

City of Cottonwood



Annual Comprehensive Financial Report Year Ending June 30, 2023



*Inspiring
a Vibrant Community*

City of Cottonwood, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2023

Prepared by the Finance Department

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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Annual Comprehensive Financial Report
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January 31, 2024

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 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 of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Cottonwood (City) for the fiscal year ended June 30, 2023.

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, the 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, 2023, 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, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "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'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 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. The City 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 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, 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 provides a full range of municipal services, including law enforcement and fire suppression. Other services include road maintenance, park and recreational services, regulation of building and zoning codes, animal control, and a public library. Cottonwood offers community facilities including a swimming pool, civic center, recreation center, sports fields, and community parks. The City also operates and maintains a water/wastewater utility, a cemetery, and a municipal airport.

FACTORS AFFECTING FINANCIAL CONDITION

Internal Controls. As earlier noted, the management of the City 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 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 2023 a successful year and will provide for future success. The City 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.

Economic Outlook. **Retail Sales** – Not having a property tax, the City 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 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 have 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 to maintain financial stability and increased reserves. 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 expenditure coverage. For the last three 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 eighteenth 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 2023, \$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 and 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 to increase the quality of life of its residents. Fiscal Year 2023 goals obtained are summarized within this list of accomplishments:

Council -

- Successfully allocated additional funding to the Streets Department to fund future road improvement projects by developing a sound reserve policy.
- In conjunction with Department Heads and a facilitator, developed a base plan for the new Council Strategic Plan-updating the Main Goals to:
 - Building quality of life through sustainable growth & development
 - Lead with environmental stewardship
 - Prioritize our infrastructure
 - Furthering financial accountability & transparency
 - Collaboration, education, communication, and legislative advocacy

Administration -

- Contracted Last Architects to start the design for the new City Hall location.
- Sold one of the City-owned properties that were determined to not be needed for use by the City.
- Increased reserves for future street improvement projects by fiscally responsible budgeting.
- Started development of the rehabilitation of Main Street from 89A through Old Town.
- Assisted in the negotiation and contract for a Construction Manager at Risk (CMAR) to construct the new City Hall.
- Proposed and adopted Affordable Housing Guidelines.

City Clerk -

- Successfully held Primary & General Election in 2022 seating three Council Members to the City Council.
- Engaged Citizens by holding a candidate meet and greet for the 2022 city council election.

Finance & Purchasing -

- Completed and submitted the FY 2022 Annual Comprehensive Financial Report and the FY2023 Budget document to the Government Finance Officers Association and received the certificates for the 32nd Certificate of Achievement in Excellence in Financial Reporting and the 23rd Distinguished Budget Presentation awards for maintaining the quality reporting and transparency of the City.
- Streamlined the annual Business Registration process by updating and simplifying the form, the certificate, and the mailing process to have a more efficient renewal process.
- Adopted Ordinance #731 to allow the registration of short-term rentals and implemented a campaign to notify homeowners of the new ordinance to encourage registration. Registering Short-term rentals will allow the City to track sales tax and the number of homes being converted to short-term rentals.

Human Resources -

- Implemented a Referral Bonus Program for employees to assist in our recruitment through employee referrals.
- Facilitated a technical writing and presentation skills course for supervisors/managers through Yavapai College assisting in developing our leadership staff.

Information Technology (IT) -

- Enhanced City efficiency by completing the move from E1 (Enterprise) to G1 (Government) license for MS Office 365.
- Instituted two-factor authentication for both MS Office 365 and MS Windows to enhance cybersecurity.

Community Development -

- Established a General Plan Steering Committee that includes the Planning & Zoning Commission and additional citizens to give feedback and insight to the General Plan.
- Streamlined development proposals by making significant changes to the Zoning Ordinance and removing unwarranted barriers to development.
- Created a Property Beautification program that will be advertised in Spring 2023 with awards to recognize updated properties to promote pride in the City.
- Developed a Property Lien process for dilapidated properties to incentivize compliance with City codes.

