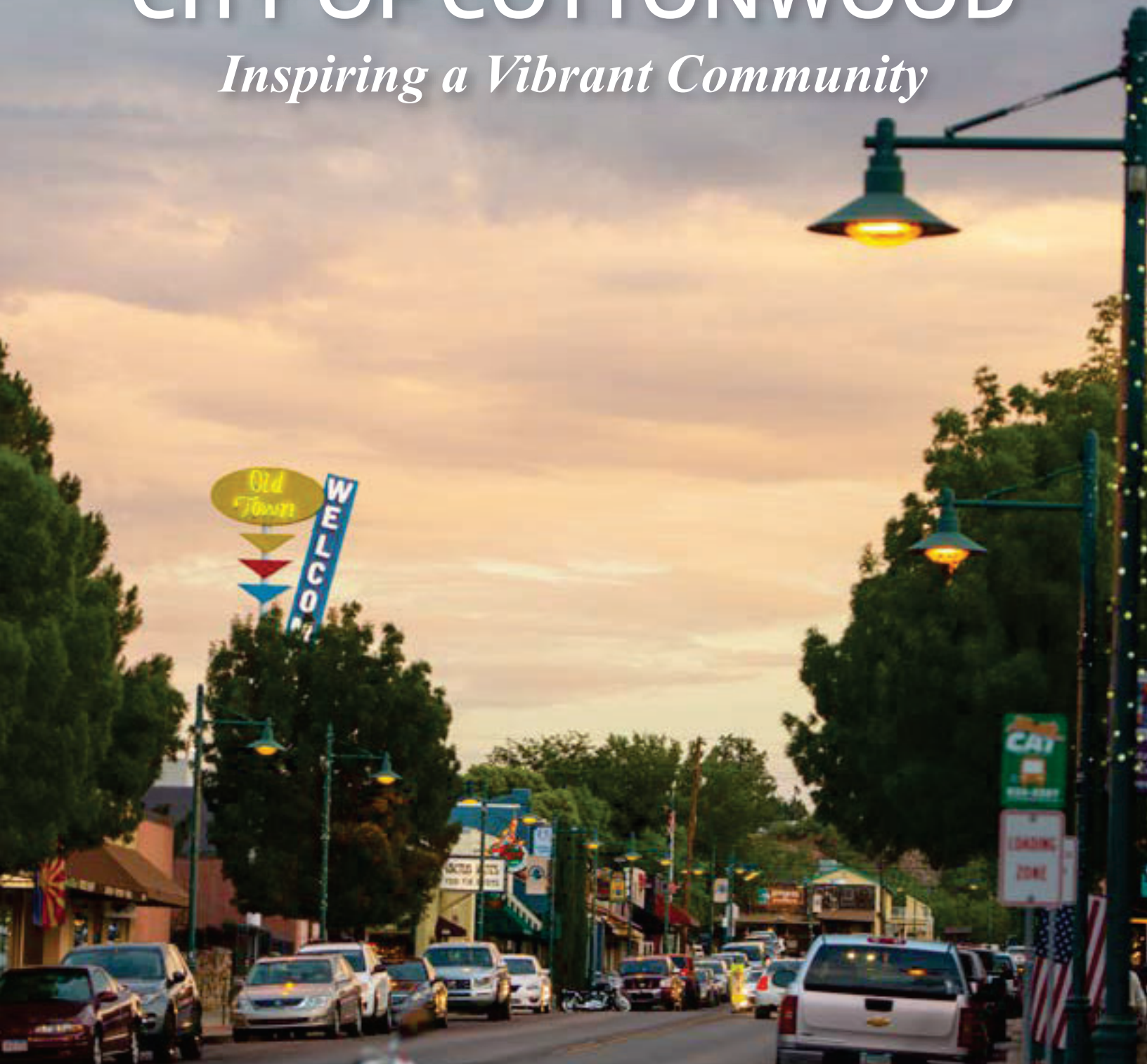


CITY OF COTTONWOOD

Inspiring a Vibrant Community



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended
June 30, 2022



City of Cottonwood, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2022

Prepared by the Finance Department

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
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December 21, 2022

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, 2022.

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, 2022, 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, 2022, 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 2022. 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, regional transit system, 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.

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

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

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

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

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

Local Economy. The City of Cottonwood, Arizona continues to face many growth issues. Its citizens, governing body, and municipal government are committed to finding solutions for each of the issues. This strong commitment to the community has made 2022 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 over the previous fiscal year. The State has elected to go to a flat Income Tax rate which will be reflected as a decrease in future State Shared Revenue numbers.

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. The last two years the City has elected to restrict 25% of these revenues to help with future coverage but has not changed the current policy of reserving 16.67%







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 2022, \$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 2022 goals obtained are summarized within this list of accomplishments:

Foster Sustainable Growth and Development

-  Hired a Housing Manager in partnership with City of Sedona; implemented the Down Payment Assistance program for City of Cottonwood employees and employees of Cottonwood businesses.
-  Became the designated marketing organization for Cottonwood, hired an organization to improve marketing and assisted the marketing firm in revamping the Visit Cottonwood website.
-  Expanded the Community Garden to the full potential of 53 plots and 100 percent of plots were leased in 2021.
-  Assisted the Historic Preservation Commission (HPC) with its first annual virtual home tour video production, coordinated marketing and leading the project to meet deadlines.
-  Developed professional videos to promote Cottonwood with Red Rock TV and Sedona NOW TV, and provided professional photos taken by Blushing Cactus Photography.
-  Opened digital media lab utilizing grant funding from the Library Services and Technology Act to encourage teens and small businesses to build skills in social media creation, graphic design, and podcasting.

- 🌐 Invested reserve funds in a Arizona-based bank as a way to support local commerce.
- 🌐 Worked with the Verde Valley Homeless Coalition, the Arizona Council of Governments, the Arizona Department of Housing, and City staff to secure a Community Development Block Grant pass-through grant in the amount of \$1.775 million for the purchase and improvement of the Coalition's emergency overnight homeless shelter and expansion of services to include transitional housing.

Ensure Our Quality of Life

- 🌐 Created a regional non-profit coalition called Verde Valley Community Coalition of Nonprofits.
- 🌐 Engaged citizens by organizing two Council neighborhood meetings for Neighborhood Officer Zones CW1 and CW2.
- 🌐 Implemented Volunteer Leave to help incentivize employee volunteerism.
- 🌐 Outreach Services Officer Program was implemented and has successfully assisted in providing resources, direction, community services, and life changing programs to unsheltered individuals within the city.
- 🌐 Engaged community stakeholder in the Fire wise program for wildfire preparedness by providing two presentations to community groups.
- 🌐 Successfully provided 15 public safety and educational programs, such as CPR and First Aid courses.
- 🌐 Collaborated with the Verde Valley Wine Fest in moving the event from Clarkdale to Cottonwood to add a significant Wine Themed event to our special events listing.
- 🌐 Began feasibility study on a “Wine Line” to promote our community and support our tagline “The Heart of Arizona Wine Country.”
- 🌐 Increased the amount of art, including several murals by local artist Joan Bourque utilizing grant funding.

Lead with Environmental Stewardship

- 🌐 Installed four new arsenic treatment systems at wells that experience elevated levels of arsenic to ensure compliance with safe drinking water requirements.
- 🌐 Completed the replacement of more than 1,390 manual read meters with remote read meters to improve and enhance the accuracy and efficiency of collecting and entering monthly water use data.
- 🌐 Replaced the media at Mesquite Hills arsenic treatment system.
- 🌐 Replaced an aging water line in the alley between 5th and 6th Streets off of Main Street to ensure more reliable water delivery service in Old Town.
- 🌐 Replaced the check valves at Quail Canyon wellsite to eliminate water hammering and protect the integrity of the water distribution system.
- 🌐 Completed the initial feasibility assessment of modifying the Mingus Wastewater Treatment Plant (WWTP) to produce potable quality water for direct potable reuse (DPR)
- 🌐 Initiated the engineering and design of the wellhead and necessary infrastructure to facilitate the recharge of reclaimed water via injection well at the Mingus WWTP. (Recharge of reclaimed water projected to begin around middle 2022)

Improve Our Infrastructure

- 🌐 Acquired building at 635 N Main Street for the new City Hall location, issued a Request for Proposal for architectural services and initiated the buildout of the building.

- 🔊 Developed a new Citywide vehicle maintenance and repair agreement with an award to multiple service providers in an effort to expedite services, and promote competition and customer service provided to the City.
- 🔊 Developed a capital replacement program, funded at 2.75% of budgeted revenues for FY 2022.
- 🔊 Dramatically reduced 9-1-1 radio system issues by building in some redundancy and attending to needed repairs.
- 🔊 Added infrastructure by awarding a construction for 2,000 LF of sidewalk on Fir Street.
- 🔊 Completed reconstruction of Mingus Avenue from the intersection with 8th Street to Main Street.
- 🔊 Converted 40 fixtures to LED or other energy efficient bulbs.
- 🔊 Applied 45,000 lbs. of crack seal in preparation of pavement preservation.
- 🔊 Completed the installation of the replacement Automated Weather Observing System (AWOS) system.
- 🔊 Completed the installation of airport security enhancement projects for access controls and security camera system
- 🔊 Completed the initial assessment of blower and maintenance issues at the Mingus Wastewater Treatment Plant (WWTP).
- 🔊 Initiated the engineering and design of the selected solution to address the blower and maintenance at the Mingus WWTP.

Embrace Financial Accountability and Transparency

- 🔊 Increased the City's Restricted reserves to match 25% of prior year revenues and allocated another \$4M to undesignated reserves.
- 🔊 Completed and submitted the FY 2021 Annual Comprehensive Financial Reporting (ACFR) to the Government Finance Officers Association (GFOA) for which the Finance Department received its 31st GFOA Certificate of Achievement in Excellence in Financial Reporting.
- 🔊 Revised three sections of the Employee Manual (1, 6, 8) to update policies regarding Employment Rights and Responsibilities, Compensated Time and Leave, and Corrective Action.
- 🔊 Implemented the approved compensation plan that resulted from the Compensation Study.
- 🔊 Implemented additional payment methods and access for defendants - telephonic and electronic with little or no access/use fee and installation of an exterior payment drop box for payments and court correspondence.
- 🔊 Assisted in the issuance of approximately \$20 million in pledged revenue obligations used to refinance the City's public safety pension liability.
- 🔊 Provided significant assistance in the negotiations, due diligence and purchase of the Rough Cut building, during which time the City received several significant price concessions from the seller.
- 🔊 Implementation of subscriber agreements with the Town of Jerome Police and the Town of Clarkdale Police to provide 911 dispatch services and successful transition into Communications operation on November 1, 2021.
- 🔊 Removed late fees from the Materials Borrowing Policy to reduce the number of patrons excluded from utilization of the library due to overdue fees.


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, 2021. This was the 31st 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,



Jesus R. Rodriguez
Interim 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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

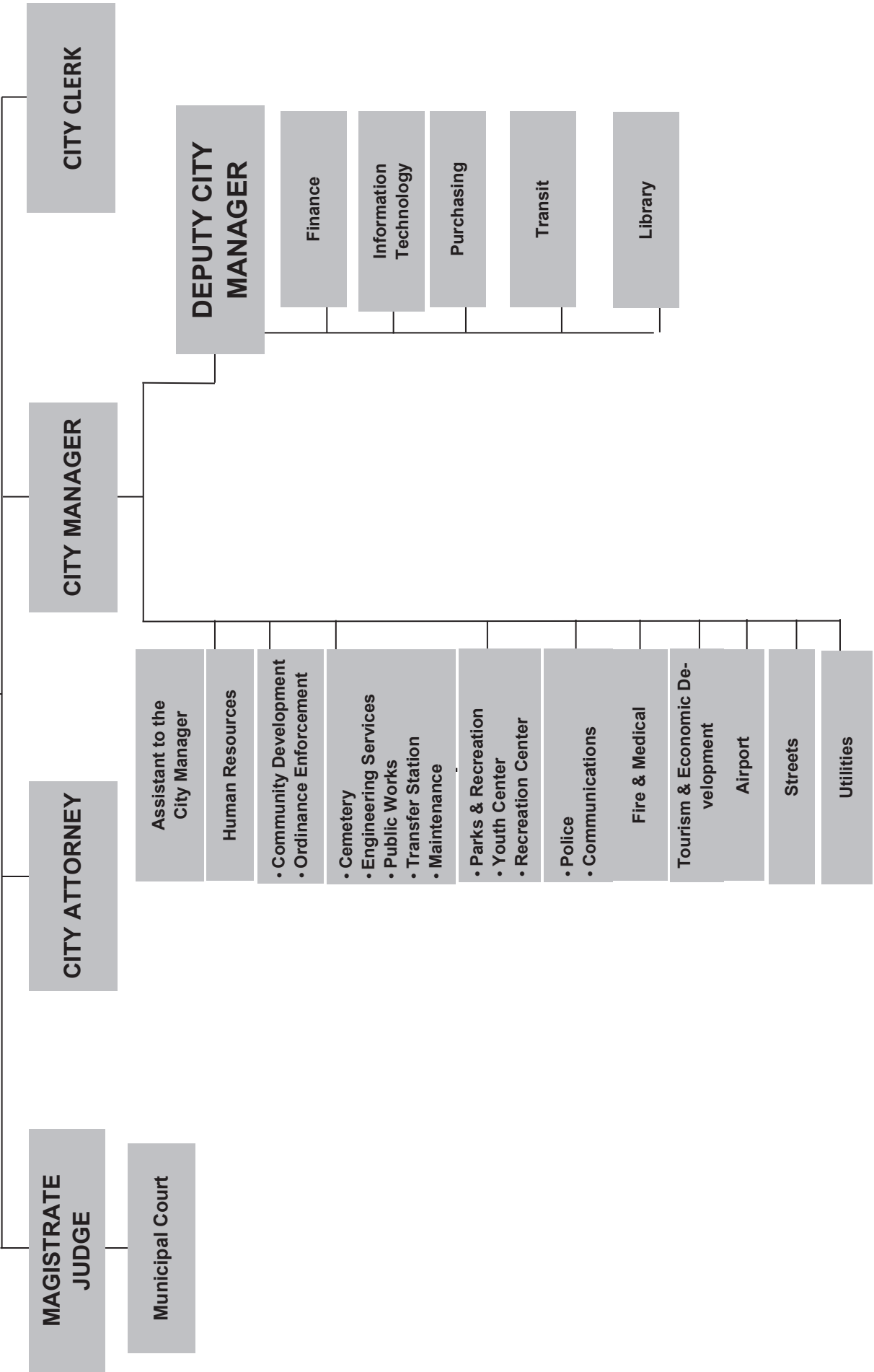
June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITIZENS

CITY COUNCIL



City of Cottonwood

Comprehensive Annual Financial Report

Principal Officials as of June 30, 2022



Mayor
Tim Elinski



Vice Mayor
Jackie Nairn



Council Member
Tosca Henry



Council Member
Michael Mathews



Council Member
Doub Hulse



Council Member
Debbie Wilden



Council Member
Helaine Kurot

City Staff as of June 30, 2022

Ron Corbin, City Manager

Jesus R. Rodriguez,
Deputy City Manager

Kirsten Lennon,
Financial Services Director

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INDEPENDENT AUDITORS' REPORT

2 North Central Avenue, Suite 1800
Phoenix, Arizona 85004

www.pungroup.cpa

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Implementation of New GASB Pronouncements

As discussed in Note 1 to the basic financial statements, the City implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* during the year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining and Individual Fund Financial Statements and Budgetary Comparison Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of 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 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 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 21, 2022

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City of Cottonwood, Arizona

Management's Discussion and Analysis (Unaudited)

(Required Supplementary Information)

For the fiscal year ended June 30, 2022

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2022

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, 2022. 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, 2022 by \$98.0 million, this compared to \$79.4 million at fiscal year end June 30, 2021. This is an overall increase of \$18.7 million or an increase of 24% of prior year's net position. Net position for governmental activities exceeded liabilities by \$39.0 million and this compares to \$28.5 million at June 30, 2021, an increase of 37%. The amount of increase in net position was \$10.5 million. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$59.0 million compared to \$50.8 million at June 30, 2021, an increase of 16%.

Changes in Net Position – The City's net position increased \$18.7 million in FY 2021-2022; this compared to \$12.7 million increase in FY 2020-2021. Net position of governmental activities increased \$10.5 million compared to an increase of \$8.9 million in 2020-2021. Net position of business-type activities increased by \$8.2 million compared to a \$3.8 million increase in FY 2020-2021.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2021-2022 the City's total governmental funds reported a fund balance of \$26.4 million, a \$2.2 million increase from the FY 2020-2021 balance of \$24.2 million, an increase of 9%. 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, 2022 was \$18.2 million. The fund balance decreased by \$100,000. This decrease was planned with the General Fund allocated a portion of the fund balance and additional revenue resources to the Special Revenue Funds to cover future capital projects.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2022

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, 2022

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 32-35.

- ♦ *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 40-43.

- ♦ *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 55-100.

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 103-127.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2022

	City of Cottonwood Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Current & Other Assets	36,731,244	\$ 27,735,297	\$ 38,371,036	\$ 30,496,059	\$ 75,102,280	\$ 58,231,356
Capital Assets	51,284,335	45,486,398	40,309,918	41,129,782	91,594,253	86,616,180
Total Assets	88,015,579	73,221,695	78,680,954	71,625,841	166,696,533	144,847,536
Deferred Outflows	5,168,678	24,396,124	4,202,110	4,310,337	9,370,788	28,706,461
Current Liabilities	6,372,019	4,881,507	2,383,020	2,554,508	8,755,039	7,436,015
Long-term Liabilities	41,809,982	63,289,147	20,348,531	22,448,718	62,158,513	85,737,865
Total Liabilities	48,182,001	68,170,654	22,731,551	25,003,226	70,913,552	93,173,880
Deferred Inflows	5,955,528	926,215	1,108,795	81,278	7,064,323	1,007,493
Net Investment in						
Capital Assets	36,108,156	28,377,288	24,331,532	26,397,745	60,439,688	54,775,033
Restricted	12,628,846	9,151,977	8,158,869	9,501,748	20,787,715	18,653,725
Unrestricted	(9,690,274)	(9,008,315)	26,552,317	14,952,181	16,862,043	5,943,866
Total Net Position	\$ 39,046,728	\$ 28,520,950	\$ 59,042,718	\$ 50,851,674	\$ 98,089,446	\$ 79,372,624

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$98.1 million at the close of fiscal year ending June 30, 2022.

Of the City's total net position, 61.9% 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.

