	1,482,773	1,559,310	1,592,304
Total Annual Requirement	1,815,635	2,464,618	2,457,773	2,524,310	2,512,304
Estimated Coverage	2.33	1.85	1.40	0.93	0.96
Excise Tax Revenue/General Obligation Bonds (3)(4)					
Pledged revenues	15,808,100	15,168,053	12,276,616	11,329,353	10,579,983
Debt Service					
Principal	-	-	150,000	140,000	135,000
Interest	465,916	-	4,150	12,175	23,500
Total Annual Requirement	465,916	-	154,150	152,175	158,500
Estimated Coverage	33.93	N/A	79.64	74.45	66.75
General Arizona Development Authority Loan (3)					
Pledged revenues	15,808,100	15,168,053	14,512,780	13,418,066	12,411,007
Debt Service					
Principal	875,000	840,000	1,165,000	1,110,000	1,070,000
Interest	631,276	683,076	724,776	749,675	977,703
Total Annual Requirement	1,506,276	1,523,076	1,889,776	1,859,675	2,047,703
Estimated Coverage	10.49	9.96	7.68	7.22	6.06

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

Fiscal Year	Population (2)	Personal Income (thousands of dollars)	Per Capita Personal Income (3)	School Enrollment	City of Cottonwood Unemployment Rates (4)
2021	12,029	N/A	N/A	2,850	6.10 2
2020	12,253	10,687,662	44,490	3,049	9.20 2
2019	12,249	9,696,469	41,076	3,283	4.60 2
2018	12,133	9,321,549	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

<u>Employer</u>	<u>2021</u>		<u>2012</u>	
	<u>Employees</u>	<u>Percentage of Total Area Employment</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Verde Valley Medical Center	898	0.008 %	806	0.007 %
Wal-Mart	356	0.003	430	0.004
Cottonwood Oak Creek Schools	250	0.002	185	0.002
City of Cottonwood	212	0.002	182	0.002
Mingus Union High School	136	0.001	140	0.001
Fry's	130	0.001	125	0.001
Spectrum Healthcare	250	0.002	125	0.001
Home Depot	125	0.001	120	0.001
Safeway	95	0.001	95	0.001
Food City	75	0.001	49	0.000
Total	<u>2,527</u>	<u>2% %</u>	<u>2,257</u>	<u>2% %</u>
 Total employment	 <u>110,485</u>		 <u>94,410</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>	Full-Time Equivalent Employees as of June 30									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Management Services	20.50	21.50	20.50	14.00	14.00	18.50	19.50	11.80	15.80	14.80
Finance	3.50	3.50	2.50	2.50	2.50	2.50	2.50	3.20	3.20	4.20
Planning	9.00	10.00	8.00	7.00	7.00	6.00	6.00	6.00	6.00	4.00
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	4.80	4.60	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00
Total general government	38.80	40.60	42.50	35.00	35.00	38.50	34.00	28.00	38.50	30.00
Public Safety										
Police	60.00	60.00	62.00	61.00	64.00	63.50	57.50	57.50	48.50	49.50
Firefighters	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Total public safety	88.00	88.00	90.00	89.00	92.00	91.50	85.50	85.50	76.50	77.50
Public Works										
Engineering	1.00	3.00	3.00	3.00	3.00	5.00	4.00	5.00	5.00	6.00
Others	8.50	8.50	4.00	4.00	4.00	4.00	9.50	5.50	4.00	4.00
Streets	2.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	5.50	5.50
Total public works	12.00	16.00	11.50	11.50	11.50	13.50	18.00	15.00	14.50	15.50
Parks and Recreation	11.00	12.00	12.00	17.50	17.50	12.00	12.00	12.00	12.00	19.50
Library	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	11.00	11.00
Water	23.60	19.60	19.60	18.60	18.60	18.80	18.30	17.80	18.80	18.10
Sewer	11.40	10.40	10.40	10.40	10.40	10.80	11.30	10.80	10.80	10.40
Transit	18.00	18.00	14.00	14.00	17.00	14.00	13.00	12.00	11.00	-
	73.00	69.00	65.00	69.50	72.50	64.60	63.60	61.60	63.60	59.00
Total	211.80	213.60	209.00	205.00	211.00	208.10	201.10	190.10	193.10	182.00