Economic Development -

- Increased tourism marketing in major markets (Phoenix, San Diego, Tucson, Texas, and the West Coast) through the Destination Marketing Organization (DMO).

Housing & Development -

- Assisted the Verde Plaza Apartments by securing a \$250,000 loan from the City of Cottonwood to be awarded the Arizona Department of Housing Low Income Housing Tax Credit, allowing the complex to be renovated and adding 18 housing units.
- Implemented a housing down payment assistance program for City Employees and residents of the Verde Valley who work in the City limits.
- Assisted local non-profits, including Habitat for Humanity, Verde Valley Homeless Coalition, Old Town Mission, and Steps to Recovery, to implement programs that help with housing.

Public Works -

- Assisted in the construction of the Fir Street sidewalk (2,000 linear feet).
- Developed, bid, and assisted in the completion of budgeted pavement preservation projects.
- Completed a comprehensive Capital Improvement Plan for sidewalk and pavement preservation priorities.
- Prioritized infrastructure projects by selecting a design engineering firm for the Main Street pavement rehabilitation project.

Police Department -

- Initiated a second Traffic and K-9 Officer, in an effort to increase traffic safety and reduce illicit substances in the community.
- Implemented a successful Police Aide program enhancing Police Officer retention and reducing workload.

Communications Department -

- Assessed communications workload for the effectiveness of current staffing models and provided a roadmap for future staffing needs.
- Evaluated, developed, and implemented locations for a backup emergency communications center to meet the backup communications center contingency plans.

Fire & Medical Department -

- Engaged community stakeholders regarding the national Firewise program.
- Ensured growth and security, by completing documentation and coordination for wildland fuels management of City properties.

Recreation Center -

- Created and implemented new rates at the Recreation Center to generate more revenue from memberships and remain fiscally responsible.
- Improved the quality of citizen care by implementing new technology to help increase safety in our Indoor Pool.

Parks & Recreation -

- Took steps to improve the quality of life in Cottonwood by designing phase two of the Riverfront Park Trail with the help of Public Works and Engineering.

Transit -

- Increased Citizen interaction and service by providing transit service to the Town of Jerome with three trips on a single day of the week.
- Partnered with Jerome, Clarkdale, Yavapai County, and Sedona to provide transit services to the Citizens of the Verde Valley.

Library -

- Utilized tools within the digital media lab to assist the community in a video/photo contest that celebrates life in Cottonwood.
- Created an Adult English as a Second Language class to assist citizen communication

Airport -

- Completed the Airport Master Plan Update ensuring future grant opportunities to support ongoing infrastructure improvement projects.
- Received the ADOT 2022 award for "Airport of the Year."

Engineering -

- Implemented environmental stewardship through stormwater mitigation that repaired, cleared, and maintained 7.5 miles of drainage systems and repaired and replaced 120 Linear Feet of culvert in Village Unit 8 within city limits.

- Improved City infrastructure by maintaining a biennial pavement preservation program and adding an additional year of the program to the budget for FY 2023.

Water Utilities

- Increased efficiencies by completing the water valve exercising program.
- Improved water infrastructure by installing a new water tank at the Quail Canyon well site with booster packs and completed upgrade of site piping connecting Quail 1 to Quail 2 well sites.
- Increased Citizen safety by installing a new arsenic unit at Well 8.
- Enhanced the ability to maintain water service by installing new generators at Yuma and Upper 5 well sites allowing for backup power for 24/7 water service.
- Upgraded water infrastructure by replacing well pumps at Verde Santa Fe, Well 8-2 and Well 9.

Wastewater Utilities

- Worked to preserve natural resources by completing phase 1 of the feasibility assessment and initiated phase 2 of the Direct Potable Reuse study.
- Improved the wastewater infrastructure by completing the engineering for Wastewater Lift Station 2 and the installation of piping underneath the Cottonwood Irrigation Ditch.
- Increased and maximized the use and reuse of reclaimed water by developing effluent recharging plans by completing the injection well.
- Completed expansion study and final assessment of the blower and maintenance upgrade project for Mingus Wastewater Treatment Plant to improve the infrastructure and increase the life of the plant.