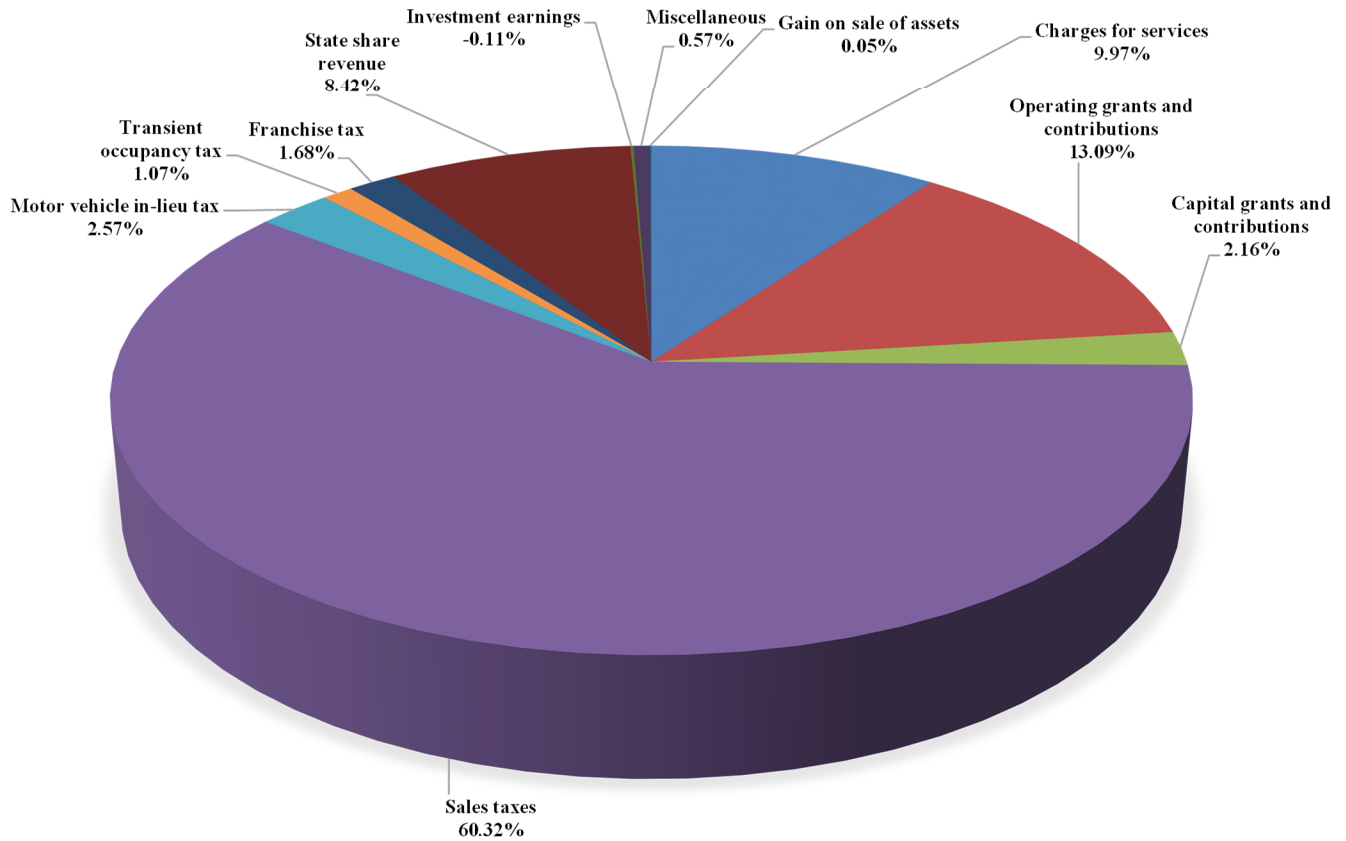
The City's net position was increased by \$18.7 million during the fiscal year, a 24% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase and an overall 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, 2022

Governmental Activities

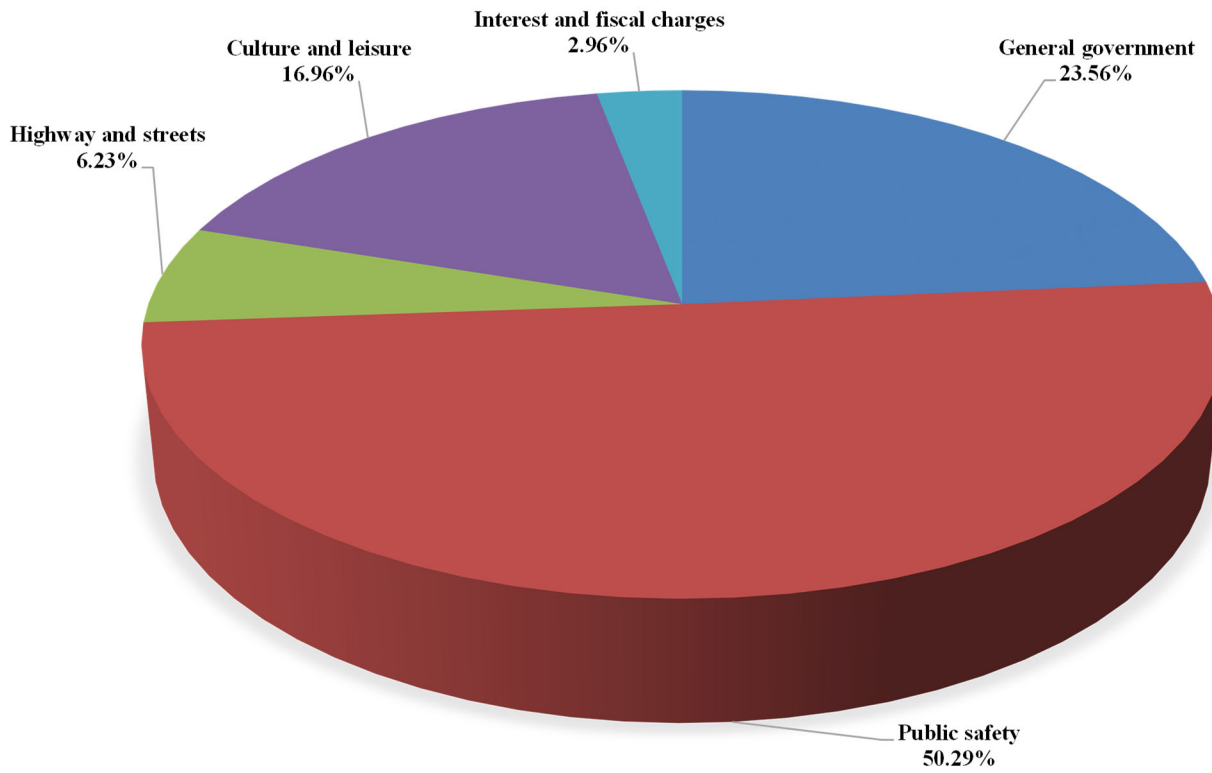
Governmental activities increased the City's net position by \$10.5 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses 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, 2022

EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2022

Statement of Activities							
For the Year Ended June 30, 2022							
	Governmental Activities		Business Type Activities		Total		
	2022	2021	2022	2021	2022	2021	
Revenues:							
Program revenues:							
Charges for services	\$ 3,899,545	\$ 2,823,819	\$ 13,296,772	\$ 12,685,051	\$ 17,196,317	\$ 15,508,870	
Operating grants and contributions	5,120,000	6,480,841	4,092,258	-	9,212,258	6,480,841	
Capital grants and contributions	844,323	567,018	-	-	844,323	567,018	
Total program revenues	9,863,868	9,871,678	17,389,030	12,685,051	27,252,898	22,556,729	
General revenues:							
Sales taxes	23,598,985	21,441,099	-	-	23,598,985	21,441,099	
Motor vehicle in-lieu tax	1,006,423	1,039,271	-	-	1,006,423	1,039,271	
Transient occupancy tax	418,731	405,373	-	-	418,731	405,373	
Franchise tax	657,223	465,588	-	-	657,223	465,588	
Total taxes	25,681,362	23,351,331	-	-	25,681,362	23,351,331	
State share revenue	3,292,506	3,204,737	-	-	3,292,506	3,204,737	
Investment earnings	(42,572)	10,635	(92,372)	16,978	(134,944)	27,613	
Miscellaneous	221,534	827,590	-	-	221,534	827,590	
Gain on sale of assets	19,282	830,504	-	(255,694)	19,282	574,810	
Total general revenues and transfers	29,172,112	28,224,797	(92,372)	(238,716)	29,079,740	27,986,081	
Total revenues	39,035,980	38,096,475	17,296,658	12,446,335	56,332,638	50,542,810	
Expenses:							
General government	7,004,688	6,927,542	-	-	7,004,688	6,927,542	
Public safety	11,109,091	12,859,366	-	-	11,109,091	12,859,366	
Highway and streets	1,852,918	1,949,637	-	-	1,852,918	1,949,637	
Transportation	2,618,607	2,620,605	-	-	2,618,607	2,620,605	
Culture and leisure	5,043,553	4,215,599	-	-	5,043,553	4,215,599	
Interest and fiscal charges	881,345	597,696	-	-	881,345	597,696	
Water	-	-	6,011,662	5,265,348	6,011,662	5,265,348	
Wastewater	-	-	3,093,952	3,384,098	3,093,952	3,384,098	
Total expenses	28,510,202	29,170,445	9,105,614	8,649,446	37,615,816	37,819,891	
Change in net position	10,525,778	8,926,030	8,191,044	3,796,889	18,716,822	12,722,919	
Net position, beginning of year	28,520,950	19,594,920	50,851,674	47,054,785	79,372,624	66,649,705	
Net position, end of year	<u>\$ 39,046,728</u>	<u>\$ 28,520,950</u>	<u>\$ 59,042,718</u>	<u>\$ 50,851,674</u>	<u>\$ 98,089,446</u>	<u>\$ 79,372,624</u>	

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2022

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 \$8.2 million, compared to an increase of \$3.8 million in the prior year FY 2020-2021.

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, 2022

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 \$101,984 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 \$3,008 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 \$59 million and \$96 thousand, respectively. The increase in net position in the Enterprise Funds of \$8.2 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, 2022

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 \$96.8 million in governmental capital assets and \$70.4 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent an increase prior to depreciation of \$7.8 million for the governmental activities and a decrease prior to depreciation of \$820 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 \$2.9 million for governmental activities and \$0.8 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	7,564,905	2,899,180	10,464,085
Total non-depreciable assets, net	10,184,790	7,031,421	17,216,211
<i>Depreciable Assets:</i>			
Infrastructure	31,337,869	47,325,348	78,663,217
Buildings and improvements	40,571,811	10,873,815	51,445,626
Vehicles, machinery and equipment	14,723,800	5,208,500	19,932,300
	86,633,480	63,407,663	150,041,143
Less accumulated depreciation	(45,533,935)	(30,129,166)	(75,663,101)
Total depreciable assets, net	41,099,545	33,278,497	74,378,042
Total capital assets	\$ 51,284,335	\$ 40,309,918	\$ 91,594,253

Additional information on the capital assets can be found in Note 6 on pages 72-73 of this report.

Debt Administration

At year-end, the City had \$35.7 million in governmental long-term debt outstanding with \$2.1 million due within one year. The City had \$19.6 million in business-type long-term debt outstanding, with \$1.6 million due within one year. Long-term debt decreased by \$2.0 million for governmental activities and decreased by \$1.6 million for business-type activities.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2022

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 \$32.5 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 \$9.7 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 July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within one year	Due in more than one year
<u>Governmental Activities</u>						
Finance purchase agreements	\$ 893,847	\$ 200,985	\$ (580,878)	\$ 513,954	\$ 321,133	\$ 192,821
2015 Pledged revenue bonds	7,189,886	-	(390,840)	6,799,046	371,488	6,427,558
2016 Pledged revenue bonds	9,245,125	-	(1,193,590)	8,051,535	1,085,000	6,966,535
2021 Pledged revenue bonds	20,380,000	-	-	20,380,000	290,000	20,090,000
Total Government Activities	37,708,858	200,985	(2,165,308)	35,744,535	2,067,621	33,676,914
<u>Business-Type Activities</u>						
2015 WIFA refunding loan	7,031,162	-	(663,447)	6,367,715	678,043	5,689,672
2016 WIFA refunding loan	11,252,408	-	(732,051)	10,520,357	744,526	9,775,831
2015 Pledged revenue bonds	2,893,043	-	(157,584)	2,735,459	148,512	2,586,947
Total Business-Type Activities	21,176,613	-	(1,553,082)	19,623,531	1,571,081	18,052,450
Total	\$ 58,885,471	\$ 200,985	\$ (3,718,390)	\$ 55,368,066	\$ 3,638,702	\$ 51,729,364

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 2022-23 general fund budget balance carry forward (estimated \$17 million).
- Employee salaries and benefits (estimated at \$23 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, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 24,647,140	\$ 25,125,545	\$ 49,772,685
Receivables:			
Accounts, net	117,771	970,870	1,088,641
Taxes	1,067,506	-	1,067,506
Intergovernmental	663,416	2,046,129	2,709,545
Lease receivable - due within one year	45,716	9,695	55,411
Deposits	-	-	-
Due from fiduciary fund	-	-	-
Internal balances	-	-	-
Inventories and prepaid items	99,719	-	99,719
Total current assets	26,641,268	28,152,239	54,793,507
Noncurrent assets:			
Restricted cash and investments	5,088,187	9,861,839	14,950,026
Lease receivable - due in more than one year	664,366	275,754	940,120
Aggregate net OPEB asset	485,775	81,204	566,979
Aggregate net pension asset	3,851,648	-	3,851,648
Capital assets:			
Nondepreciable	10,184,790	7,031,421	17,216,211
Depreciable, net	41,099,545	33,278,497	74,378,042
Total capital assets, net	51,284,335	40,309,918	91,594,253
Total noncurrent assets	61,374,311	50,528,715	111,903,026
Total assets	88,015,579	78,680,954	166,696,533
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions (Note 7)	-	3,645,145	3,645,145
Deferred loss on debt refunding	188,356	-	188,356
Pension-related deferred outflows	4,906,989	543,036	5,450,025
OPEB-related deferred outflows	73,333	13,929	87,262
Total deferred outflows of resources	5,168,678	4,202,110	9,370,788

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	2,297,249	271,801	2,569,050
Accrued payroll and related liabilities	469,390	69,000	538,390
Interest payable	493,635	219,258	712,893
Deposits payable	72,839	191,173	264,012
Unearned revenue	59,122	-	59,122
Compensated absences - due within one year	912,163	60,707	972,870
Long-term debt - due within one year	2,067,621	1,571,081	3,638,702
Total current liabilities	6,372,019	2,383,020	8,755,039
Long-term liabilities:			
Compensated absences - due in more than one year	498,468	125,385	623,853
Long-term debt - due in more than one year	33,676,914	18,052,450	51,729,364
Aggregate net pension liability - due in more than one year	7,611,181	2,167,277	9,778,458
Aggregate net OPEB liability - due in more than one year	23,419	3,419	26,838
Total long-term liabilities	41,809,982	20,348,531	62,158,513
Total liabilities	48,182,001	22,731,551	70,913,552
DEFERRED INFLOWS OF RESOURCES			
Lease-related deferred inflows	687,578	283,414	970,992
Pension-related deferred inflows	4,840,995	756,323	5,597,318
OPEB-related deferred inflows	426,955	69,058	496,013
Total deferred inflows of resources	5,955,528	1,108,795	7,064,323
NET POSITION			
Net investment in capital assets	36,108,156	24,331,532	60,439,688
Restricted for:			
Debt service	355,712	8,158,869	8,514,581
Pension	4,343,823	-	4,343,823
Grants	1,420,897	-	1,420,897
Highways and streets	5,360,991	-	5,360,991
Capital projects	1,147,423	-	1,147,423
Total restricted	12,628,846	8,158,869	20,787,715
Unrestricted	(9,690,274)	26,552,317	16,862,043
Total net position	\$ 39,046,728	\$ 59,042,718	\$ 98,089,446

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 7,004,688	\$ 1,790,437	\$ 1,239,481	\$ 91,739	\$ 3,121,657
Public safety	11,109,091	1,110,216	1,187,999	1,782	2,299,997
Highways and streets	1,852,918	-	1,247,977	87,500	1,335,477
Transportation	2,618,607	122,608	1,347,105	238,470	1,708,183
Culture and leisure	5,043,553	876,284	97,438	424,832	1,398,554
Interest and fiscal agent fees, net of amortization	881,345	-	-	-	-
Total governmental activities	28,510,202	3,899,545	5,120,000	844,323	9,863,868
Business-Type activities:					
Water	6,011,662	8,716,680	-	-	8,716,680
Wastewater	3,093,952	4,580,092	4,092,258	-	8,672,350
Total business-type activities	9,105,614	13,296,772	4,092,258	-	17,389,030
Total primary government	\$ 37,615,816	\$ 17,196,317	\$ 9,212,258	\$ 844,323	\$ 27,252,898

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (3,883,031)	\$ -	\$ (3,883,031)
Public safety	(8,809,094)	-	(8,809,094)
Highways and streets	(517,441)	-	(517,441)
Transportation	(910,424)	-	(910,424)
Culture and leisure	(3,644,999)	-	(3,644,999)
Interest and fiscal agent fees, net of amortization	(881,345)	-	(881,345)
Total governmental activities	(18,646,334)	-	(18,646,334)
Business-Type activities:			
Water	-	2,705,018	2,705,018
Wastewater	-	5,578,398	5,578,398
Total business-type activities	-	8,283,416	8,283,416
Total primary government	(18,646,334)	8,283,416	(10,362,918)
General revenues:			
Taxes:			
Sales tax	23,598,985	-	23,598,985
Motor vehicle in-lieu taxes	1,006,423	-	1,006,423
Franchise tax	657,223	-	657,223
Transient occupancy tax	418,731	-	418,731
Total taxes	25,681,362	-	25,681,362
State share revenue	3,292,506	-	3,292,506
Investment income (loss)	(42,572)	(92,372)	(134,944)
Miscellaneous	221,534	-	221,534
Gain on sale of assets	19,282	-	19,282
Total general revenues	29,172,112	(92,372)	29,079,740
Change in net position	10,525,778	8,191,044	18,716,822
Net position - beginning of year	28,520,950	50,851,674	79,372,624
Net position - end of year	\$ 39,046,728	\$ 59,042,718	\$ 98,089,446

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Fund Financial Statements

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

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Governmental Fund Financial Statements

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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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.