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>2021</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>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	26	30	34	32	32	28	26	27	20
Non-Patrol Units	13	8								
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	70	67	67	52	52	62	63	63	63	63
Highways (Miles)	12	12	12	12	12	12	20	20	20	10
Streetlights	644	644	644	644	644	644	644	644	644	644
Traffic Signals	1	1	1	10	10	10	10	10	10	10
Recreation and culture										
Acreage	39	39	39	39	39	39	125	125	125	125
Playgrounds	3	2	2	2	2	2	5	5	5	5
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	2	1	1	1	1	1	4	4	4	4
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (Miles)	190	189	189	187	186	186	94	94	94	94
Fire Hydrants	235	231	514	512	496	496	687	579	573	569
Storage Capacity (Thousands of gallons)	4,450	4,450	4,450	4,450	4,450	4,450	3,800	3,800	3,800	3,208
Wastewater										
Sanitary Sewers (Miles)	62	62	62	61	60	60	51	50	50	49
Treatment Capacity (Millions of Gallons)	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Transportation										
Buses	20	20	20	19	19	19	14	11	11	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
General Government					
Building Permits Issued	571	498	590	479	373
Police					
Physical Arrests	1437	1938	1776	1921	756
Parking Violations	N/A	N/A	N/A	N/A	N/A
Traffic Violations	2960	2056	2694	2037	1248
Calls for Service	13266	13162	14468		
Fire					
Emergency Responses	2696	3361	3448	3655	3626
Fires Extinguished	288	300	304	305	315
Inspections	1556	1558	1398	1306	1543
Public Works					
Street Resurfacing (Miles)	3	7	1	1	N/A
Library					
Volumes in Collection	97030	97311	110034	109308	133668
*Ebooks in Collection	30000	28647			
Volumes Borrowed	179000	159074	197357	208580	241679
*Ebooks in Borrowed	25000	24807			
Water					
New Connections	77	67	86	91	N/A
Water Main Breaks	180	189	188	156	N/A
Average Daily Consumption (Thousands of Gallons)	2079	1938	1821	1880	N/A
Peak Daily Consumption (Thousands of Gallons)	2614	2419	2326	2470	N/A
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1014	876	1012	1000	949
Transit					
Total Route Miles	469539	460351	455476	451022	435228
Passengers	121000	146981	164930	165099	150354

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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Government					
Building Permits Issued	379	304	301	291	251
Police					
Physical Arrests	1703	1,390	813	1,355	1,564
Parking Violations	87	177	118	108	75
Traffic Violations	2199	1,450	1,827	2,152	1,850
Fire					
Emergency Responses	3455	3,080	2,756	2,699	2,804
Fires Extinguished	291	245	241	208	247
Inspections	1649	1,591	1,896	1,650	1,559
Public Works					
Street Resurfacing (Miles)	0.8	0.8	0.3	1.0	N/A
Library	110385				
Volumes in Collection		137,444	106,713	104,052	96,673
Total Volumes Borrowed	264135	283,432	228,870	218,391	245,786
Water					
New Connections	74	29	48	30	12
Water Main Breaks	131	120	183	125	150
Average Daily Consumption (Thousands of Gallons)	2800	2,083	2,235	2,095	2,096
Peak Daily Consumption (Thousands of Gallons)	3200	2,625	3,147	2,763	2,714
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	949	949	969	963	983
Transit					
Total Route Miles	416116	266,688	321,387	267,256	N/A
Passengers	153889	149,492	122,874	117,519	N/A

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

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**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, 2021, 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 22, 2021.

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 22, 2021

City of C♥ttonwood

Annual Comprehensive Financial Report Fiscal Year 2020-2021

Cover Design: Kirsten Lennon and Helen Bartels