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 annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the 32nd 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 annual comprehensive 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 annual comprehensive 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 2023 certificate.

Acknowledgments. The preparation of this Annual Comprehensive 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,

A handwritten signature in dark ink, appearing to read 'Scotty', with a long horizontal flourish extending to the right.

Scotty Douglass
City Manager

A handwritten signature in dark ink, appearing to read 'K.L.L.', with a long horizontal flourish extending to the right.

Kirsten L. Lennon
Financial Services Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

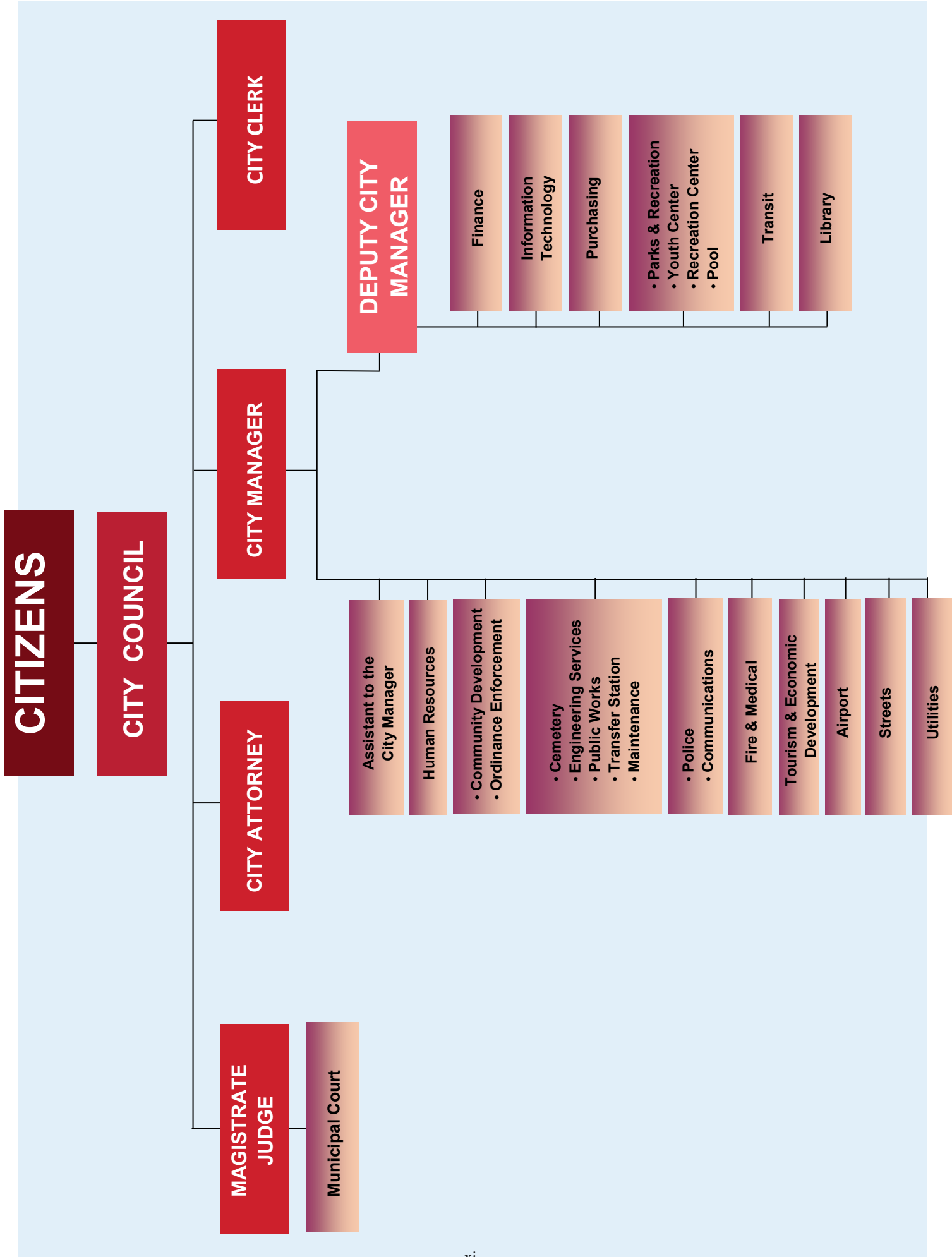
**City of Cottonwood
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