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
Balance Sheet
Governmental Funds
June 30, 2022

	Major Funds			
	General Fund	HURF Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 14,593,760	\$ 5,872,240	\$ 4,084,903	\$ 24,550,903
Restricted cash and cash investments	4,343,823	535,030	209,334	5,088,187
Receivables:				
Accounts	114,131	-	3,640	117,771
Taxes	708,209	201,667	157,630	1,067,506
Intergovernmental	158,101	120,492	384,823	663,416
Lease receivable	710,082	-	-	710,082
Due from other funds	-	-	-	-
Inventories and prepaid items	71,616	13,928	14,175	99,719
Total assets	<u>\$ 20,699,722</u>	<u>\$ 6,743,357</u>	<u>\$ 4,854,505</u>	<u>\$ 32,297,584</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 801,604	\$ 1,366,086	\$ 129,559	\$ 2,297,249
Accrued payroll and related liabilities	425,411	10,963	33,016	469,390
Other payroll deductions payable	-	-	-	-
Due to other funds	-	-	-	-
Deposits payable	72,839	-	-	72,839
Unearned revenue	59,122	-	-	59,122
Interest payable - current portion	205,008	85,897	202,730	493,635
Principal payable - current portion	290,000	220,792	1,235,693	1,746,485
Total liabilities	<u>1,853,984</u>	<u>1,683,738</u>	<u>1,600,998</u>	<u>5,138,720</u>
Deferred Inflows of Resources:				
Lease-related deferred inflows	687,578	-	-	687,578
Total deferred inflows of resources	<u>687,578</u>	<u>-</u>	<u>-</u>	<u>687,578</u>
Fund Balances:				
Nonspendable	71,616	13,928	14,175	99,719
Restricted	4,343,823	5,045,691	3,239,332	12,628,846
Committed	-	-	-	-
Assigned	1,000,000	-	-	1,000,000
Unassigned	12,742,721	-	-	12,742,721
Total fund balances	<u>18,158,160</u>	<u>5,059,619</u>	<u>3,253,507</u>	<u>26,471,286</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,699,722</u>	<u>\$ 6,743,357</u>	<u>\$ 4,854,505</u>	<u>\$ 32,297,584</u>

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, 2022

Total Fund Balances - Total Governmental Funds	\$ 26,471,286
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>51,284,335</u>
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	(912,163)
Compensated absences - due in more than one year	(498,468)
Long-term debt - due within one year	(2,067,621)
Long-term debt - due in more than one year	(33,676,914)
less amount reported in governmental fund financial statements for current portion	<u>1,746,485</u>
	<u>(35,408,681)</u>
Aggregate net pension asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>3,851,648</u>
Aggregate net OPEB asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>485,775</u>
Deferred loss on debt refunding in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>188,356</u>
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	73,333
Pension-related deferred outflows	<u>4,906,989</u>
	<u>4,980,322</u>
Aggregate net OPEB liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	<u>(23,419)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	<u>(7,611,181)</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	(426,955)
Pension-related deferred outflows	<u>(4,840,995)</u>
	<u>(5,267,950)</u>
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.	<u>96,237</u>
Net Position of Governmental Activities	<u>\$ 39,046,728</u>

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	Major Funds			
	General Fund	HURF Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 20,426,498	\$ 1,799,317	\$ 2,449,124	\$ 24,674,939
Intergovernmental	5,535,034	1,247,977	2,410,819	9,193,830
Licenses and permits	642,420	-	-	642,420
Fines and forfeitures	203,217	-	-	203,217
Rents and royalties	243,970	-	-	243,970
Investment income (loss)	(31,258)	2,817	(14,130)	(42,571)
Charges for services	2,458,094	-	122,608	2,580,702
Contributions	26,954	-	-	26,954
Miscellaneous	1,469,175	10,262	13,800	1,493,237
Total revenues	30,974,104	3,060,373	4,982,221	39,016,698
EXPENDITURES:				
Current:				
General government	6,975,656	-	193,148	7,168,804
Public safety	10,258,750	-	-	10,258,750
Highways and streets	-	1,274,499	-	1,274,499
Transportation	-	-	2,048,879	2,048,879
Culture and leisure	3,969,854	-	247,111	4,216,965
Capital outlay	1,403,028	4,059,567	3,317,853	8,780,448
Debt service:				
Principal	829,539	262,131	1,235,696	2,327,366
Interest and fiscal charges	438,167	172,291	408,153	1,018,611
Total expenditures	23,874,994	5,768,488	7,450,840	37,094,322
REVENUES OVER (UNDER) EXPENDITURES	7,099,110	(2,708,115)	(2,468,619)	1,922,376
OTHER FINANCING SOURCES (USES):				
Sales of property	64,376	-	-	64,376
Inception of lease	200,985	-	-	200,985
Transfers in	-	4,876,424	2,581,311	7,457,735
Transfers out	(7,457,735)	-	-	(7,457,735)
Total other financing sources (uses)	(7,192,374)	4,876,424	2,581,311	265,361
Net changes in fund balances	(93,264)	2,168,309	112,692	2,187,737
FUND BALANCES:				
Beginning of year	18,251,424	2,891,310	3,140,815	24,283,549
End of year	<u>\$ 18,158,160</u>	<u>\$ 5,059,619</u>	<u>\$ 3,253,507</u>	<u>\$ 26,471,286</u>

City of Cottonwood
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 2,187,737
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.	8,780,448
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.	(2,937,417)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.	(45,094)
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	(200,985)
Accrual of long-term liabilities payable on July 1, 2022 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	1,746,485
Repayment of long-term liabilities due on January 1, 2022 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	1,996,650
Less: accrual of long-term liabilities payable on July 1, 2021	(1,415,769)
Total	<u>580,881</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	(31,392)
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.	381,105
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.	95,282
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	(199,049)
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>(881)</u>
Change in Net Position of Governmental Activities	<u>\$ 10,525,778</u>

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Proprietary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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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, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
ASSETS				
Current assets:				
Cash and cash investments	\$ 16,266,308	\$ 8,859,237	\$ 25,125,545	\$ 96,237
Receivables:				
Accounts, net	668,111	302,759	970,870	-
Intergovernmental	-	2,046,129	2,046,129	-
Lease receivable - due within one year	9,695	-	9,695	-
Total current assets	16,944,114	11,208,125	28,152,239	96,237
Noncurrent assets:				
Restricted cash and cash equivalents	9,714,511	147,328	9,861,839	-
Lease receivable - due in more than one year	275,754	-	275,754	-
Aggregate net OPEB asset	56,306	24,898	81,204	-
Capital assets:				
Non-depreciable	3,229,659	3,801,762	7,031,421	-
Depreciable, net	9,460,266	23,818,231	33,278,497	-
Total capital assets	12,689,925	27,619,993	40,309,918	-
Total noncurrent assets	22,736,496	27,792,219	50,528,715	-
Total assets	39,680,610	39,000,344	78,680,954	96,237
DEFERRED OUTFLOWS OF RESOURCES				
Excess consideration provided for acquisitions	3,645,145	-	3,645,145	-
Pension-related deferred outflows	376,535	166,501	543,036	-
OPEB-related deferred outflows	9,658	4,271	13,929	-
Total deferred outflows of resources	4,031,338	170,772	4,202,110	-
LIABILITIES				
Current liabilities:				
Accounts payable	81,560	190,241	271,801	-
Accrued payroll and related liabilities	48,952	20,048	69,000	-
Interest payable	176,722	42,536	219,258	-
Deposits payable	190,773	400	191,173	-
Compensated absences - due within one year	45,756	14,951	60,707	-
Long-term debt - due within one year	1,474,228	96,853	1,571,081	-
Total current liabilities	2,017,991	365,029	2,383,020	-
Noncurrent liabilities:				
Compensated absences - due in more than one year	95,890	29,495	125,385	-
Long term debt - due in more than one year	16,196,357	1,856,093	18,052,450	-
Aggregate net pension liability	1,502,764	664,513	2,167,277	-
Aggregate net OPEB liability	2,370	1,049	3,419	-
Total noncurrent liabilities	17,797,381	2,551,150	20,348,531	-
Total liabilities	19,815,372	2,916,179	22,731,551	-
DEFERRED INFLOWS OF RESOURCES				
Lease-related deferred inflows	283,414	-	283,414	-
Pension-related deferred inflows	524,425	231,898	756,323	-
OPEB-related deferred outflows	47,883	21,175	69,058	-
Total deferred inflows of resources	855,722	253,073	1,108,795	-
NET POSITION				
Net investment in capital assets	367,455	25,667,047	26,034,502	-
Restricted for:				
Debt service	8,011,541	147,328	8,158,869	-
Unrestricted	14,661,858	10,187,489	24,849,347	96,237
Total net position	\$ 23,040,854	\$ 36,001,864	\$ 59,042,718	\$ 96,237

See accompanying Notes to the Basic Financial Statements.

City of Cottonwood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
OPERATING REVENUES:				
Charges for services	\$ 8,702,992	\$ 4,580,092	\$ 13,283,084	\$ -
Other revenue	13,688	-	13,688	-
Total operating revenues	8,716,680	4,580,092	13,296,772	-
OPERATING EXPENSES:				
Salaries and benefits	1,952,924	860,163	2,813,087	-
Materials, supplies and operational expenses	2,576,785	1,331,760	3,908,545	-
Depreciation	907,375	810,803	1,718,178	-
Amortization	155,547	-	155,547	-
Total operating expenses	5,592,631	3,002,726	8,595,357	-
OPERATING INCOME	3,124,049	1,577,366	4,701,415	-
NONOPERATING REVENUES (EXPENSES):				
Investment income (loss)	(59,080)	(33,292)	(92,372)	(881)
Interest expense	(357,123)	(64,721)	(421,844)	-
Operating grants	-	4,092,258	4,092,258	-
Loss on sale of assets	(61,908)	(26,505)	(88,413)	-
Total nonoperating revenues (expenses)	(478,111)	3,967,740	3,489,629	(881)
Changes in net position	2,645,938	5,545,106	8,191,044	(881)
NET POSITION:				
Beginning of year	20,394,916	30,456,758	50,851,674	97,118
End of year	<u>\$ 23,040,854</u>	<u>\$ 36,001,864</u>	<u>\$ 59,042,718</u>	<u>\$ 96,237</u>

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	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	\$ 8,619,309	\$ 4,545,768	\$ 13,165,077	\$ -
Cash payments to suppliers for goods and services	(2,597,479)	(1,504,412)	(4,101,891)	-
Cash payments to employees for services	(1,849,958)	(833,477)	(2,683,435)	-
Others	13,688	-	13,688	-
Net cash provided by operating activities	4,185,560	2,207,879	6,393,439	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants	-	4,092,258	4,092,258	-
Net cash provided by noncapital financing activities	-	4,092,258	4,092,258	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(603,714)	(400,604)	(1,004,318)	-
Cash received from sale of capital assets	17,591	-	17,591	-
Principal paid on capital-related debt	(1,427,227)	(112,500)	(1,539,727)	-
Interest paid on capital-related debt	(377,994)	(74,255)	(452,249)	-
Net cash (used in) capital and related financing activities	(2,391,344)	(587,359)	(2,978,703)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	(59,080)	(2,079,421)	(2,138,501)	(881)
Net cash provided by (used in) investing activities	(59,080)	(2,079,421)	(2,138,501)	(881)
Net increase (decrease) in cash and cash equivalents	1,735,136	3,633,357	5,368,493	(881)
CASH AND CASH EQUIVALENTS:				
Beginning of year	24,245,683	5,373,208	29,618,891	97,118
End of year	<u>\$ 25,980,819</u>	<u>\$ 9,006,565</u>	<u>\$ 34,987,384</u>	<u>\$ 96,237</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:				
Cash and cash investments	\$ 16,266,308	\$ 8,859,237	\$ 25,125,545	\$ 96,237
Restricted cash and investments	9,714,511	147,328	9,861,839	-
Total cash and cash equivalents	<u>\$ 25,980,819</u>	<u>\$ 9,006,565</u>	<u>\$ 34,987,384</u>	<u>\$ 96,237</u>

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2022

	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	\$ 3,124,049	\$ 1,577,366	\$ 4,701,415	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	907,375	810,803	1,718,178	-
Amortization	155,547	-	155,547	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(70,122)	(34,724)	(104,846)	-
Lease receivable	9,748	-	9,748	-
Aggregate net OPEB asset	(48,661)	(21,399)	(70,060)	-
Pension-related deferred outflows	(48,037)	(16,168)	(64,205)	-
OPEB-related deferred outflows	11,481	5,404	16,885	-
Accounts payable	(20,694)	(172,652)	(193,346)	-
Accrued payroll and related liabilities	6,175	208	6,383	-
Deposits payable	(11,526)	400	(11,126)	-
Compensated absences	15,511	14,530	30,041	-
Aggregate net pension liability	(344,280)	(180,768)	(525,048)	-
Aggregate net OPEB liability	(5,771)	(2,676)	(8,447)	-
Lease-related deferred inflows	(11,783)	-	(11,783)	-
Pension-related deferred inflows	484,147	213,465	697,612	-
OPEB-related deferred outflows	32,401	14,090	46,491	-
Total adjustments	1,061,511	630,513	1,692,024	-
Net cash provided by operating activities	\$ 4,185,560	\$ 2,207,879	\$ 6,393,439	\$ -

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Fiduciary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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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.

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022

	Firemen Pension Trust Fund
	<u> </u>
ASSETS	
Restricted cash and investments	<u>\$ 228,026</u>
Total assets	<u> 228,026</u>
NET POSITION	
Net position restricted for individuals	<u><u>\$ 228,026</u></u>

City of Cottonwood
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2022

	Firemen Pension Trust Fund
ADDITIONS:	
Investment income (loss)	\$ (60,872)
Total additions	<u>(60,872)</u>
DEDUCTIONS:	
Retirement benefits	1,800
Miscellaneous expense	<u>4,560</u>
Total deductions	<u>6,360</u>
Change in fiduciary net position	(67,232)
NET POSITION RESTRICTED FOR PENSIONS:	
Beginning of year	<u>295,258</u>
End of year	<u><u>\$ 228,026</u></u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

Notes to the Basic Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
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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, 2022

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, 2022

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 assets) 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 assets) 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, 2022

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, 2022

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, 2022

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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

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. Leases

Lessor

The City is a lessor for leases of special purpose facilities, office and commercial space, and land. The City recognizes leases receivable and deferred inflows of resources in the financial Statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

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

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

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

H. 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

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.

I. 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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.

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.

K. 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 11). 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, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021
<u>PSPRS</u>	
Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

L. 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.

M. 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, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

M. 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.

N. 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.

O. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2022. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the City's financial statements for the year ended 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 did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022 (Continued)

GASB Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

GASB Statement No. 93

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

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 did not have a material effect on the City's financial statements for the fiscal year ending June 30, 2022.

P. Upcoming Government Accounting Standards Implementations

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

GASB Statement No. 91

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Upcoming Government Accounting Standards Implementations (Continued)

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. 99

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement is effective for the City's fiscal year ending June 30, 2023.

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the City's fiscal year ending June 30, 2024.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the City's fiscal year ending June 30, 2025.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 2 – Cash and Investments

The following is a summary of cash and investments and restricted cash and investments at June 30, 2022:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 24,647,140	\$ 25,125,545	\$ 49,772,685	\$ -	\$ 49,772,685
Restricted cash and investments	5,088,187	9,861,839	14,950,026	228,026	15,178,052
Total	\$ 29,735,327	\$ 34,987,384	\$ 64,722,711	\$ 228,026	\$ 64,950,737

Cash, cash equivalents, and investments, excluding investments with fiscal agents, consisted of the following at June 30, 2022:

Cash and cash equivalents:	
Petty cash	\$ 3,332
Demand deposits	17,336,451
Restricted demand deposits	12,337,081
Money market	925,093
Investments:	
Local Government Investment Pool	25,301,635
Mutual funds	270,600
U.S. Treasuries	7,316,310
U.S. Government Agency Securities	1,460,235
Total	\$ 64,950,737

At June 30, 2022, 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, 2022:

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Measurement</u>	<u>Valuation</u>
<u>Investment Type</u>	<u>Fair Value</u>	<u>Inputs</u>	<u>Technique</u>
Investments:			
Mutual Funds	\$ 270,600	Level 1	Quoted price
U.S. Treasuries	7,316,310	Level 2	Matrix pricing model
U.S. Government Agency Securities	1,460,235	Level 2	Matrix pricing model
Total investments by fair value level	<u>\$ 9,047,145</u>		
External Investment Pools Measured at Fair Value			
Local Government Investment Pool	<u>\$ 25,301,635</u>	Uncategorized	
Total investment pools, measured at fair value	<u>25,301,635</u>		
Total investments	<u>\$ 34,348,780</u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$17,336,451 at June 30, 2022. Bank balances were \$17,030,502 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, 2022

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, 2022, 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	\$ 25,301,635	\$ 25,301,635	\$ -
Mutual funds	270,600	270,600	-
U.S. Treasuries	7,316,310	1,366,991	5,949,319
U.S. Government Agency Securities	1,460,235	-	1,460,235
Total	\$ 34,348,780	\$ 26,939,226	\$ 7,409,554

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, 2022

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	\$ 25,301,635	Unrated	Not applicable
Mutual funds	270,600	Not Rated	Not Rated
U.S. Treasuries	7,316,310	Not Rated	AA+
U.S. Government Agency Securities	1,460,235	Not Rated	AA+
Total	\$ 34,348,780		

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	\$ 1,460,235	4.25%

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 as of year-end for the City's individual funds were as follows:

	General Fund	HURF Fund	Non-Major Governmental Funds	Total Governmental Funds	Sewer Fund	Total Primary Government
Due from federal government	\$ -	\$ -	\$ -	\$ -	\$ 2,046,129	\$ 2,046,129
Due from state government	118,432	120,492	198,717	437,641	-	437,641
Due from county government	6,363	-	179,553	185,916	-	185,916
Due from local government	33,306	-	6,553	39,859	-	39,859
Total	\$ 158,101	\$ 120,492	\$ 384,823	\$ 663,416	\$ 2,046,129	\$ 2,709,545

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Lease Receivable

A. Governmental Activities

The portion of the City's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the City. The terms of the arrangements range from 2 to 30 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2022, the City recognized \$52,814 in lease revenue and \$4,113 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Classification	
					Due within One Year	Due in More Than One Year
Leases receivable	\$ 740,392	\$ -	\$ (30,310)	\$ 710,082	\$ 45,716	\$ 664,366

As of June 30, 2022, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 45,716	\$ 6,533	\$ 52,249
2024	46,926	5,915	52,841
2025	48,284	5,517	53,801
2026	49,683	5,104	54,787
2027	49,403	5,517	54,920
2028-2032	235,232	17,040	252,272
2033-2037	133,681	8,052	141,733
2038-2042	58,652	4,460	63,112
2043-2046	42,505	943	43,448
Total	\$ 710,082	\$ 59,081	\$ 769,163

As of June 30, 2022, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2023	\$ 52,814
2024	52,814
2025	52,814
2026	52,814
2027	50,650
2028-2032	225,724
2033-2037	121,471
2038-2042	47,980
2043	30,497
Total	\$ 687,578

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 4 – Lease Receivable (Continued)

B. Business-Type Activities

The portion of the City's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the City. The terms of the arrangement is for 30 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2022, the City recognized \$11,783 in lease revenue and \$1,256 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Classification	
				Due within One Year	Due in More Than One Year
\$ 295,197	\$ -	\$ (9,748)	\$ 285,449	\$ 9,695	\$ 275,754

As of June 30, 2022, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 9,695	\$ 1,310	\$ 11,005
2024	9,740	1,265	11,005
2025	9,785	1,219	11,004
2026	9,831	1,173	11,004
2027	9,877	1,219	11,096
2028-2032	55,363	4,884	60,247
2033-2037	62,763	3,509	66,272
2038-2042	64,551	2,023	66,574
2043-2047	53,845	524	54,369
Total	\$ 285,450	\$ 17,126	\$ 302,576

As of June 30, 2022, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2023	\$ 11,783
2024	11,783
2025	11,783
2026	11,783
2027	11,783
2028-2032	58,915
2033-2037	58,915
2038-2042	58,915
2043-2047	47,754
Total	\$ 283,414

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 5 – Interfund Balances and Transactions

A. Transfers

At June 30, 2022, the City had the following transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
HURF Special Revenue Fund	General Fund	\$ 4,876,424	Capital projects
City Capital Projects Fund	General Fund	60,426	Grant matching funds
Grants Special Revenue Fund	General Fund	2,520,885	Capital projects
	Total	\$ 7,457,735	

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2022 is as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Reclassifications</u>	<u>Balance June 30, 2022</u>
Nondepreciable assets:					
Land	\$ 2,619,885	\$ -	\$ -	\$ -	\$ 2,619,885
Construction in progress	559,411	7,742,538	-	(737,044)	7,564,905
Total nondepreciable assets	3,179,296	7,742,538	-	(737,044)	10,184,790
Depreciable assets					
Infrastructure	31,305,276	33,381	(32,526)	31,738	31,337,869
Building and improvements	40,571,811	-	-	-	40,571,811
Vehicles, machinery and equipment	13,983,345	1,004,529	(969,380)	705,306	14,723,800
Subtotal	85,860,432	1,037,910	(1,001,906)	737,044	86,633,480
Less accumulated depreciation					
Infrastructure	(16,316,037)	(960,239)	27,652	-	(17,248,624)
Building and improvements	(15,748,462)	(1,052,973)	-	-	(16,801,435)
Vehicles, machinery and equipment	(11,488,831)	(924,205)	929,160	-	(11,483,876)
Subtotal	(43,553,330)	(2,937,417)	956,812	-	(45,533,935)
Total depreciable assets, net	42,307,102	(1,899,507)	(45,094)	737,044	41,099,545
Total	\$ 45,486,398	\$ 5,843,031	\$ (45,094)	\$ -	\$ 51,284,335

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2022 are as follows:

General government	\$ 356,405
Public safety	614,253
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation expense	\$ 2,937,417

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 6 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2022
Nondepreciable assets:					
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	3,841,916	642,662	-	(1,585,398)	2,899,180
Total nondepreciable assets	7,974,157	642,662	-	(1,585,398)	7,031,421
Depreciable assets					
Water distribution system	17,482,331	185,498	(119,239)	977,260	18,525,850
Wastewater systems	28,144,323	106,391	(59,354)	608,138	28,799,498
Building and improvements	10,873,815	-	-	-	10,873,815
Vehicles, machinery and equipment	5,143,790	69,767	(5,057)	-	5,208,500
Subtotal	61,644,259	361,656	(183,650)	1,585,398	63,407,663
Less accumulated depreciation					
Water distribution system	(10,203,805)	(626,358)	39,740	-	(10,790,423)
Wastewater systems	(10,429,155)	(548,668)	32,850	-	(10,944,973)
Building and improvements	(3,596,218)	(265,267)	-	-	(3,861,485)
Vehicles, machinery and equipment	(4,259,456)	(277,885)	5,056	-	(4,532,285)
Subtotal	(28,488,634)	(1,718,178)	77,646	-	(30,129,166)
Total depreciable assets, net	33,155,625	(1,356,522)	(106,004)	1,585,398	33,278,497
Total	\$ 41,129,782	\$ (713,860)	\$ (106,004)	\$ -	\$ 40,309,918

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2022 are as follows:

Water	907,375
Wastewater	810,803
Total depreciation expense	\$ 1,718,178

Note 7 – Excess Consideration Provided for Acquisitions

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 excess consideration provided for acquisitions in the City's deferred outflow of resources. Amortization expense for the fiscal year was \$155,547.