City of Cottonwood

Annual Comprehensive Financial Report

Principal Officials as of June 30, 2023



Mayor
Tim Elinski



Vice Mayor
Debbie Wilden



Council Member
Jackie Nairn



Council Member
Steve DeWillis



Council Member
Lisa DuVerney



Council Member
Derek Polassari



Council Member
Helaine Kurot

City Staff as of June 30, 2023

Scotty Douglass, City Manager

Jesus R. Rodriguez,
Deputy City Manager

Kirsten Lennon,
Financial Services Director

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cottonwood, California (the "City"), as of and for the year ended June 30, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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. 96, *Subscription Based Information Technology Arrangements* 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 auditing standards generally accepted in the United States of America. 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 auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024, 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
January 31, 2024

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City of Cottonwood, Arizona

Management's Discussion and Analysis (Unaudited)

(Required Supplementary Information)

For the fiscal year ended June 30, 2023

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2023

Management of the City of Cottonwood (the "City") provides the Management Discussion and Analysis of the City's Annual Comprehensive Financial Report (ACFR) 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, 2023. 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, 2023 by \$110.8 million, this compared to \$98.0 million at fiscal year end June 30, 2022. This is an overall increase of \$12.8 million or an increase of 13% of prior year's net position. Net position for governmental activities exceeded liabilities by \$1.4 million and this compares to \$39.0 million at June 30, 2022, an increase of 3.6%. The amount of increase in net position was \$9.1 million. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$62.6 million compared to \$59.0 million at June 30, 2022, an increase of 16%.

Changes in Net Position – The City's net position increased \$12.7 million in FY 2022-2023; this compared to \$18.7 million increase in FY 2021-2022. Net position of governmental activities increased \$9.1 million compared to an increase of \$10.5 million in 2021-2022. Net position of business-type activities increased by \$3.6 million compared to a \$8.2 million increase in FY 2021-2022.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2022-2023 the City's total governmental funds reported a fund balance of \$33.7 million, a \$7.2 million increase from the FY 2021-2022 balance of \$26.4 million, an increase of 27%. 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. The increase can partially be attributed to prior years increasing reserves and a ongoing attempt to reserve funds for future infrastructure projects.

General Fund – The fund balance of the general fund on June 30, 2023 was \$25.4 million. The fund balance increased by \$7.1 million. This increase is due to several large projects that did not come to fruition in FY 2023 and will be completed in FY 2024 and an effort to reserver m

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2023

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, 2023

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, 2023

City of Cottonwood Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current & Other Assets	\$ 39,099,005	\$ 36,731,244	\$ 40,301,400	\$ 38,371,036	\$ 79,400,405	\$ 75,102,280
Capital Assets	51,573,406	51,284,335	40,782,321	40,309,918	92,355,727	91,594,253
Total Assets	90,672,411	88,015,579	81,083,721	78,680,954	171,756,132	166,696,533
Deferred Outflows	6,415,974	5,168,678	3,914,867	4,202,110	10,330,841	9,370,788
Current Liabilities	5,210,252	6,372,019	2,533,888	2,383,020	7,744,140	8,755,039
Long-term Liabilities	41,563,253	41,809,982	19,354,110	20,348,531	60,917,363	62,158,513
Total Liabilities	46,773,505	48,182,001	21,887,998	22,731,551	68,661,503	70,913,552
Deferred Inflows	2,166,669	5,955,528	461,674	1,108,795	2,628,343	7,064,323
Net Investment in						
Capital Assets	37,611,329	36,108,156	26,141,300	24,331,532	63,752,629	60,439,688
Restricted	13,833,136	12,628,846	8,281,148	8,158,869	22,114,284	20,787,715
Unrestricted (deficit)	(3,296,254)	(9,690,274)	28,226,468	26,552,317	24,930,214	16,862,043
Total Net Position	\$ 48,148,211	\$ 39,046,728	\$ 62,648,916	\$ 59,042,718	\$ 110,797,127	\$ 98,089,446

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$110.8 million at the close of fiscal year ending June 30, 2023.