	2005 Purchase	2006 Purchase	Business-Type Activities Total
Excess Consideration Provided for Acquisition	\$ 1,474,221	\$ 4,851,022	\$ 6,325,243
Less: Accumulated amortization	(651,190)	(2,028,908)	(2,680,098)
Total	\$ 823,031	\$ 2,822,114	\$ 3,645,145

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Long-Term Debt

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Debt Issued	Debt Retired	Balance June 30, 2022	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities:						
Finance Purchase Agreements	\$ 893,847	\$ 200,985	\$ (580,878)	\$ 513,954	\$ 321,133	\$ 192,821
Revenue bonds:						
2015 Pledged revenue bonds	6,768,940	-	(360,772)	6,408,168	371,488	6,036,680
Plus: unamortized premium	420,946	-	(30,068)	390,878	-	390,878
2016 Pledged revenue bonds	8,275,000	-	(1,055,000)	7,220,000	1,085,000	6,135,000
Plus: unamortized premium	970,125	-	(138,590)	831,535	-	831,535
2021 Pledged revenue bonds	20,380,000	-	-	20,380,000	290,000	20,090,000
Total revenue bonds	36,815,011	-	(1,584,430)	35,230,581	1,746,488	33,484,093
Total	\$ 37,708,858	\$ 200,985	\$ (2,165,308)	\$ 35,744,535	\$ 2,067,621	\$ 33,676,914

Finance Purchase Agreement

The City has entered into several finance purchase agreements for the financing of a fire truck, street sweeper, exercise equipment, and police vehicles. These finance purchase agreements 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 finance purchase agreements payable outstanding at June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 321,133	\$ 34,636	\$ 355,769
2024	89,772	11,227	100,999
2025	39,522	7,274	46,796
2026	42,765	4,042	46,807
2027	20,762	728	21,490
Total	\$ 513,954	\$ 57,907	\$ 571,861

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

Machinery, vehicles, and equipment	\$ 2,607,317
Less: accumulated depreciation	(2,152,398)
Total	\$ 454,919

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2015 Pledged Revenue Bonds

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

The City has pledged state shared and excise tax revenues to repay a total of \$11.4 million in revenue bonds 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 \$8.8 million. The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.5 million (Note 8B).

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 371,488	\$ 298,066	\$ 669,554
2023	382,204	289,046	671,250
2024	400,064	277,901	677,965
2025	421,496	258,791	680,287
2026	442,928	238,789	681,717
2027-2031	2,561,124	856,209	3,417,333
2032-2035	1,828,864	218,606	2,047,470
Total	\$ 6,408,168	\$ 2,437,408	\$ 8,845,576

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, 2022 were \$7,220,000.

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities

2016 Pledged Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,270,000	78,200	1,348,200
2028	1,320,000	26,400	1,346,400
Total	\$ 7,220,000	\$ 886,650	\$ 8,106,650

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, 2022 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
2023	\$ 290,000	\$ 407,840	\$ 697,840
2024	700,000	403,574	1,103,574
2025	905,000	395,703	1,300,703
2026	1,070,000	383,338	1,453,338
2027	1,285,000	367,050	1,652,050
2028-2032	6,205,000	1,496,695	7,701,695
2033-2037	6,905,000	709,083	7,614,083
2038	3,020,000	21,994	3,041,994
Total	\$ 20,380,000	\$ 4,185,277	\$ 24,565,277

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2022 is as follows:

					Classification	
	Balance July 1, 2021	Debt Issued/ Adjustment	Debt Retired	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Business-Type Activities:						
Loans payable:						
2015 WIFA refunding loan	\$ 7,031,162	\$ -	\$ (663,447)	\$ 6,367,715	\$ 678,043	\$ 5,689,672
2016 WIFA refunding loan	11,252,408	-	(732,051)	10,520,357	744,526	9,775,831
Total loans payable	18,283,570	-	(1,395,498)	16,888,072	1,422,569	15,465,503
Revenue bonds:						
2015 Pledged revenue bonds	2,706,059	-	(144,229)	2,561,830	148,512	2,413,318
Plus: unamortized premium	186,984	-	(13,355)	173,629	-	173,629
Total revenue bonds	2,893,043	-	(157,584)	2,735,459	148,512	2,586,947
Total	\$ 21,176,613	\$ -	\$ (1,553,082)	\$ 19,623,531	\$ 1,571,081	\$ 18,052,450

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 \$6.6 million. The debt principal and interest paid on this debt during fiscal year 2022 was \$710,343 (approximately 9.4% percent of pledged revenues).

The annual requirements to amortize the bonds outstanding at June 30, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	739,709	22,364	762,073
2028-2031	2,825,012	36,993	2,862,005
Total	\$ 6,367,715	\$ 198,944	\$ 6,566,659

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – 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, 2022. 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 are debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$10.7 million. The debt principal and interest paid on this debt during fiscal year 2022 was \$754,259 (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, 2022, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	796,584	14,417	811,001
2028-2032	4,191,214	46,935	4,238,149
2033-2035	2,477,468	7,209	2,484,677
Total	\$ 10,520,357	\$ 142,073	\$ 10,662,430

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 \$8.8 million (Note 8A). The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.5 million.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 8 – 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
2023	\$ 148,512	\$ 119,159	\$ 267,671
2024	152,797	115,554	268,351
2025	159,936	111,098	271,034
2026	168,504	103,459	271,963
2027	177,072	95,462	272,534
2028-2032	1,023,877	342,292	1,366,169
2033-2035	731,132	87,393	818,525
Total	\$ 2,561,830	\$ 974,417	\$ 3,536,247

Note 9 – Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick leave) has been accrued and amounts to \$1,596,723 at June 30, 2022. Summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Classification	
					Due within One Year	Due in More Than One Year
Compensated absences:						
Governmental Activities	\$ 1,211,582	\$ 1,099,667	\$ (900,618)	\$ 1,410,631	\$ 912,163	\$ 498,468
Business-Type Activities	156,051	132,547	(102,506)	186,092	60,707	125,385
Total compensated absences	\$ 1,367,633	\$ 1,232,214	\$ (1,003,124)	\$ 1,596,723	\$ 972,870	\$ 623,853

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

Note 10 – 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 10 – Risk Management (Continued)

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, 2022

Note 11 – 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	\$ 800,389	\$ 227,910	\$ 1,028,299
PSPRS - Police Plan - Tier 1 & 2	183,981	-	183,981
PSPRS - Fire Plan - Tier 1 & 2	202,312	-	202,312
PSPRS - Police Plan - Tier 3	27,080	-	27,080
PSPRS - Fire Plan - Tier 3	21,244	-	21,244
Total pension contributions made after measurement date	1,235,006	227,910	1,462,916
Change in assumptions:			
ASRS	990,656	282,088	1,272,744
PSPRS - Police Plan - Tier 1 & 2	335,534	-	335,534
PSPRS - Fire Plan - Tier 1 & 2	549,872	-	549,872
PSPRS - Police Plan - Tier 3	136	-	136
PSPRS - Fire Plan - Tier 3	115	-	115
Total change in assumption	1,876,313	282,088	2,158,401
Difference between expected and actual experience			
ASRS	116,026	33,038	149,064
PSPRS - Police Plan - Tier 1 & 2	887,797	-	887,797
PSPRS - Fire Plan - Tier 1 & 2	715,751	-	715,751
PSPRS - Police Plan - Tier 3	31,973	-	31,973
PSPRS - Fire Plan - Tier 3	27,165	-	27,165
Total difference between expected and actual experience	1,778,712	33,038	1,811,750
Change in proportion and differences between employer contributions and proportionate share of contributions			
PSPRS - Police Plan - Tier 3	11,195	-	11,195
PSPRS - Fire Plan - Tier 3	5,763	-	5,763
Total change in proportion and differences between employer contributions and proportionate share of contributions	16,958	-	16,958
Total pension-related deferred outflows of resources			
ASRS	1,907,071	543,036	2,450,107
PSPRS - Police Plan - Tier 1 & 2	1,407,312	-	1,407,312
PSPRS - Fire Plan - Tier 1 & 2	1,467,935	-	1,467,935
PSPRS - Police Plan - Tier 3	70,384	-	70,384
PSPRS - Fire Plan - Tier 3	54,287	-	54,287
Total pension-related deferred outflows of resources	\$ 4,906,989	\$ 543,036	\$ 5,450,025

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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	\$ 13,995	\$ 3,985	\$ 17,980
ASRS - Long-Term Disability Plan	12,662	3,606	16,268
PSPRS - Police Plan - Tier 1 & 2	7,057	-	7,057
PSPRS - Fire Plan - Tier 1 & 2	2,906	-	2,906
PSPRS - Police Plan - Tier 3	359	-	359
PSPRS - Fire Plan - Tier 3	282	-	282
Total OPEB contributions made after measurement date	37,261	7,591	44,852
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	14,138	4,026	18,164
ASRS - Long-Term Disability Plan	3,840	1,093	4,933
PSPRS - Police Plan - Tier 1 & 2	2,994	-	2,994
PSPRS - Fire Plan - Tier 1 & 2	1,542	-	1,542
Total change in assumption	22,514	5,119	27,633
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	-	-	-
ASRS - Long-Term Disability Plan	3,468	987	4,455
PSPRS - Police Plan - Tier 1 & 2	-	-	-
PSPRS - Fire Plan - Tier 1 & 2	8,514	-	8,514
PSPRS - Police Plan - Tier 3	48	-	48
PSPRS - Fire Plan - Tier 3	67	-	67
Total difference between expected and actual experience	12,097	987	13,084
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	720	205	925
ASRS - Long-Term Disability Plan	96	27	123
PSPRS - Police Plan - Tier 3	327	-	327
PSPRS - Fire Plan - Tier 3	318	-	318
Total change in proportion and differences between employer contributions and proportionate share of contributions	1,461	232	1,693
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	28,853	8,216	37,069
ASRS - Long-Term Disability Plan	20,066	5,713	25,779
PSPRS - Police Plan - Tier 1 & 2	10,051	-	10,051
PSPRS - Fire Plan - Tier 1 & 2	12,962	-	12,962
PSPRS - Police Plan - Tier 3	734	-	734
PSPRS - Fire Plan - Tier 3	667	-	667
Total OPEB-related deferred outflows of resources	\$ 73,333	\$ 13,929	\$ 87,262

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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 asset			
PSPRS - Police Plan - Tier 1 & 2	\$ 2,480,471	\$ -	\$ 2,480,471
PSPRS - Fire Plan - Tier 1 & 2	1,338,813	-	1,338,813
PSPRS - Police Plan - Tier 3	17,498	-	17,498
PSPRS - Fire Plan - Tier 3	14,866	-	14,866
Total net pension asset	<u>\$ 3,851,648</u>	<u>\$ -</u>	<u>\$ 3,851,648</u>
Net pension liability			
ASRS	\$ 7,611,181	\$ 2,167,277	\$ 9,778,458
Total net pension liability	<u>\$ 7,611,181</u>	<u>\$ 2,167,277</u>	<u>\$ 9,778,458</u>
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 285,177	\$ 81,204	\$ 366,381
PSPRS - Police Plan - Tier 1 & 2	196,819	-	196,819
PSPRS - Police Plan - Tier 3	1,588	-	1,588
PSPRS - Fire Plan - Tier 3	2,191	-	2,191
Total Net OPEB asset	<u>\$ 485,775</u>	<u>\$ 81,204</u>	<u>\$ 566,979</u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 12,005	\$ 3,419	\$ 15,424
PSPRS - Fire Plan - Tier 1 & 2	11,414	-	11,414
Total Net OPEB liability	<u>\$ 23,419</u>	<u>\$ 3,419</u>	<u>\$ 26,838</u>

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS	\$ 2,411,489	\$ 686,670	\$ 3,098,159
PSPRS - Police Plan - Tier 1 & 2	831,376	-	831,376
PSPRS - Fire Plan - Tier 1 & 2	920,328	-	920,328
PSPRS - Police Plan - Tier 3	11,728	-	11,728
PSPRS - Fire Plan - Tier 3	9,965	-	9,965
Total projected earnings on pension plan investments in excess of actual earnings	<u>4,184,886</u>	<u>686,670</u>	<u>4,871,556</u>
Difference between expected and actual experience			
PSPRS - Fire Plan - Tier 1 & 2	\$ 392,649	\$ -	\$ 392,649
Total difference between expected and actual experience	<u>392,649</u>	<u>-</u>	<u>392,649</u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS	244,614	69,653	314,267
PSPRS - Police Plan - Tier 3	16,461	-	16,461
PSPRS - Fire Plan - Tier 3	2,385	-	2,385
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>263,460</u>	<u>69,653</u>	<u>333,113</u>
Total pension-related deferred inflows of resources			
ASRS	2,656,103	756,323	3,412,426
PSPRS - Police Plan - Tier 1 & 2	831,376	-	831,376
PSPRS - Fire Plan - Tier 1 & 2	1,312,977	-	1,312,977
PSPRS - Police Plan - Tier 3	28,189	-	28,189
PSPRS - Fire Plan - Tier 3	12,350	-	12,350
Total pension-related deferred inflows of resources	<u>\$ 4,840,995</u>	<u>\$ 756,323</u>	<u>\$ 5,597,318</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Deferred Inflows of Resources (Continued)

	Governmental Activities	Business-Type Activities	Total
OPEB-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS - Health Benefit Supplement Plan	\$ 105,786	\$ 30,123	\$ 135,909
ASRS - Long-Term Disability Plan	8,314	2,368	10,682
PSPRS - Police Plan - Tier 1 & 2	42,393	-	42,393
PSPRS - Fire Plan - Tier 1 & 2	22,105	-	22,105
PSPRS - Police Plan - Tier 3	360	-	360
PSPRS - Fire Plan - Tier 3	497	-	497
	<hr/>	<hr/>	<hr/>
Total projected earnings on pension plan investments in excess of actual earnings	179,455	32,491	211,946
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	11,530	3,283	14,813
ASRS - Long-Term Disability Plan	15,127	4,308	19,435
PSPRS - Police Plan - Tier 1 & 2	2,871	-	2,871
PSPRS - Fire Plan - Tier 1 & 2	2,273	-	2,273
PSPRS - Police Plan - Tier 3	1	-	1
PSPRS - Fire Plan - Tier 3	1	-	1
	<hr/>	<hr/>	<hr/>
Total change in assumption	31,803	7,591	39,394
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	98,899	28,162	127,061
ASRS - Long-Term Disability Plan	978	279	1,257
PSPRS - Police Plan - Tier 1 & 2	63,087	-	63,087
PSPRS - Fire Plan - Tier 1 & 2	50,078	-	50,078
PSPRS - Police Plan - Tier 3	71	-	71
PSPRS - Fire Plan - Tier 3	98	-	98
	<hr/>	<hr/>	<hr/>
Total difference between expected and actual experience	213,211	28,441	241,652
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	15	4	19
ASRS - Long-Term Disability Plan	1,865	531	2,396
PSPRS - Police Plan - Tier 3	493	-	493
PSPRS - Fire Plan - Tier 3	113	-	113
	<hr/>	<hr/>	<hr/>
Total change in proportion and differences between employer contributions and proportionate share of contributions	2,486	535	3,021
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	216,230	61,572	277,802
ASRS - Long-Term Disability Plan	26,284	7,486	33,770
PSPRS - Police Plan - Tier 1 & 2	108,351	-	108,351
PSPRS - Fire Plan - Tier 1 & 2	74,456	-	74,456
PSPRS - Police Plan - Tier 3	925	-	925
PSPRS - Fire Plan - Tier 3	709	-	709
	<hr/>	<hr/>	<hr/>
Total OPEB-related deferred inflows of resources	\$ 426,955	\$ 69,058	\$ 496,013

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Expenses

	Governmental Activities	Business-Type Activities	Total
Pension expenses:			
ASRS	\$ 457,043	\$ 130,143	\$ 587,186
PSPRS - Police Plan - Tier 1 & 2	1,080,941	-	1,080,941
PSPRS - Fire Plan - Tier 1 & 2	733,511	-	733,511
PSPRS - Police Plan - Tier 3	(291)	-	(291)
PSPRS - Fire Plan - Tier 3	330	-	330
Total net pension (income) expense	<u>\$ 2,271,534</u>	<u>\$ 130,143</u>	<u>\$ 2,401,677</u>
OPEB expenses/(income):			
ASRS - Health Benefit Supplement Plan	\$ (32,717)	\$ (9,316)	\$ (42,033)
ASRS - Long-Term Disability Plan	8,680	2,472	11,152
PSPRS - Police Plan - Tier 1 & 2	(32,983)	-	(32,983)
PSPRS - Fire Plan - Tier 1 & 2	(2,199)	-	(2,199)
PSPRS - Police Plan - Tier 3	(138)	-	(138)
PSPRS - Fire Plan - Tier 3	(160)	-	(160)
Total net OPEB (income) expense	<u>\$ (59,517)</u>	<u>\$ (6,844)</u>	<u>\$ (66,361)</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, 2022

Note 11 – 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, 2022 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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members’ annual covered payroll. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were:

	Contributions - employer
Pension Plan	\$ 1,028,299
Health Benefit Supplement Plan	17,980
Long-Term Disability Plan	16,268
Total	<u>\$ 1,062,547</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – Pension Plans and Other Postemployment Benefits (Continued)

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

Contributions (Continued)

During fiscal year 2022, the City paid for ASRS pension and OPEB contributions as follows: 78 percent from the Governmental Funds, 15 percent from the Water Fund, and 7 percent from the Wastewater Fund.