Of the City's total net position, 57.5% reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

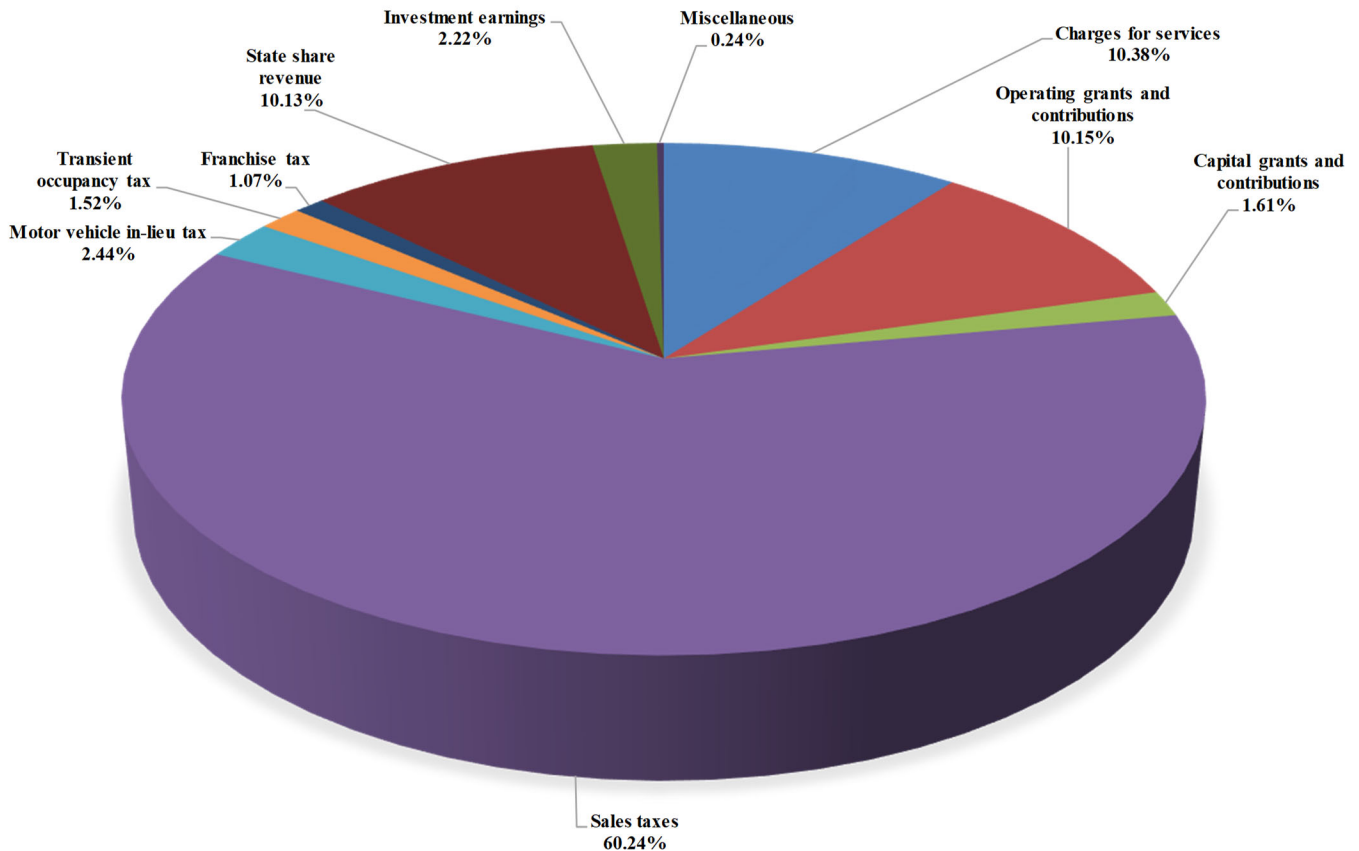
The City's net position was increased by \$12.7 million during the fiscal year, a 13% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase and an overall 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, 2023