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

At June 30, 2022, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

	Net pension/OPEB (asset) liability
Pension Plan	\$ 9,778,458
Health Benefit Supplement Plan	(366,381)
Long-Term Disability Plan	15,424
Total	<u>\$ 9,427,501</u>

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The City’s proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Proportion June 30, 2019	0.0765700%	0.0775600%	0.0770800%
Proportion June 30, 2020	0.0744200%	0.0752000%	0.0747200%
Change - Increase (Decrease)	<u>-0.0021500%</u>	<u>-0.0023600%</u>	<u>-0.0023600%</u>

As of June 30, 2022, 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)	\$ 13,266,916	\$ (54,912)	\$ 58,474
Balance at: 6/30/20 (Measurement date)	9,778,458	(366,381)	15,424
Net Changes during 2019-2020	<u>3,488,458</u>	<u>311,469</u>	<u>43,050</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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, 2022:

	Pension/OPEB expenses
Pension Plan	\$ 587,186
Health Benefit Supplement Plan	(42,033)
Long-Term Disability Plan	11,152
Total	<u>\$ 556,305</u>

At June 30, 2022, 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	\$ 1,028,299	\$ -	\$ 17,980	\$ -	\$ 16,268	\$ -
Difference between projected and actual earning on pension plan investments	-	(3,098,159)	-	(135,909)	-	(10,682)
Changes in assumptions	1,272,744	-	18,164	(14,813)	4,933	(19,435)
Difference between actual and expected experience	149,064	-	-	(127,061)	4,455	(1,257)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(314,267)	925	(19)	123	(2,396)
Total	<u>\$ 2,450,107</u>	<u>\$ (3,412,426)</u>	<u>\$ 37,069</u>	<u>\$ (277,802)</u>	<u>\$ 25,779</u>	<u>\$ (33,770)</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, 2023. 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	\$ (171,306)	\$ (60,661)	\$ (3,308)
2023	(68,678)	(58,137)	(3,122)
2024	(682,985)	(63,764)	(3,508)
2025	(1,067,649)	(70,509)	(5,125)
2026	-	(5,642)	(2,173)
Thereafter	-	-	(7,023)
	<u>\$ (1,990,618)</u>	<u>\$ (258,713)</u>	<u>\$ (24,259)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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, 2021 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2020 total pension liability. Both the June 30, 2020 and the June 30, 2021 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, 2020
Actuarial roll forward date	June 30, 2021
Actuarial Assumptions:	
Investment rate of return	7.0%
Projected salary increases	2.9–8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for 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, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage 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%	4.90%	2.45%
Fixed income - credit	20.00%	5.20%	1.04%
Fixed income - interest rate sen	10.00%	0.70%	0.70%
Real Estate	20.00%	5.70%	1.14%
Total	100.00%		5.33%

Discount Rate

At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – Pension Plans and Other Postemployment Benefits (Continued)

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

Discount Rate (Continued)

Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the 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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	Aggregate Net Pension and OPEB Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.00%)	Rate (7.00%)	(8.00%)
Pension Plan	\$ 15,380,695	\$ 9,778,458	\$ 5,107,742
Health Benefit Supplement Plan	\$ (242,582)	\$ (366,381)	\$ (471,650)
Long-Term Disability Plan	\$ 20,084	\$ 15,424	\$ 10,915
Total	\$ 15,158,197	\$ 9,427,501	\$ 4,647,007

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, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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, 2022

Note 11 – 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	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement, whichever is greater		
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater		
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20		
Survivor benefit			
Retired members	80% to 100% of retired member's pension benefit		
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job		

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

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, 2021, 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	4	4	3	3
Transferred and terminated employees	4	2	2	2	6	6	0	0
Retired employees and beneficiaries	22	24	7	7	0	0	0	0
Total	46	46	29	29	10	10	3	3

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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, 2022, 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	11.21%	9.05%	9.81%	9.81%
Health Insurance	0.43%	0.13%	0.13%	0.13%

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 11.64%, 9.94%, 9.18%, and 9.94%, 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, 2022, 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	\$ 183,981	\$ 7,057	\$ 202,312	\$ 2,906	\$ 27,080	\$ 359	\$ 21,244	\$ 282

During fiscal year 2022, the City paid for the total PSPRS pension and OPEB contributions from the general fund.

Net Pension and OPEB Liability/(Asset)

The City’s net assets and net liabilities were measured as of June 30, 2021, 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, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2020	0.0212430%	0.01849%	0.2021680%	0.2838920%
Proportion June 30, 2021	0.1889850%	0.16364%	0.1605670%	0.2257850%
Change - Increase (Decrease)	0.1677420%	0.1451530%	-0.0416010%	-0.0581070%

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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, 2021 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
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, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return ¹
U.S. public equity	24.00%	4.08%
International public equity	16.00%	5.20%
Global private equity	20.00%	7.67%
Other assets (capital appreciation)	7.00%	5.43%
Core bonds	2.00%	0.42%
Private credit	20.00%	5.74%
Diversifying strategies	10.00%	3.99%
Cash - Mellon	1.00%	-0.31%
	<u>100.00%</u>	

¹An expected inflation of 2.25% used for this period

Discount Rate

At June 30, 2021, 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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)

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, 2020	\$ 21,069,674	\$ 8,446,087	\$ 12,623,587	\$ 252,017	\$ 360,324	\$ (108,307)
Changes in the year:						
Service cost	321,632	-	321,632	7,589	-	7,589
Interest on the total pension liabilities	1,528,423	-	1,528,423	18,633	-	18,633
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	325,520	-	325,520	(16,378)	-	(16,378)
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(908,001)	(908,001)	-	(8,720)	(8,720)	-
Contributions - employer	-	14,562,496	(14,562,496)	-	-	-
Contributions - employee	-	141,473	(141,473)	-	-	-
Net investment income	-	2,587,690	(2,587,690)	-	98,762	(98,762)
Administrative expenses	-	(12,026)	12,026	-	(406)	406
Other changes	-	-	-	-	-	-
Net changes	1,267,574	16,371,632	(15,104,058)	1,124	89,636	(88,512)
Balance at June 30, 2021 (Measurement Date)	<u>\$ 22,337,248</u>	<u>\$ 24,817,719</u>	<u>\$ (2,480,471)</u>	<u>\$ 253,141</u>	<u>\$ 449,960</u>	<u>\$ (196,819)</u>

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, 2020	\$ 12,315,959	\$ 8,131,947	\$ 4,184,012	\$ 232,489	\$ 190,858	\$ 41,631
Changes in the year:						
Service cost	307,497	-	307,497	7,452	-	7,452
Interest on the total pension liabilities	895,928	-	895,928	17,283	-	17,283
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	141,129	-	141,129	6,759	-	6,759
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(700,947)	(700,947)	-	(6,374)	(6,374)	-
Contributions - employer	-	4,440,091	(4,440,091)	-	9,945	(9,945)
Contributions - employee	-	130,811	(130,811)	-	-	-
Net investment income	-	2,307,264	(2,307,264)	-	51,980	(51,980)
Administrative expenses	-	(10,787)	10,787	-	(214)	214
Other changes	-	-	-	-	-	-
Net changes	643,607	6,166,432	(5,522,825)	25,120	55,337	(30,217)
Balance at June 30, 2021 (Measurement Date)	<u>\$ 12,959,566</u>	<u>\$ 14,298,379</u>	<u>\$ (1,338,813)</u>	<u>\$ 257,609</u>	<u>\$ 246,195</u>	<u>\$ 11,414</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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

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)	\$ 769,148	\$ (2,480,471)	\$ (5,103,447)
Police OPEB Plan (Tier 1 & 2)	\$ (163,827)	\$ (196,819)	\$ (224,358)
Fire Pension Plan (Tier 1 & 2)	\$ 649,392	\$ (1,338,813)	\$ (2,947,643)
Fire OPEB Plan (Tier 1 & 2)	\$ 43,060	\$ 11,414	\$ (15,185)
Aggregate Total	\$ 1,297,773	\$ (4,004,689)	\$ (8,290,633)

Plan's Aggregate Proportionate Share of Net Pension/OPEB (Asset) Liability			
	Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Police Pension Plan (Tier 3)	\$ 4,927	\$ (17,498)	\$ (34,187)
Police OPEB Plan (Tier 3)	\$ (1,318)	\$ (1,588)	\$ (1,800)
Fire Pension Plan (Tier 3)	\$ 4,186	\$ (14,866)	\$ (29,046)
Fire OPEB Plan (Tier 3)	\$ (1,818)	\$ (2,191)	\$ (2,483)
Aggregate Total	\$ 5,977	\$ (36,143)	\$ (67,516)

Pension Plan Fiduciary Net Position

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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

For the year ended June 30, 2022, the City recognized the following pension and OPEB expense:

Pension/OPEB expense/(income)	
Pension Plan - Police (Tier 1 & 2)	\$ 1,080,941
Pension Plan - Fire (Tier 1 & 2)	733,511
Pension Plan - Police (Tier 3)	(291)
Pension Plan - Fire (Tier 3)	330
OPEB Plan - Police (Tier 1 & 2)	(32,983)
OPEB Plan - Fire (Tier 1 & 2)	(2,199)
OPEB Plan - Police (Tier 3)	(138)
OPEB Plan - Fire (Tier 3)	(160)
Total	<u>\$ 1,779,011</u>

At June 30, 2022 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	\$ 183,981	\$ -	\$ 7,057	\$ -
Difference between projected and actual earning on pension plan investments	-	(831,376)	-	(42,393)
Changes in assumptions	335,534	-	2,994	(2,871)
Difference between actual and expected experience	887,797	-	-	(63,087)
Total	<u>\$ 1,407,312</u>	<u>\$ (831,376)</u>	<u>\$ 10,051</u>	<u>\$ (108,351)</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	\$ 202,312	\$ -	\$ 2,906	\$ -
Difference between projected and actual earning on pension plan investments	-	(920,328)	-	(22,105)
Changes in assumptions	549,872	-	1,542	(2,273)
Difference between actual and expected experience	715,751	(392,649)	8,514	(50,078)
Total	<u>\$ 1,467,935</u>	<u>\$ (1,312,977)</u>	<u>\$ 12,962</u>	<u>\$ (74,456)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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)

	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	\$ 27,080	\$ -	\$ 359	\$ -
Difference between projected and actual earning on pension plan investments	-	(11,728)	-	(360)
Changes in assumptions	136	-	-	(1)
Difference between actual and expected experience	31,973	-	48	(71)
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,195	(16,461)	327	(493)
Total	<u>\$ 70,384</u>	<u>\$ (28,189)</u>	<u>\$ 734</u>	<u>\$ (925)</u>

	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	\$ 21,244	\$ -	\$ 282	\$ -
Difference between projected and actual earning on pension plan investments	-	(9,965)	-	(497)
Changes in assumptions	115	-	-	(1)
Difference between actual and expected experience	27,165	-	67	(98)
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,763	(2,385)	318	(113)
Total	<u>\$ 54,287</u>	<u>\$ (12,350)</u>	<u>\$ 667</u>	<u>\$ (709)</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)
2023	\$ 388,275	\$ (35,673)	\$ (31,198)	\$ (11,912)
2024	259,025	(38,888)	(28,763)	(12,059)
2025	38,257	(65,406)	(27,562)	(12,719)
2026	(293,602)	(179,909)	(17,834)	(14,975)
2027	-	125,918	-	(7,390)
Thereafter	-	146,604	-	(5,345)
	<u>\$ 391,955</u>	<u>\$ (47,354)</u>	<u>\$ (105,357)</u>	<u>\$ (64,400)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 11 – 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)

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)
2023	\$ (417)	\$ (100)	\$ 222	\$ (109)
2024	(417)	(100)	222	(109)
2025	(396)	(99)	240	(107)
2026	(664)	(108)	13	(118)
2027	2,458	(12)	2,665	14
Thereafter	14,551	(131)	17,331	105
	<u>\$ 15,115</u>	<u>\$ (550)</u>	<u>\$ 20,693</u>	<u>\$ (324)</u>

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, 2022, 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 12 – Other Required Disclosures

A. Deficit Fund Balance/Net Position

At June 30, 2022, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$9,690,274.

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2022, expenditures exceeded appropriations in the following function(s) by fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Principal	\$ 63,414
Grants Special Revenue Fund	Culture and Leisure	501
Debt Service	Interest and fiscal charges	1,772
Capital Projects Fund	General government	11,789

Note 13 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2022 as follows:

	Major Funds		Non-Major Governmental Funds	Total
	General Fund	HURF Fund		
Nonspendable:				
Inventories and prepaid items	\$ 71,616	\$ 13,928	\$ 14,175	\$ 99,719
Total nonspendable	71,616	13,928	14,175	99,719
Restricted:				
Debt service	-	-	355,712	355,712
Pension	4,343,823	-	-	4,343,823
Grants	-	-	1,420,897	1,420,897
Highways and streets	-	5,045,691	315,300	5,360,991
Capital projects	-	-	1,147,423	1,147,423
Total restricted	4,343,823	5,045,691	3,239,332	12,628,846
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	12,742,721	-	-	12,742,721
Total Fund Balances	\$ 18,158,160	\$ 5,059,619	\$ 3,253,507	\$ 26,471,286

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2022

Note 14 – Net Investment in Capital Assets

Net Investment in Capital Assets at June 30 consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, nondepreciable	\$ 10,184,790	\$ 7,031,421
Capital assets, depreciable, net	41,099,545	33,278,497
Excess consideration provided for acquisitions	-	3,645,145
Deferred loss on refunding	188,356	-
Long-term debt:		
Capital leases	(513,954)	-
2015 Pledged revenue bonds	(6,799,046)	(2,735,459)
2016 Pledged revenue bonds	(8,051,535)	-
2015 WIFA refunding loan	-	(6,367,715)
2016 WIFA refunding loan	-	(10,520,357)
Total net investment in capital assets	<u>\$ 36,108,156</u>	<u>\$ 24,331,532</u>

Note 15 – 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.

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

Required Supplementary Information (Unaudited)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2022

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, 2022, and therefore are properly authorized. The City's total expenditure limit was \$67,165,947.

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, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 17,582,120	\$ 20,401,345	\$ 20,426,498	\$ 25,153
Intergovernmental	4,941,890	5,238,440	5,535,034	296,594
Licenses and permits	371,800	720,945	642,420	(78,525)
Fines and forfeitures	210,650	224,780	203,217	(21,563)
Rents and royalties	176,795	181,710	243,970	62,260
Investment income	65,200	31,000	(31,258)	(62,258)
Charges for services	2,084,870	2,345,775	2,458,094	112,319
Contributions	26,600	18,700	26,954	8,254
Miscellaneous	1,627,200	1,363,560	1,469,175	105,615
Total revenues	27,087,125	30,526,255	30,974,104	447,849
EXPENDITURES:				
Current:				
General government	11,979,060	8,048,550	6,975,656	1,072,894
Public safety	31,254,620	10,580,770	10,258,750	322,020
Culture and leisure	4,337,100	4,654,735	3,969,854	684,881
Capital outlay	2,211,405	1,547,940	1,403,028	144,912
Debt service:				
Principal	1,297,405	766,125	829,539	(63,414)
Interest and fiscal charges	98,965	542,395	438,167	104,228
Total expenditures	51,178,555	26,140,515	23,874,994	2,265,521
REVENUES OVER				
(UNDER) EXPENDITURES	(24,091,430)	4,385,740	7,099,110	2,713,370
OTHER FINANCING SOURCES (USES):				
Sale of property	14,000	21,450	64,376	42,926
Inception of lease	-	275,400	200,985	(74,415)
Transfers in	66,200	850,000	-	(850,000)
Transfers out	(437,165)	(5,291,210)	(7,457,735)	(2,166,525)
Total other financing sources (uses)	(356,965)	(4,144,360)	(7,192,374)	(3,048,014)
Net change in fund balances	\$ (24,448,395)	\$ 241,380	(93,264)	\$ (334,644)
FUND BALANCES:				
Beginning of year			18,251,424	
End of year			\$ 18,158,160	

City of Cottonwood
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – HURF Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,391,215	\$ 1,514,915	\$ 1,799,317	\$ 284,402
Intergovernmental	1,058,260	1,860,595	1,247,977	(612,618)
Investment income	3,500	320	2,817	2,497
Miscellaneous	-	4,160	10,262	6,102
Total revenues	2,452,975	3,379,990	3,060,373	(319,617)
EXPENDITURES:				
Current:				
Highways and streets	1,445,430	5,722,070	1,274,499	4,447,571
Capital outlay	3,997,065	5,358,970	4,059,567	1,299,403
Debt service:				
Principal	262,131	262,131	262,131	-
Interest and fiscal charges	172,291	172,291	172,291	-
Total expenditures	5,876,917	11,515,462	5,768,488	5,746,974
REVENUE OVER				
(UNDER) EXPENDITURES	(3,423,942)	(8,135,472)	(2,708,115)	5,427,357
OTHER FINANCING SOURCES (USES):				
Transfers in	305,695	5,244,160	4,876,424	(367,736)
Total other financing sources (uses)	305,695	5,244,160	4,876,424	(367,736)
Net change in fund balances	\$ (3,118,247)	\$ (2,891,312)	2,168,309	\$ 5,059,621
FUND BALANCE:				
Beginning of year			2,891,310	
End of year			\$ 5,059,619	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability
Last Ten Years
For the Year Ended June 30, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

	Arizona Employees' Retirement System ("ASRS") Pension Plan							
Measurement Period	June 30, 2021	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 Net Pension Liability	0.07442%	0.07657%	0.07858%	0.08049%	0.07980%	0.07865%	0.07549%	0.07042%
City's Proportionate Share of the Net Pension Liability	\$ 9,778,458	\$ 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	\$ 8,303,970	\$ 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	<u>117.76%</u>	<u>164.56%</u>	<u>146.08%</u>	<u>147.72%</u>	<u>168.49%</u>	<u>177.23%</u>	<u>169.09%</u>	<u>173.50%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>78.58%</u>	<u>69.33%</u>	<u>73.24%</u>	<u>73.40%</u>	<u>69.92%</u>	<u>67.06%</u>	<u>68.35%</u>	<u>69.49%</u>

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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit

Measurement Period	June 30, 2021	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	0.07520%	0.07756%	0.07965%	0.08156%	0.08061%	0.08061%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (366,381)	\$ (54,912)	\$ (22,012)	\$ (29,369)	\$ (43,884)	\$ 23,309
City's Covered Payroll	\$ 8,303,970	\$ 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>-4.41%</u>	<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>130.24%</u>	<u>104.33%</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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

	Arizona Employees' Retirement System ("ASRS") Long-Term Disability					
Measurement Period	June 30, 2021	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017	June 30, 2016 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.07472%	0.07708%	0.07919%	0.08066%	0.08001%	0.08001%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 15,424	\$ 58,474	\$ 51,588	\$ 42,145	\$ 29,002	\$ 28,753
City's Covered Payroll	\$ 8,303,970	\$ 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>0.19%</u>	<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>90.38%</u>	<u>68.01%</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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

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

Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net Pension (Asset)/Liability	0.18899%	0.02124%	0.21781%	0.47335%
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ -	\$ (64)	\$ (3,128)	\$ 933
City's Covered Payroll	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	0.00%	-0.06%	-3.03%	0.93%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	121.67%	98.71%	116.90%	89.24%

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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

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

Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net Pension (Asset)/Liability	0.16057%	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	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	0.00%	-0.76%	-4.48%	2.54%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	121.67%	98.71%	116.90%	89.24%

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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

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

Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.16364%	0.01849%	0.19159%	0.47333%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (1,588)	\$ (65)	\$ (281)	\$ (20)
City's Covered Payroll	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-1.45%</u>	<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>242.50%</u>	<u>198.86%</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, 2022

Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Fiscal Years

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

Measurement Period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.22579%	0.28389%	0.37354%	0.04223%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (2,191)	\$ (992)	\$ (549)	\$ (2)
City's Covered Payroll	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-2.65%</u>	<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>242.50%</u>	<u>198.86%</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
Last Ten Years
For the Year Ended June 30, 2022

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

Total Pension Liability	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 321,632	\$ 389,109	\$ 414,083	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471	\$ 354,387
Interest on total pension liability	1,528,423	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	325,520	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	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Net change in total pension liability	1,267,574	1,573,475	1,883,185	1,104,713	1,603,028	1,844,693	941,394	2,115,565
Total pension liability - beginning	21,069,674	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)	\$ 22,337,248	\$ 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	\$ 14,562,496	\$ 1,058,404	\$ 1,072,824	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731	\$ 562,803
Contributions - employee	141,473	172,672	166,941	171,124	217,925	235,544	227,682	199,451
Investment income (net of administrative expenses)	2,587,690	111,874	430,937	487,040	666,184	31,475	167,936	531,085
Benefit payments	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Administrative expenses	(12,026)	(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	16,371,632	312,167	854,454	985,922	1,109,706	295,537	427,963	435,931
Plan fiduciary net position - beginning	8,446,087	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)	\$ 24,817,719	\$ 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)	\$ (2,480,471)	\$ 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	111.10%	40.09%	41.72%	41.33%	38.12%	34.78%	37.43%	36.80%
Covered payroll	\$ 1,690,106	\$ 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	-146.76%	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, 2022

Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan								
Total Pension Liability	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 307,497	\$ 355,804	\$ 383,528	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663	\$ 303,278
Interest on total pension liability	895,928	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	141,129	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	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Net change in total pension liability	643,607	1,726,595	1,042,344	632,281	1,069,791	1,381,797	470,323	1,078,710
Total pension liability - beginning	12,315,959	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)	\$ 12,959,566	\$ 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	\$ 4,440,091	\$ 430,262	\$ 487,369	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248	\$ 261,908
Contributions - employee	130,811	132,611	141,988	145,107	183,748	195,245	187,916	171,178
Investment income (net of administrative expenses)	2,307,264	102,955	389,112	446,127	651,916	29,391	167,246	505,572
Benefit payments	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Administrative expenses	(10,787)	(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	6,166,432	480,086	819,738	726,274	1,010,109	270,316	391,635	790,437
Plan fiduciary net position - beginning	8,131,947	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)	\$ 14,298,379	\$ 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)	\$ (1,338,813)	\$ 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	110.33%	66.03%	72.26%	71.56%	68.49%	64.96%	74.66%	73.98%
Covered payroll	\$ 1,450,506	\$ 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	-92.30%	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, 2022

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

Total OPEB Liability	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,589	\$ 9,013	\$ 6,658	\$ 6,462	\$ 8,171
Interest on total OPEB liability	18,633	18,367	21,966	21,101	21,172
Changes in assumptions	-	-	5,987	-	253
Differences between expected and actual experience	(16,378)	(10,223)	(77,946)	(12,591)	(5,210)
Changes in benefit terms	-	-	-	-	(13,866)
Benefit payments, including refunds of employee contributions	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Net change in total OPEB liability	1,124	8,506	(49,996)	8,212	3,652
Total OPEB liability - beginning	252,017	243,511	293,507	285,295	281,643
Total OPEB liability - ending (a)	\$ 253,141	\$ 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)	98,762	4,516	18,162	21,981	33,569
Benefit payments	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Administrative expenses	(406)	(367)	(314)	(335)	(297)
Other	-	-	5,668	1	-
Net change in plan fiduciary net position	89,636	1,971	23,484	17,475	32,016
Plan fiduciary net position - beginning	360,324	358,353	334,869	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 449,960	\$ 360,324	\$ 358,353	\$ 334,869	\$ 317,394
Net OPEB asset - ending (a)-(b)	\$ (196,819)	\$ (108,307)	\$ (114,842)	\$ (41,362)	\$ (32,099)
 Plan fiduciary net position as a percentage of the total OPEB liability					
	177.75%	142.98%	147.16%	114.09%	111.25%
Covered payroll	\$ 1,690,106	\$ 1,640,880	\$ 1,868,782	\$ 2,075,028	\$ 2,014,590
 Net OPEB liability (asset) as a percentage of covered payroll					
	-11.65%	-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, 2022

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

Total OPEB Liability	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,452	\$ 8,671	\$ 6,215	\$ 6,551	\$ 6,493
Interest on total OPEB liability	17,283	16,828	18,429	18,603	17,608
Changes in assumptions	-	-	2,311	-	1,094
Differences between expected and actual experience	6,759	(9,293)	(45,117)	(22,528)	4,879
Changes in benefit terms	-	-	-	-	(4,263)
Benefit payments, including refunds of employee contributions	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Net change in total OPEB liability	25,120	11,310	(25,119)	(6,275)	16,289
Total OPEB liability - beginning	232,489	221,179	246,298	252,573	236,284
Total OPEB liability - ending (a)	\$ 257,609	\$ 232,489	\$ 221,179	\$ 246,298	\$ 252,573
Plan fiduciary net position					
Contributions - employer	\$ 9,945	\$ 10,538	\$ 12,994	\$ 7,543	\$ 9,935
Contributions - employee	-	-	-	-	-
Investment income (net of administrative expenses)	51,980	2,288	8,985	10,605	16,231
Benefit payments	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Administrative expenses	(214)	(186)	(155)	(161)	(143)
Other	-	-	5,161	(1)	-
Net change in plan fiduciary net position	55,337	7,744	20,028	9,085	16,501
Plan fiduciary net position - beginning	190,858	183,114	163,086	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 246,195	\$ 190,858	\$ 183,114	\$ 163,086	\$ 154,001
Net OPEB liability - ending (a)-(b)	\$ 11,414	\$ 41,631	\$ 38,065	\$ 83,212	\$ 98,572
 Plan fiduciary net position as a percentage of the total OPEB liability					
	95.57%	82.09%	82.79%	66.21%	60.97%
Covered payroll	\$ 1,450,506	\$ 1,408,258	\$ 1,626,376	\$ 1,929,297	\$ 1,873,104
 Net OPEB liability (asset) as a percentage of covered payroll					
	0.79%	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, 2022

Arizona State Retirement System ("ASRS") Pension Plan									
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Statutorily required contribution	\$ 1,028,299	\$ 959,894	\$ 966,830	\$ 914,919	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845	\$ 623,008
Contributions in relation to the statutorily required contributions	(1,028,299)	(959,894)	(966,830)	(914,919)	(882,838)	(810,358)	(815,999)	(271,845)	(623,008)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,246,752	\$ 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	24.21%	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: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit Plan

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17¹</u>
Statutorily required contribution	\$ 17,980	\$ 32,134	\$ 32,019	\$ 37,644	\$ 34,932	\$ 43,396
Contributions in relation to the statutorily required contributions	<u>(17,980)</u>	<u>(32,134)</u>	<u>(32,019)</u>	<u>(37,644)</u>	<u>(34,932)</u>	<u>(43,396)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
Contributions as a percentage of covered payroll	0.42%	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: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17¹</u>
Statutorily required contribution	\$ 16,268	\$ 14,934	\$ 14,131	\$ 13,094	\$ 12,706	\$ 10,882
Contributions in relation to the statutorily required contributions	<u>(16,268)</u>	<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>	<u>\$ -</u>
Covered payroll	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
Contributions as a percentage of covered payroll	0.38%	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: 6/30/2020

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tiers 1 & 2)									
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 183,981	\$ 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	(183,981)	(13,975,602)	(878,499)	(940,547)	(974,192)	(879,100)	(910,441)	(601,731)	(562,803)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,335,462	\$ 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	7.88%	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: 6/30/2021

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 fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.30%, net of investment and administrative expenses
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tiers 1 & 2)									
	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Actuarially determined contribution	\$ 202,312	\$ 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	(202,312)	(4,198,944)	(392,866)	(442,193)	(430,827)	(324,450)	(323,156)	(243,520)	(268,585)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,171,441	\$ 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	9.32%	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: 6/30/2021

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 fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.30%, net of investment and administrative expenses
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Actuarially determined contribution	\$ 7,057	\$ -	\$ 6,146	\$ 6,482	\$ 8,256	\$ 5,612
Contributions in relation to the actuarially determined contributions	(7,057)	-	(6,146)	(6,482)	(8,256)	(5,612)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,335,462	\$ 2,267,439	\$ 2,201,397	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590
Contributions as a percentage of covered payroll	0.30%	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: 6/30/2021

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 fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.30%, net of investment and administrative expenses
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Actuarially determined contribution	\$ 2,906	\$ 9,941	\$ 3,179	\$ 12,495	\$ 9,935	\$ 9,935
Contributions in relation to the actuarially determined contributions	(2,906)	(9,941)	(3,179)	(12,495)	(9,935)	(9,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,108,196	\$ 2,046,792	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,873,104
Contributions as a percentage of covered payroll	0.14%	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: 6/30/2021

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 fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.30%, net of investment and administrative expenses
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 27,080	\$ 85,625	\$ 4,933	\$ 8,220	\$ 3,731
Contributions in relation to the statutorily required contributions	<u>(27,080)</u>	<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>
Covered payroll	\$ 112,939	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	23.98%	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: 6/30/2021

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 21,244	\$ 43,657	\$ 28,740	\$ 9,090	\$ 333
Contributions in relation to the statutorily required contributions	<u>(21,244)</u>	<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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 85,120	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	24.96%	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: 6/30/2021

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	<u>2021-22</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 359	\$ 1,302	\$ 106	\$ 47	\$ 100
Contributions in relation to the statutorily required contributions	<u>(359)</u>	<u>(1,302)</u>	<u>(106)</u>	<u>(47)</u>	<u>(100)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 112,939	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	0.32%	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: 6/30/2021

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2022

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

	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 282	\$ 664	\$ 616	\$ 93	\$ 9
Contributions in relation to the statutorily required contributions	(282)	(664)	(616)	(93)	(9)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 85,120	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	0.33%	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: 6/30/2021

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Supplementary Information

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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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.

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 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
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2022

	Special Revenue Fund		Capital Project Fund
	Grants Fund	Transit Fund	City Capital Projects Fund
ASSETS			
Cash and cash investments	\$ 1,428,925	\$ 85,170	\$ 1,112,410
Restricted cash and cash investments	-	-	-
Receivables:			
Accounts	-	3,640	-
Taxes	-	-	31,227
Intergovernmental	768	309,322	74,733
Prepaid items	-	-	-
Total assets	\$ 1,429,693	\$ 398,132	\$ 1,218,370
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,796	\$ 49,816	\$ 70,947
Accrued payroll and related liabilities	-	33,016	-
Interest payable - current portion	-	-	-
Principal payable - current portion	-	-	-
Total liabilities	8,796	82,832	70,947
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,420,897	315,300	1,147,423
Total fund balances	1,420,897	315,300	1,147,423
Total liabilities and fund balances	\$ 1,429,693	\$ 398,132	\$ 1,218,370

City of Cottonwood
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2022

	Debt Service Fund	Total Non-major Governmental Funds
	City Debt Service Fund	
ASSETS		
Cash and cash investments	\$ 1,458,398	\$ 4,084,903
Restricted cash and cash investments	209,334	209,334
Receivables:		
Accounts	-	3,640
Taxes	126,403	157,630
Intergovernmental	-	384,823
Prepaid items	14,175	14,175
Total assets	\$ 1,808,310	\$ 4,854,505
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 129,559
Accrued payroll and related liabilities	-	33,016
Interest payable - current portion	202,730	202,730
Principal payable - current portion	1,235,693	1,235,693
Total liabilities	1,438,423	1,600,998
Fund Balances:		
Nonspendable	14,175	14,175
Restricted	355,712	3,239,332
Total fund balances	369,887	3,253,507
Total liabilities and fund balances	\$ 1,808,310	\$ 4,854,505

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue Fund		Capital Project Fund
	Grants Fund	Transit Fund	City Capital Projects Fund
REVENUES:			
Taxes	\$ -	\$ 428,862	\$ 368,727
Intergovernmental	749,486	1,585,575	75,758
Investment income (loss)	(6,091)	18	(8,071)
Charges for services	-	122,608	-
Miscellaneous	-	13,800	-
Total revenues	743,395	2,150,863	436,414
EXPENDITURES:			
Current:			
General government	113,542	-	79,606
Transportation	-	2,048,879	-
Culture and leisure	247,111	-	-
Capital outlay	440,160	-	2,877,693
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	800,813	2,048,879	2,957,299
REVENUES OVER (UNDER) EXPENDITURES	(57,418)	101,984	(2,520,885)
OTHER FINANCING SOURCES (USES):			
Transfers in	60,426	-	2,520,885
Total other financing sources (uses)	60,426	-	2,520,885
Net changes in fund balances	3,008	101,984	-
FUND BALANCES:			
Beginning of year	1,417,889	213,316	1,147,423
End of year	<u>\$ 1,420,897</u>	<u>\$ 315,300</u>	<u>\$ 1,147,423</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, 2022

	Debt Service Fund	Total Non-major Governmental Funds
	City Debt Service Fund	
REVENUES:		
Taxes	\$ 1,651,535	\$ 2,449,124
Intergovernmental	-	2,410,819
Investment income (loss)	14	(14,130)
Charges for services	-	122,608
Miscellaneous	-	13,800
Total revenues	<u>1,651,549</u>	<u>4,982,221</u>
EXPENDITURES:		
Current:		
General government	-	193,148
Transportation	-	2,048,879
Culture and leisure	-	247,111
Capital outlay	-	3,317,853
Debt service:		
Principal	1,235,696	1,235,696
Interest and fiscal charges	408,153	408,153
Total expenditures	<u>1,643,849</u>	<u>7,450,840</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>7,700</u>	<u>(2,468,619)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	2,581,311
Total other financing sources (uses)	<u>-</u>	<u>2,581,311</u>
Net changes in fund balances	7,700	112,692
FUND BALANCES:		
Beginning of year	362,187	3,140,815
End of year	<u>\$ 369,887</u>	<u>\$ 3,253,507</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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City of Cottonwood
Budgetary Comparison Schedule
Grant Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Intergovernmental	\$ 5,259,720	\$ 853,785	\$ 749,486	\$ (104,299)
Investment income (loss)	-	-	(6,091)	(6,091)
Total revenues	<u>5,259,720</u>	<u>853,785</u>	<u>743,395</u>	<u>(110,390)</u>
EXPENDITURES:				
Current:				
General government	-	131,535	113,542	17,993
Highways and streets	-	567,890	-	567,890
Culture and leisure	251,615	246,610	247,111	(501)
Capital outlay	6,480,100	523,200	440,160	83,040
Total expenditures	<u>6,731,715</u>	<u>1,469,235</u>	<u>800,813</u>	<u>668,422</u>
REVENUE OVER				
(UNDER) EXPENDITURES	<u>(1,471,995)</u>	<u>(615,450)</u>	<u>(57,418)</u>	<u>558,032</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	(65,270)	47,560	60,426	12,866
Transfers Out	-	(850,000)	-	850,000
Total other financing sources (uses)	<u>(65,270)</u>	<u>(802,440)</u>	<u>60,426</u>	<u>862,866</u>
Net change in fund balances	<u>\$ (1,537,265)</u>	<u>\$ (1,417,890)</u>	<u>3,008</u>	<u>\$ 1,420,898</u>
FUND BALANCE:				
Beginning of year			1,417,889	
End of year			<u>\$ 1,420,897</u>	

City of Cottonwood
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 308,280	\$ 428,850	\$ 428,862	\$ 12
Intergovernmental	2,366,970	1,677,770	1,585,575	(92,195)
Investment income (loss)	-	-	18	18
Charges for services	51,350	141,420	122,608	(18,812)
Miscellaneous	30,115	227,120	13,800	(213,320)
Total revenues	2,756,715	2,475,160	2,150,863	(324,297)
EXPENDITURES:				
Current:				
Transportation	2,756,715	2,475,160	2,048,879	426,281
Total expenditures	2,756,715	2,475,160	2,048,879	426,281
Net change in fund balances	\$ -	\$ -	101,984	\$ 101,984
FUND BALANCE:				
Beginning of year			213,316	
End of year			\$ 315,300	

City of Cottonwood
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 294,675	\$ 294,675	\$ 368,727	\$ 74,052
Intergovernmental	315,000	86,995	75,758	(11,237)
Investment income (loss)	11,400	5,400	(8,071)	(13,471)
Total revenues	621,075	387,070	436,414	49,344
EXPENDITURES:				
Current:				
General government	320,000	91,395	79,606	11,789
Capital outlay	800,000	3,146,310	2,877,693	268,617
Total expenditures	1,120,000	3,237,705	2,957,299	280,406
REVENUE OVER				
(UNDER) EXPENDITURES	(498,925)	(2,850,635)	(2,520,885)	329,750
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,653,725	2,520,885	867,160
Total other financing sources (uses)	-	1,653,725	2,520,885	867,160
Net change in fund balances	\$ (498,925)	\$ (1,196,910)	-	\$ 1,196,910
FUND BALANCE:				
Beginning of year			1,147,423	
End of year			\$ 1,147,423	

City of Cottonwood
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,645,625	\$ 1,645,625	\$ 1,651,535	\$ 5,910
Investment income (loss)	100	10	14	4
Total revenues	<u>1,645,725</u>	<u>1,645,635</u>	<u>1,651,549</u>	<u>5,914</u>
EXPENDITURES:				
Debt service:				
Principal	1,235,700	1,235,700	1,235,696	4
Interest and fiscal charges	<u>409,925</u>	<u>409,925</u>	<u>408,153</u>	<u>1,772</u>
Total expenditures	<u>1,645,625</u>	<u>1,645,625</u>	<u>1,643,849</u>	<u>1,776</u>
Net change in fund balances	<u>\$ 100</u>	<u>\$ 10</u>	7,700	<u>\$ 7,690</u>
FUND BALANCE:				
Beginning of year			<u>362,187</u>	
End of year			<u>\$ 369,887</u>	

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

Statistical Section

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022

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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, 2022
(accrual basis of accounting)