Governmental Activities

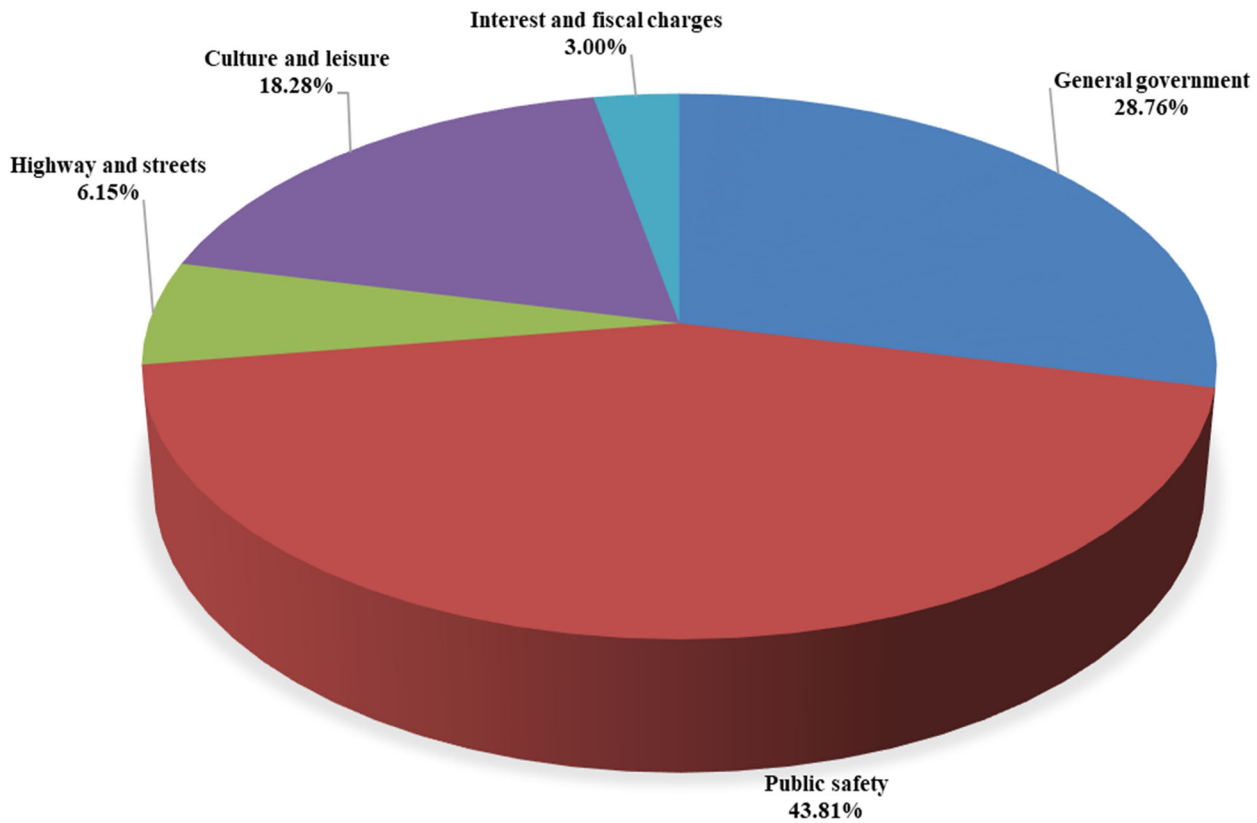
Governmental activities increased the City's net position by \$12.7 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses 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, 2023

EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2023

Statement of Activities						
For the Year Ended June 30, 2023						
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 4,302,065	\$ 3,899,545	\$ 13,452,640	\$ 13,296,772	\$ 17,754,705	\$ 17,196,317
Operating grants and contributions	4,206,989	5,120,000	-	4,092,258	4,206,989	9,212,258
Capital grants and contributions	669,448	844,323	-	-	669,448	844,323
Total program revenues	9,178,502	9,863,868	13,452,640	17,389,030	22,631,142	27,252,898
General revenues:						
Sales taxes	24,970,136	23,598,985	-	-	24,970,136	23,598,985
Motor vehicle in-lieu tax	1,013,079	1,006,423	-	-	1,013,079	1,006,423
Transient occupancy tax	632,036	418,731	-	-	632,036	418,731
Franchise tax	442,258	657,223	-	-	442,258	657,223
Total taxes	27,057,509	25,681,362	-	-	27,057,509	25,681,362
State share revenue	4,198,780	3,292,506	-	-	4,198,780	3,292,506
Investment earnings	921,808	(42,572)	847,513	(92,372)	1,769,321	(134,944)
Miscellaneous	98,259	221,534	-	-	98,259	221,534
Gain on sale of assets	-	19,282	-	-	-	19,282
Total general revenues and transfers	32,276,356	29,172,112	847,513	(92,372)	33,123,869	29,079,740
Total revenues	41,454,858	39,035,980	14,300,153	17,296,658	55,755,011	56,332,638
Expenses:						
General government	8,480,068	7,004,688	-	-	8,480,068	7,004,688
Public safety	12,916,839	11,109,091	-	-	12,916,839	11,109,091
Highway and streets	1,813,369	1,852,918	-	-	1,813,369	1,852,918
Transportation	2,917,050	2,618,607	-	-	2,917,050	2,618,607
Culture and leisure	5,388,632	5,043,553	-	-	5,388,632	5,043,553
Interest and fiscal charges	885,435	881,345	-	-	885,435	881,345
Water	-	-	7,223,858	6,011,662	7,223,858	6,011,662
Wastewater	-	-	3,470,097	3,093,952	3,470,097	3,093,952
Total expenses	32,401,393	28,510,202	10,693,955	9,105,614	43,095,348	37,615,816
Change in net position	9,053,465	10,525,778	3,606,198	8,191,044	12,659,663	18,716,822
Net position - beginning	39,046,728	28,520,950	59,042,718	50,851,674	98,089,446	79,372,624
Prior period adjustment	48,018	-	-	-	48,018	-
Net position - beginning, as restated	39,094,746	28,520,950	59,042,718	50,851,674	98,137,464	79,372,624
Net position - ending	\$ 48,148,211	\$ 39,046,728	\$ 62,648,916	\$ 59,042,718	\$110,749,109	\$ 98,089,446

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2023

Governmental Activities

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

Business Type Activities

The City operates two business-type activities. These are the City's Water and Wastewater System. These business-type activities increased the City's net position by \$3.6 million, compared to an increase of \$8.2 million in the prior year FY 2021-2022.

As in prior years the City's Water System and Wastewater 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, 2023

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 \$26.5 million, an increase of \$2.2 million primarily due to an increased focus on retaining and increasing reserves.

The General Fund comprises 68.5 percent of the total fund balance. Approximately \$18.8 million or 70.2 percent of the General Fund's fund balance is unassigned. The fund balance increased \$7.2 million due to an increase of sales tax revenue, which grew as a result of a 0.15% increase in sales tax and Council's direction to reserve the additional resources.

The HURF Fund comprises 19.1 percent of the total fund balance. The fund balance decreased \$245,672 due to unfinished projects that will be finished in future years.

The Transit Fund comprises 1.2 percent of the total fund balance. The fund balance increased \$182,970 due to the allocation of the .5% sales tax increase to the Transit program.

The Grant Fund comprises 5.4 percent of the total fund balance, all of which is restricted. The fund balance increased \$3,209 due to increased grant funding from a Community Development Block Grant and Airport Grants.