	Fiscal Year				
	2022	2021	2020	2019	2018
Governmental activities					
Net investment in capital assets	\$ 36,108,156	\$ 28,377,288	\$ 27,118,419	\$ 27,277,629	\$ 27,332,884
Restricted	12,628,846	9,151,977	4,127,464	3,010,461	2,612,991
Unrestricted	(9,690,274)	(9,008,315)	(11,650,963)	(13,832,151)	(15,403,566)
Total governmental activities net position	<u>\$ 39,046,728</u>	<u>\$ 28,520,950</u>	<u>\$ 19,594,920</u>	<u>\$ 16,455,939</u>	<u>\$ 14,542,309</u>
Business-type activities					
Net investment in capital assets	\$ 24,331,532	\$ 26,397,745	\$ 27,364,275	\$ 27,089,493	\$ 24,493,779
Restricted	8,158,869	9,501,748	7,674,983	12,252,785	7,536,216
Unrestricted	26,552,317	14,952,181	12,015,527	4,198,028	8,424,140
Total business-type activities net position	<u>\$ 59,042,718</u>	<u>\$ 50,851,674</u>	<u>\$ 47,054,785</u>	<u>\$ 43,540,306</u>	<u>\$ 40,454,135</u>
Primary government					
Net investment in capital assets	\$ 60,439,688	\$ 54,775,033	\$ 54,482,694	\$ 54,367,122	\$ 51,826,663
Restricted	20,787,715	18,653,725	11,802,447	15,263,246	10,149,207
Unrestricted	16,862,043	5,943,866	364,564	(9,634,123)	(6,979,426)
Total primary government net position	<u>\$ 98,089,446</u>	<u>\$ 79,372,624</u>	<u>\$ 66,649,705</u>	<u>\$ 59,996,245</u>	<u>\$ 54,996,444</u>

City of Cottonwood
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2022
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental activities					
Net investment in capital assets	\$ 24,457,732	\$ 26,266,479	\$ 32,767,938	\$ 29,811,017	\$ 26,606,032
Restricted	4,287,185	3,059,882	1,290,122	1,210,126	1,371,766
Unrestricted	(7,801,463)	(5,612,279)	(7,294,803)	12,155,916	15,580,011
Total governmental activities net position	<u>\$ 20,943,454</u>	<u>\$ 23,714,082</u>	<u>\$ 26,763,257</u>	<u>\$ 43,177,059</u>	<u>\$ 43,557,809</u>
Business-type activities					
Net investment in capital assets	\$ 18,333,192	\$ 13,642,806	\$ 5,440,590	\$ 4,851,385	\$ 4,306,570
Restricted	-	1,802,675	2,557,734	2,557,755	2,557,755
Unrestricted	10,483,581	9,576,508	15,069,210	15,941,213	15,474,955
Total business-type activities net position	<u>\$ 28,816,773</u>	<u>\$ 25,021,989</u>	<u>\$ 23,067,534</u>	<u>\$ 23,350,353</u>	<u>\$ 22,339,280</u>
Primary government					
Net investment in capital assets	\$ 42,790,924	\$ 39,909,285	\$ 38,208,528	\$ 34,662,402	\$ 30,912,602
Restricted	4,287,185	4,862,557	3,847,856	3,767,881	3,929,521
Unrestricted	2,682,118	3,964,229	7,774,407	28,097,129	31,054,966
Total primary government net position	<u>\$ 49,760,227</u>	<u>\$ 48,736,071</u>	<u>\$ 49,830,791</u>	<u>\$ 66,527,412</u>	<u>\$ 65,897,089</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Expenses					
Governmental Activities					
General government	\$ 7,004,688	\$ 6,927,542	\$ 6,651,834	\$ 5,947,814	\$ 5,357,347
Public Safety	11,109,091	12,859,366	11,945,539	12,099,647	12,214,453
Highway and streets	1,852,918	1,949,637	1,809,652	1,419,997	1,634,741
Transportation	2,618,607	2,620,605	2,147,294	2,300,410	2,174,021
Culture and recreation	5,043,553	4,215,599	4,455,091	4,107,450	4,144,697
Interest on long-term debt	881,345	597,696	650,224	691,681	614,906
Total governmental activities expenses	28,510,202	29,170,445	27,659,634	26,566,999	26,140,165
Business-Type Activities					
Water	5,949,754	5,265,348	5,348,996	5,273,405	5,409,263
Sewer	3,067,447	3,384,098	2,830,268	2,876,534	2,386,840
Total business-type activities expenses	9,017,201	8,649,446	8,179,264	8,149,939	7,796,103
Total primary government expenses	\$ 37,527,403	\$ 37,819,891	\$ 35,838,898	\$ 34,716,938	\$ 33,936,268
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,790,437	\$ 1,506,871	\$ 1,267,587	\$ 1,469,608	\$ 1,886,679
Public safety	1,110,216	949,274	905,165	888,666	835,855
Highways and streets	-	-	-	-	-
Transportation	122,608	415	154,367	211,490	207,920
Culture and leisure	876,284	367,259	775,578	1,029,563	1,093,849
Operating grants and contributions	5,120,000	6,480,841	3,772,457	3,358,972	3,292,725
Capital grants and contributions	844,323	567,018	770,600	601,461	2,494,456
Total governmental activities program revenues	9,863,868	9,871,678	7,645,754	7,559,760	9,811,484
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,716,680	8,649,599	8,073,195	7,744,901	8,011,771
Sewer	4,580,092	4,035,452	3,266,899	3,076,218	2,620,736
Operating grants and contributions	4,092,258	-	-	-	-
Total business-type activities program revenues	17,389,030	12,685,051	11,340,094	10,821,119	10,632,507
Total primary government program revenues	\$ 27,252,898	\$ 22,556,729	\$ 18,985,848	\$ 18,380,879	\$ 20,443,991
Net (Expense) Revenue					
Governmental activities	\$ (18,646,334)	\$ (19,298,767)	\$ (20,013,880)	\$ (19,007,239)	\$ (16,328,681)
Business-type activities	8,371,829	4,035,605	3,160,830	2,671,180	2,836,404
Total primary government	\$ (10,274,505)	\$ (15,263,162)	\$ (16,853,050)	\$ (16,336,059)	\$ (13,492,277)

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Expenses					
Governmental Activities					
General government	\$ 9,016,421	\$ 5,653,593	\$ 4,815,686	\$ 5,245,413	\$ 4,584,034
Public Safety	12,252,315	10,567,676	9,270,523	8,354,188	8,035,427
Highway and streets	3,817,500	3,999,492	4,222,310	3,468,654	3,134,571
Transportation	-	-	-	-	-
Culture and recreation	3,767,245	4,239,038	3,748,143	3,687,518	3,561,035
Interest on long-term debt	1,208,866	938,399	815,524	710,755	790,903
Total governmental activities expenses	30,062,347	25,398,198	22,872,186	21,466,528	20,105,970
Business-Type Activities					
Water	4,667,663	6,667,587	5,776,752	6,206,940	6,650,327
Wastewater	2,750,544	2,339,933	2,360,966	2,377,111	2,423,868
Total business-type activities expenses	7,418,207	9,007,520	8,137,718	8,584,051	9,074,195
Total primary government expenses	\$ 37,480,554	\$ 34,405,718	\$ 31,009,904	\$ 30,050,579	\$ 29,180,165
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,745,730	\$ 1,252,512	\$ 1,249,543	\$ 1,248,788	\$ 1,234,930
Public safety	800,601	626,941	182,682	65,481	204,582
Highways and streets	207,002	358,991	336,854	362,365	286,118
Transportation	-	-	-	-	-
Culture and leisure	1,023,178	984,529	938,362	824,333	829,139
Operating grants and contributions	2,971,986	2,434,617	2,383,018	2,330,406	2,824,452
Capital grants and contributions	2,220,427	348,290	288,143	509,917	19,699
Total governmental activities program revenues	8,968,924	6,005,880	5,378,602	5,341,290	5,398,920
Program Revenues					
Business-type activities					
Charges for services:					
Water	7,608,838	7,496,231	7,432,085	6,818,887	5,885,521
Sewer	2,486,514	2,438,088	2,305,897	2,406,542	1,642,860
Operating grants and contributions	-	-	-	-	-
Total business-type activities program revenues	10,095,352	9,934,319	9,737,982	9,225,429	7,528,381
Total primary government program revenues	\$ 19,064,276	\$ 15,940,199	\$ 15,116,584	\$ 14,566,719	\$ 12,927,301
Net (Expense) Revenue					
Governmental activities	\$ (21,093,423)	\$ (19,392,318)	\$ (17,493,584)	\$ (16,125,238)	\$ (14,707,050)
Business-type activities	2,677,145	926,799	1,600,264	641,378	(1,545,814)
Total primary government	\$ (18,416,278)	\$ (18,465,519)	\$ (15,893,320)	\$ (15,483,860)	\$ (16,252,864)

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

	Fiscal Year				
	2022	2021	2020	2019	2018
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	(10,274,505)	(15,263,162)	(16,853,050)	(16,336,059)	(13,492,277)
Governmental Activities					
Taxes:					
Sales taxes	23,598,985	21,441,099	18,588,547	16,453,665	14,275,812
Motor vehicle in-lieu tax	1,006,423	1,039,271	866,283	848,579	781,103
Franchise taxes	657,223	465,588	303,659	404,620	416,542
Transit occupancy tax	418,731	405,373	386,302	288,333	243,347
State shared revenue	3,292,506	3,204,737	2,838,005	2,666,814	2,637,072
Investment Income	(42,572)	10,635	129,036	135,426	75,947
Miscellaneous	221,534	827,590	41,029	48,496	278,646
Gain (loss) on sale of assets	19,282	830,504	-	74,936	12,466
Transfers	-	-	-	-	(8,715,709)
Total governmental activities	29,172,112	28,224,797	23,152,861	20,920,869	10,005,226
Business-type activities:					
Investment income	(92,372)	16,978	353,649	364,451	119,643
Miscellaneous	-	-	-	78,225	60,644
Gain (loss) on sale of assets	(88,413)	(255,694)	-	(27,685)	(95,441)
Transfers	-	-	-	-	8,715,709
Total business activities	(180,785)	(238,716)	353,649	414,991	8,800,555
Total primary government	\$ 28,991,327	\$ 27,986,081	\$ 23,506,510	\$ 21,335,860	\$ 18,805,781
Change in Net Position	\$ 18,716,822	\$ 12,722,919	\$ 6,653,460	\$ 4,999,801	\$ 5,313,504

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Revenue and Other Changes in Net Position	(18,416,278)	(18,465,519)	(15,893,320)	(15,893,320)	(16,252,864)
Governmental Activities					
Taxes:					
Sales taxes	\$ 13,982,967	\$ 13,385,256	\$ 12,774,860	\$ 12,774,860	\$ 11,329,353
Motor Vehicle in-lieu tax	758,271	710,155	660,786	660,786	563,851
Franchise taxes	370,646	349,537	368,062	368,062	363,653
Transit occupancy tax	214,976	-	-	-	-
Unrestricted state shared revenue	2,528,894	2,422,844	2,393,192	2,393,192	2,088,713
Investment earnings	17,668	175,351	146,102	146,102	(71,463)
Miscellaneous	445,770	-	-	-	-
Gain on sale of assets	3,603	-	-	-	-
Transfers	-	(700,000)	-	-	(398,256)
Total governmental activities	18,322,795	16,343,143	16,343,002	16,343,002	13,875,851
Business-type activities:					
Investment income	374,976	327,656	305,896	305,896	328,570
Miscellaneous	28,288	-	-	-	-
Gain of disposal of capital assets	4,975	-	-	-	-
Transfers	-	700,000	-	-	398,256
Total business activities	408,239	1,027,656	305,896	305,896	726,826
Total primary government	\$ 18,731,034	\$ 17,370,799	\$ 16,648,898	\$ 16,648,898	\$ 14,602,677
Change in Net Position	<u>\$ 314,756</u>	<u>\$ (1,094,720)</u>	<u>\$ 755,578</u>	<u>\$ 755,578</u>	<u>\$ (1,650,187)</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
General Fund					
Nonspendable	\$ 71,616	\$ 22,085	\$ 86,988	\$ 21,568	\$ 29,225
Restricted	4,343,823	3,147,955	-	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	12,742,721	14,081,384	6,955,514	3,772,894	2,154,755
Total general fund	<u>\$ 18,158,160</u>	<u>\$ 18,251,424</u>	<u>\$ 8,042,502</u>	<u>\$ 4,794,462</u>	<u>\$ 3,183,980</u>
All Other Governmental Funds					
Nonspendable	\$ 28,103	\$ 28,103	\$ 30,129	\$ 40,510	\$ 50,131
Restricted	8,285,023	6,004,022	4,127,464	3,010,461	2,622,474
Assigned	-	-	-	-	-
Unassigned	-	-	-	(418)	-
Total all other governmental funds	<u>\$ 8,313,126</u>	<u>\$ 6,032,125</u>	<u>\$ 4,157,593</u>	<u>\$ 3,050,553</u>	<u>\$ 2,672,605</u>

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

	Fiscal Year				
	2017	2016	2015	2014	2013
General Fund					
Nonspendable	\$ 21,397	\$ 40,249	46,261	20,608	5,095
Restricted	-	-	144,477	1,287,757	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,259,750
Unassigned	4,206,786	4,187,934	4,599,804	3,674,772	4,624,668
Total general fund	<u>\$ 5,228,183</u>	<u>\$ 5,228,183</u>	<u>\$ 5,790,542</u>	<u>\$ 5,983,137</u>	<u>\$ 5,889,513</u>
All Other Governmental Funds					
Nonspendable	\$ 22,275	\$ 15,311	\$ 15,311	\$ 18,988	\$ 21,233
Restricted	4,287,185	5,708,599	9,421,521	1,210,126	2,241,263
Assigned	5,674,582	5,592,044	3,650,405	8,318,189	9,658,940
Unassigned	-	-	-	(488,916)	(465,433)
Total all other governmental funds	<u>\$ 9,984,042</u>	<u>\$ 11,315,954</u>	<u>\$ 13,087,237</u>	<u>\$ 9,058,387</u>	<u>\$ 11,456,003</u>

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

	Fiscal Year				
	2022	2021	2020	2019	2018
Revenues:					
Taxes	\$ 24,674,939	\$ 22,312,060	\$ 19,278,508	\$ 17,146,618	\$ 14,935,701
Intergovernmental revenues	9,193,830	10,508,801	7,629,598	6,518,230	8,704,128
Licenses and permits	642,420	371,819	281,099	568,297	327,452
Fines and forfeits	203,217	237,701	172,572	213,450	178,504
Rents and royalties	243,970	123,500	129,751	159,879	118,756
Investment income (loss)	(42,571)	10,635	129,036	134,119	75,947
Charges for services	2,580,702	1,530,513	1,956,531	2,333,342	2,547,571
Contributions	26,954	25,678	34,050	30,935	36,419
Miscellaneous	1,493,237	2,145,264	1,187,470	1,300,823	1,595,475
Total revenues	39,016,698	37,265,971	30,798,615	28,405,693	28,519,953
Expenditures:					
Current:					
General government	7,168,804	6,561,810	6,317,896	6,139,003	6,103,437
Public safety	10,258,750	27,833,695	10,277,695	11,071,615	10,801,786
Highways and street	1,274,499	1,395,849	1,085,263	908,747	1,059,037
Transportation	2,048,879	2,066,818	2,036,416	1,789,161	1,598,318
Culture and recreation	4,216,965	3,402,156	3,609,900	3,303,096	3,401,603
Redevelopment and housing	-	-	-	-	-
Capital outlay	8,780,448	2,242,878	592,442	2,200,382	3,672,088
Debt service:					
Principal retirement	2,327,366	1,900,875	1,842,083	1,544,610	1,783,911
Interest on long-term debt	1,018,611	734,961	787,489	828,946	752,170
Bond issuance costs	-	-	-	-	-
Total expenditures	37,094,322	46,139,042	26,549,184	27,785,560	29,172,350
Excess of revenues over (under) expenditures	1,922,376	(8,873,071)	4,249,431	620,133	(652,397)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	20,380,000	-	-	-
Premium on issuance of long-term debt	-	-	-	-	-
Deposit to escrow for bond refunding	-	(409,013)	-	-	-
Cost of issuance	-	-	-	-	-
Sales of property	64,376	985,538	105,649	82,369	12,466
Inception of lease	200,985	-	-	1,285,928	-
Transfers in	7,457,735	137,518	230,361	25,512	5,146,961
Transfers out	(7,457,735)	(137,518)	(230,361)	(25,512)	(13,862,670)
Total other financing sources (uses)	265,361	20,956,525	105,649	1,368,297	(8,703,243)
Net change in fund balances	\$ 2,187,737	\$ 12,083,454	\$ 4,355,080	\$ 1,988,430	\$ (9,355,640)
Debt service as a percentage of noncapital expenditures	11.8%	6.0%	10.1%	9.3%	9.9%

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

	Fiscal Year				
	2017	2016	2015	2014	2013
Revenues:					
Taxes	\$ 14,568,589	\$ 13,734,793	\$ 13,142,922	\$ 12,648,502	\$ 11,693,006
Intergovernmental revenues	7,862,119	5,742,590	5,724,063	5,714,445	4,373,390
Licenses and permits	279,814	279,698	229,810	292,341	227,930
Fines and forfeits	147,698	149,459	160,813	176,208	175,728
Rents and royalties	257,931	181,608	143,578	162,606	117,969
Investment income (loss)	17,668	174,473	145,268	211,420	(69,562)
Charges for services	2,481,394	2,454,952	1,906,025	1,739,844	1,771,992
Contributions	31,725	73,607	1,076	9,292	8,652
Miscellaneous	1,740,887	157,256	267,215	129,968	261,150
Total revenues	27,387,825	22,948,436	21,720,770	21,084,626	18,560,255
Expenditures:					
Current:					
General government	5,705,624	4,665,822	4,510,920	4,347,532	3,899,655
Public safety	10,657,958	9,251,574	8,254,360	7,888,166	6,909,737
Highways and street	2,429,760	2,816,635	3,111,725	2,565,264	2,196,120
Transportation	-	-	-	-	-
Culture and recreation	3,222,539	3,198,799	3,059,962	2,869,610	2,593,264
Redevelopment and housing	-	-	-	-	-
Capital outlay	5,157,047	2,341,365	5,498,903	4,598,404	4,273,284
Debt service:					
Principal retirement	1,776,500	1,322,010	1,332,649	1,241,480	1,672,415
Interest on long-term debt	999,972	985,873	695,238	728,162	808,310
Bond issuance costs	-	-	137,693	-	-
Total expenditures	29,949,400	24,582,078	26,601,450	24,238,618	22,352,785
Excess of revenues over (under) expenditures	(2,561,575)	(1,633,642)	(4,880,680)	(3,153,992)	(3,792,530)
Other Financing Sources (Uses)					
Issuance of long-term debt	13,544,732	-	8,115,584	-	-
Premium on issuance of long-term debt	1,524,485	-	601,351	-	-
Deposit to escrow for bond refunding	(13,613,249)	-	-	-	-
Cost of issuance	(238,961)	-	-	-	-
Sales of Property	12,656	-	-	-	-
Inception of lease	-	-	-	850,000	616,574
Transfers in	1,112,808	4,216	3,119,148	305,268	1,613,600
Transfers out	(1,112,808)	(704,216)	(3,119,048)	(305,268)	(2,011,856)
Total other financing sources (uses)	1,229,663	(700,000)	8,717,035	850,000	218,318
Net change in fund balances	\$ (1,331,912)	\$ (2,333,642)	\$ 3,836,355	\$ (2,303,992)	\$ (3,574,212)
Debt service as a percentage of noncapital expenditures	10.7%	9.8%	10.4%	10.0%	14.7%

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
2022	\$ 23,205,191	\$ 657,223	\$ 418,731	\$ 393,794	\$ 24,674,939
2021	21,056,079	465,589	405,383	385,020	22,312,071
2020	21,075,962	405,373	465,588	365,137	22,312,060
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

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

Overlapping Rates

Fiscal Year	City of Cottonwood	Yavapai County	State of Arizona
2022	3.50	0.75	5.60
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

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Construction	\$ 47,460	\$ 24,344	\$ 23,321	\$ 29,985	\$ 27,795
Manufacturing	3,834	705	2,486	2,512	3,998
Communications and utilities	13,955	14,502	14,558	16,041	12,647
Wholesale Trade	-	-	-	-	-
Retail Trade	478,154	474,798	420,086	331,672	343,540
Restaurants and Bars	64,077	61,235	49,864	46,149	43,296
Real estate, rental and lease	30,525	43,858	41,403	40,220	38,158
Hotels and Other Lodging	18,898	14,499	16,477	21,596	15,023
Services	-	-	-	-	-
All Others Not Specified	33,604	26,178	1,269	1,048	483
Total	<u>\$ 690,507</u>	<u>\$ 660,119</u>	<u>\$ 569,464</u>	<u>\$ 489,223</u>	<u>\$ 484,940</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
Taxable Sales By Category (Continued)
Last Ten Calendar Years (10,000)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Construction	\$ 28,548	\$ 12,131	\$ 19,450	\$ 19,609	\$ 19,783
Manufacturing	754	8,210	7,198	7,055	6,146
Communications and utilities	12,647	6,642	12,769	12,115	12,293
	-	-	3,343	2,465	2,270
Retail Trade	343,540	307,992	292,839	268,377	260,464
Restaurants and Bars	43,296	38,022	36,101	34,066	31,607
Real estate, rental and lease	38,159	35,800	37,018	39,539	36,120
Hotels and Other Lodging	15,023	6,509	10,366	8,816	7,754
Services	-	-	10,999	9,924	9,402
All Others Not Specified	2,973	57,943	9,857	2,703	5,292
Total	<u>\$ 484,940</u>	<u>\$ 473,249</u>	<u>\$ 439,940</u>	<u>\$ 404,669</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

	2022	2021	2020	2019	2018
Source					
City Sales Tax	\$ 24,496,631	\$ 21,435,371	\$ 18,385,925	\$ 16,474,873	\$ 14,703,470
State Shared Sales Taxes	1,704,031	1,453,612	1,260,498	1,210,830	1,151,996
State Shared Income Taxes	1,588,475	1,751,125	1,577,507	1,455,983	1,485,076
Fines and Forfeitures	203,217	259,423	172,572	213,450	178,504
Licenses & Permits	642,420	573,515	281,099	568,297	327,452
Total	\$ 28,634,774	\$ 25,473,046	\$ 21,677,601	\$ 19,923,433	\$ 17,846,498

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

	2017	2016	2015	2014	2013
Source					
City Sales Tax	\$ 13,516,835	\$ 13,198,045	\$ 13,142,922	\$ 12,648,502	\$ 11,693,006
State Shared Sales Taxes	1,083,047	1,066,539	1,029,494	980,537	922,061
State Shared Income Taxes	1,445,847	1,356,305	1,363,698	1,255,627	1,150,696
Fines and Forfeitures	147,698	149,459	160,813	176,208	175,728
Licenses & Permits	279,814	279,698	229,810	292,341	227,930
Total	\$ 16,473,241	\$ 16,050,046	\$ 15,926,737	\$ 15,353,215	\$ 14,169,421

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

	2022	2021	2020	2019	2018
<u>Industry Classification</u>					
Retail Trade	\$ 17,406,134	\$ 15,963,435	\$ 13,280,014	\$ 11,751,602	\$ 10,487,520
Contracting	1,287,374	834,667	1,052,796	776,728	858,037
Real estate, rental and lease	1,529,148	1,377,587	1,327,528	1,354,733	1,195,647
Communications and utilities	506,723	498,298	510,615	465,369	385,296
Restaurants and Bars	2,294,337	2,003,950	1,736,839	1,572,599	1,356,197
All Others Not Specified	1,472,915	776,496	808,435	815,439	664,120
Total	<u><u>\$ 24,496,631</u></u>	<u><u>\$ 21,454,433</u></u>	<u><u>\$ 18,716,227</u></u>	<u><u>\$ 16,736,470</u></u>	<u><u>\$ 14,946,817</u></u>

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

	2017	2016	2015	2014	2013
<u>Industry Classification</u>					
Retail Trade	\$ 10,098,671	\$ 9,239,760	\$ 8,526,527	\$ 7,227,946	\$ 7,640,351
Contracting	681,940	363,930	686,093	491,176	286,634
Real estate, rental and lease	1,101,019	1,074,000	1,108,026	1,053,823	1,037,289
Communications and utilities	414,051	199,260	152,080	134,746	165,938
Restaurants and Bars	1,238,284	1,140,660	1,076,267	892,193	922,294
All Others Not Specified	197,846	1,367,646	712,582	1,047,770	195,461
Total	<u><u>\$ 13,731,811</u></u>	<u><u>\$ 13,385,256</u></u>	<u><u>\$ 12,261,575</u></u>	<u><u>\$ 10,847,654</u></u>	<u><u>\$ 10,247,967</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	Finance Purchase Agreements	Total
2022	\$ 35,230,581	\$ -	\$ 513,954	\$ 35,744,535
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	22,119,446
2018	20,979,005	-	1,140,441	24,201,770
2017	22,531,286	-	1,670,484	23,760,075
2016	8,686,868	14,177,929	895,278	25,094,559
2015	8,716,935	15,070,336	1,307,288	17,464,937
2014	-	15,700,000	1,764,937	18,331,417
2013	150,000	16,865,000	1,316,417	19,322,258

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	Finance Purchase Agreements	Total		Total Debt	Percentage of Personal Income	Per Capita
2022	\$ 2,735,459	\$ 16,888,072	\$ -	\$ 19,623,531	\$	55,368,066	N/A	4,603
2021	2,893,043	18,283,570	-	21,176,613		58,885,471	20.2%	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	-	26,097,092		48,216,538	20.1%	3,936
2018	3,340,090	22,343,732	413,270	26,483,280		50,685,050	18.4%	4,177
2017	3,244,416	22,418,796	820,068	48,888,699		72,648,774	12.0%	6,067
2016	23,911,915	23,756,290	1,220,494	35,862,267		60,956,826	13.5%	5,158
2015	24,551,327	9,696,290	1,614,650	33,750,000		51,214,937	15.4%	4,337
2014	31,750,000	-	2,000,000	32,725,000		51,056,417	14.7%	4,427
2013	32,725,000	-	-	33,690,000		53,012,258	13.1%	4,649

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
2022	\$ 37,966,040	\$ 690,507,000	5.50%	12,029	3,156
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	10,900,000	473,249,667	2.30%	11,990	909
2016	11,360,000	439,940,000	2.58%	11,818	961
2015	-	404,669,000	0.00%	11,810	-
2014	150,000	391,129,000	0.04%	11,810	13
2013	290,000	372,907,000	0.08%	11,810	25

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, 2022

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Amount Overlapping Debt</u>
Overlapping Debt:			
Yavapai Community College	\$ 6,865,000	42.98%	\$ 2,950,577
Mingus Union High School District	6,999,939	11.39%	\$ 797,293
Total Overlapping Debt			3,747,870
Direct:			
City of Cottonwood			<u>55,368,066</u>
Total Direct Debt			<u>\$ 59,115,936</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	\$ 3,156.21
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 2022:

Net full cash assessed valuation	\$162,914,975
Debt limit (6%)	9,774,899
Debt applicable to limit	-
Legal debt margin	<u><u>\$172,689,874</u></u>

	2022	2021	2020	2019	2018
Total 20% Debt Limit	\$ 32,582,995	\$ 29,121,355	\$ 28,978,987	\$ 25,587,171	\$ 24,009,228
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 32,582,995</u></u>	<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>
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%
	2022	2021	2020	2019	2018
Total 6% Debt Limit	\$ 9,774,899	\$ 8,736,406	\$ 8,693,696	\$ 7,676,151	\$ 7,202,768
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 9,774,899</u></u>	<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>
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 2022:

Net full cash assessed valuation	\$162,914,975
Debt limit (20%)	32,582,995
Debt application to limit	-
Legal debt margin	<u><u>\$195,497,970</u></u>

	2017	2015	2016	2015	2014
Total 20% Debt Limit	\$ 19,767,803	\$ 18,658,140	\$ 20,447,479	\$ 18,658,140	\$ 19,360,743
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 19,767,803</u></u>	<u><u>\$ 18,658,140</u></u>	<u><u>\$ 20,447,479</u></u>	<u><u>\$ 18,658,140</u></u>	<u><u>\$ 19,360,743</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%
	2017	2015	2016	2015	2014
Total 6% Debt Limit	\$ 5,930,341	\$ 5,597,442	\$6,134,244	\$ 5,597,442	\$ 5,808,223
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 5,930,341</u></u>	<u><u>\$ 5,597,442</u></u>	<u><u>\$ 6,134,244</u></u>	<u><u>\$ 5,597,442</u></u>	<u><u>\$ 5,808,223</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				
	2022	2021	2020	2019	2018
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 8,702,992	\$ 8,664,939	\$ 8,386,920	\$ 8,120,944	\$ 8,174,427
Less: Operating expenses (2)	5,592,631	4,756,733	5,331,836	5,273,405	4,859,357
Net available revenue	3,110,361	3,908,206	3,055,084	2,847,539	3,315,070
Debt Service					
Principal	1,422,569	1,374,916	1,358,539	1,332,671	1,307,304
Interest	319,357	359,525	386,162	398,108	410,792
Total Annual Requirement	1,741,925	1,734,441	1,744,701	1,730,779	1,718,096
Estimated Coverage	1.79	2.25	1.75	1.65	1.93
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	28,634,774	25,473,045	18,803,787	16,736,469	14,949,167
Debt Service					
Principal	1,605,000	1,515,001	1,485,001	1,445,000	-
Interest	1,089,494	758,363	797,024	853,100	-
Total Annual Requirement	2,694,494	2,273,364	2,282,025	2,298,100	-
Estimated Coverage	10.63	11.21	8.24	7.28	N/A
General Arizona Development Authority Loan					
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.

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

	Fiscal Year Ending				
	2017	2016	2015	2014	2013
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 7,608,838	\$ 7,819,312	\$ 7,736,434	\$ 7,185,880	\$ 6,203,779
Less: Operating expenses (2)	4,489,731	3,591,176	3,169,489	3,754,462	3,855,986
Net available revenue	3,119,107	4,228,136	4,566,945	3,431,418	2,347,793
Debt Service					
Principal	709,004	610,000	1,000,000	975,000	965,000
Interest	613,923	1,205,635	1,464,618	1,482,773	1,559,310
Total Annual Requirement	1,322,927	1,815,635	2,464,618	2,457,773	2,524,310
Estimated Coverage	2.36	2.33	1.85	1.40	0.93
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	14,070,668	15,808,100	15,168,053	12,276,616	11,329,353
Debt Service					
Principal	-	-	-	150,000	140,000
Interest	-	465,916	-	4,150	12,175
Total Annual Requirement	-	465,916	-	154,150	152,175
Estimated Coverage	N/A	33.93	N/A	79.64	74.45
General Arizona Development Authority Loan					
Pledged revenues	-	15,808,100	15,168,053	14,512,780	13,418,066
Debt Service					
Principal	-	875,000	840,000	1,165,000	1,110,000
Interest	-	631,276	683,076	724,776	749,675
Total Annual Requirement	-	1,506,276	1,523,076	1,889,776	1,859,675
Estimated Coverage	N/A	10.49	9.96	7.68	7.22

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.

City of Cottonwood
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment</u>	<u>City of Cottonwood Unemployment Rates (4)</u>
2022	12,029	N/A	N/A	3,156	3.40 ²
2021	12,029	11,884,929	49,060	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

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>2022</u>		<u>2013</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	1,000	0.009 %	1,000	0.009 %
Wal-Mart	320	0.003	370	0.003
Cottonwood Oak Creek Schools	250	0.002	262	0.002
City of Cottonwood	221	0.002	193	0.002
Mingus Union High School	154	0.001	117	0.001
Fry's	-	0.000	130	0.001
Spectrum Healthcare	320	0.003	-	0.000
Home Depot	150	0.001	150	0.001
Safeway	120	0.001	105	0.001
Food City	60	0.001	55	0.001
Total	<u>2,595</u>	<u>2% %</u>	<u>2,382</u>	<u>2% %</u>
 Total employment	 <u>107,724</u>		 <u>93,572</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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
Management Services	16.75	20.50	21.50	20.50	14.00	14.00	18.50	19.50	11.80	15.80
Finance	3.50	3.50	3.50	2.50	2.50	2.50	2.50	2.50	3.20	3.20
Planning	10.00	9.00	10.00	8.00	7.00	7.00	6.00	6.00	6.00	6.00
Building	-	-	-	5.50	5.50	5.50	5.50	-	-	6.50
Legal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Court	4.80	4.80	4.60	5.00	5.00	5.00	5.00	5.00	6.00	6.00
Total general government	<u>36.05</u>	<u>38.80</u>	<u>40.60</u>	<u>42.50</u>	<u>35.00</u>	<u>35.00</u>	<u>38.50</u>	<u>34.00</u>	<u>28.00</u>	<u>38.50</u>
Public Safety										
Police	64.00	60.00	60.00	62.00	61.00	64.00	63.50	57.50	57.50	48.50
Firefighters	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Total public safety	<u>92.00</u>	<u>88.00</u>	<u>88.00</u>	<u>90.00</u>	<u>89.00</u>	<u>92.00</u>	<u>91.50</u>	<u>85.50</u>	<u>85.50</u>	<u>76.50</u>
Public Works										
Engineering	3.00	1.00	3.00	3.00	3.00	3.00	5.00	4.00	5.00	5.00
Others	9.00	8.50	8.50	4.00	4.00	4.00	4.00	9.50	5.50	4.00
Streets	5.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	5.50
Total public works	<u>17.75</u>	<u>14.00</u>	<u>16.00</u>	<u>11.50</u>	<u>11.50</u>	<u>11.50</u>	<u>13.50</u>	<u>18.00</u>	<u>15.00</u>	<u>14.50</u>
Parks and Recreation	<u>11.00</u>	<u>11.00</u>	<u>12.00</u>	<u>12.00</u>	<u>17.50</u>	<u>17.50</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>	<u>12.00</u>
Library	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>9.00</u>	<u>11.00</u>
Water	<u>24.60</u>	<u>23.60</u>	<u>19.60</u>	<u>19.60</u>	<u>18.60</u>	<u>18.60</u>	<u>18.80</u>	<u>18.30</u>	<u>17.80</u>	<u>18.80</u>
Sewer	<u>11.40</u>	<u>11.40</u>	<u>10.40</u>	<u>10.40</u>	<u>10.40</u>	<u>10.40</u>	<u>10.80</u>	<u>11.30</u>	<u>10.80</u>	<u>10.80</u>
Transit	<u>19.00</u>	<u>18.00</u>	<u>18.00</u>	<u>14.00</u>	<u>14.00</u>	<u>17.00</u>	<u>14.00</u>	<u>13.00</u>	<u>12.00</u>	<u>11.00</u>
	<u>75.00</u>	<u>73.00</u>	<u>69.00</u>	<u>65.00</u>	<u>69.50</u>	<u>72.50</u>	<u>64.60</u>	<u>63.60</u>	<u>61.60</u>	<u>63.60</u>
Total	<u><u>220.80</u></u>	<u><u>213.80</u></u>	<u><u>213.60</u></u>	<u><u>209.00</u></u>	<u><u>205.00</u></u>	<u><u>211.00</u></u>	<u><u>208.10</u></u>	<u><u>201.10</u></u>	<u><u>190.10</u></u>	<u><u>193.10</u></u>

Source: The source of this information is the City's Annual Budget.

City of Cottonwood
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2022</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>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	33	26	26	30	34	32	32	28	26	27
Non-Patrol Units	21	13	8							
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	145.9	70	67	67	52	52	62	63	63	63
Highways (Miles)	N/A	12	12	12	12	12	12	20	20	20
Streetlights	644	644	644	644	644	644	644	644	644	644
Traffic Signals	1	1	1	1	10	10	10	10	10	10
Recreation and culture										
Acreage	39	39	39	39	39	39	39	125	125	125
Playgrounds	3	3	2	2	2	2	2	5	5	5
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	2	2	1	1	1	1	1	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
Fire Hydrants		235	231	514	512	496	496	687	579	573
Storage Capacity (Thousands of gallons)		4,450	4,450	4,450	4,450	4,450	4,450	3,800	3,800	3,800
Wastewater										
Sanitary Sewers (Miles)	60	62	62	62	61	60	60	51	50	50
Treatment Capacity (Millions of Gallons)	1.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5	1.5
Transportation										
Buses	0	20	20	20	19	19	19	14	11	11

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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Government					
Building Permits Issued	532	571	498	590	479
Police					
Physical Arrests	952	1437	1938	1776	1921
Parking Violations	N/A	N/A	N/A	N/A	N/A
Traffic Violations	1100	2960	2056	2694	2037
Calls for Service	14700	13266	13162	14468	
Fire					
Emergency Responses	2696	2696	3361	3448	3655
Fires Extinguished	295	288	300	304	305
Inspections	1279	1556	1558	1398	1306
Public Works					
Street Resurfacing (Miles)	N/A	3	7	1	1
Library					
Volumes in Collection	92000	97030	97311	110034	109308
*Ebooks in Collection	55000	30000	28647		
Volumes Borrowed	157941	179000	159074	197357	208580
*Ebooks in Borrowed	27283	25000	24807		
Water					
New Connections		77	67	86	91
Water Main Breaks		180	189	188	156
Average Daily Consumption (Thousands of Gallons)	1460	2079	1938	1821	1880
Peak Daily Consumption (Thousands of Gallons)	1910	2614	2419	2326	2470
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	895	1014	876	1012	1000
Transit					
Total Route Miles	418920	469539	460351	455476	451022
Passengers	120536	121000	146981	164930	165099

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Government					
Building Permits Issued	373	379	304	301	291
Police					
Physical Arrests	756	1703	1,390	813	1,355
Parking Violations	N/A	87	177	118	108
Traffic Violations	1248	2199	1,450	1,827	2,152
Fire					
Emergency Responses	3626	3455	3,080	2,756	2,699
Fires Extinguished	315	291	245	241	208
Inspections	1543	1649	1,591	1,896	1,650
Public Works					
Street Resurfacing (Miles)	N/A	0.8	0.8	0.3	1.0
Library		110385			
Volumes in Collection	133668		137,444	106,713	104,052
		264135			
Total Volumes Borrowed	241679		283,432	228,870	218,391
Water					
New Connections	N/A	74	29	48	30
Water Main Breaks	N/A	131	120	183	125
Average Daily Consumption		2800			
(Thousands of Gallons)	N/A		2,083	2,235	2,095
Peak Daily Consumption		3200			
(Thousands of Gallons)	N/A		2,625	3,147	2,763
Wastewater					
Average Daily Sewage Treatment					
(Thousands of Gallons)	949	949	949	969	963
Transit					
Total Route Miles	435228	416116	266,688	321,387	267,256
Passengers	150354	153889	149,492	122,874	117,519

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, 2022

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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, 2022, 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 21, 2022.

Report on 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 the 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.

To the Honorable Mayor and Members of the City Council
of the City of Cottonwood
Cottonwood, Arizona
Page 2

Report on 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*.

Purpose of this Report

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

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

Phoenix, Arizona
December 21, 2022



"Inspiring a Thriving Community"

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