The Debt Service Fund comprises 1.4 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 4.4 percent of the total fund balance. All of the fund balance is assigned or restricted for capital projects. The fund balance increased \$10,935 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 \$62.6 million and \$97 thousand, respectively. The increase in net position in the Enterprise Funds of \$3.6 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, 2023

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 \$44M or a decrease of over 60%.

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 \$99.2 million in governmental capital assets and \$72.7 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent an increase prior to depreciation and amortization of \$2.3 million for the governmental activities and a decrease prior to depreciation of \$1.7 million 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 and amortization expense for the current fiscal year was \$3.0 million for governmental activities and \$1.9 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	4,490,542	2,013,231	6,503,773
Total non-depreciable assets, net	7,110,427	6,145,472	13,255,899
<i>Depreciable Assets:</i>			
Infrastructure	36,133,570	49,615,891	85,749,461
Buildings and improvements	40,571,811	10,873,815	51,445,626
Vehicles, machinery and equipment	15,345,743	6,094,850	21,440,593
	92,051,124	66,584,556	158,635,680
Less accumulated depreciation	(47,788,602)	(31,947,707)	(79,736,309)
Total depreciable assets, net	44,262,522	34,636,849	78,899,371
Subscription assets	265,311	-	265,311
Less accumulated amortization	(64,854)	-	(64,854)
Total subscription assets, net	200,457	-	200,457
Total capital assets	\$ 51,573,406	\$ 40,782,321	\$ 92,355,727

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

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2023

Debt Administration

At year-end, the City had \$34.2 million in governmental long-term debt outstanding with \$2.5 million due within one year. The City had \$18.1 million in business-type long-term debt outstanding, with \$1.6 million due within one year. Long-term debt decreased by \$1.6 million for governmental activities and decreased by \$1.6 million for business-type activities.

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 \$37.7 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 \$11.3 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 Note 8 in the notes to the financial statements.

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due within one year	Due in more than one year
<u>Governmental Activities</u>						
Finance purchase agreements	\$ 513,954	\$ 557,830	\$ (315,149)	\$ 756,635	\$ 203,681	\$ 552,954
Subscription Liability	57,916	159,377	(80,322)	136,971	80,667	56,304
2015 Pledged revenue bonds	6,799,046	-	(401,556)	6,397,490	382,204	6,015,286
2016 Pledged revenue bonds	8,051,535	-	(1,223,590)	6,827,945	1,145,000	5,682,945
2021 Pledged revenue bonds	20,380,000	-	(290,000)	20,090,000	700,000	19,390,000
Total Government Activities	35,802,451	717,207	(2,310,617)	34,209,041	2,511,552	31,697,489
<u>Business-Type Activities</u>						
Finance purchase agreements	-	70,150	(5,696)	64,454	11,432	53,022
2015 WIFA refunding loan	6,367,715	-	(663,447)	5,704,268	692,960	5,011,308
2016 WIFA refunding loan	10,520,357	-	(732,051)	9,788,306	757,212	9,031,094
2015 Pledged revenue bonds	2,735,459	-	(161,867)	2,573,592	152,797	2,420,795
Total Business-Type Activities	19,623,531	-	(1,557,365)	18,066,166	1,602,969	16,463,197
Total	\$ 55,425,982	\$ 717,207	\$ (3,867,982)	\$ 52,275,207	\$ 4,114,521	\$ 48,160,686

Economic Factors and Next Year's Budget

Many factors were considered by the City's officials during the process of developing the fiscal year 2023-24 budget. Among them:

- Fiscal year 2023-23 general fund budget balance carry forward (estimated \$23 million).
- Employee salaries and benefits (estimated at \$24 million).

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

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2023

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
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 28,969,960	\$ 29,081,939	\$ 58,051,899
Receivables:			
Accounts, net	321,542	842,298	1,163,840
Taxes	1,080,115	-	1,080,115
Intergovernmental	1,038,990	-	1,038,990
Lease receivable - due within one year	46,926	9,740	56,666
Inventories and prepaid items	53,683	-	53,683
Total current assets	31,511,216	29,933,977	61,445,193
Noncurrent assets:			
Restricted cash and investments	6,351,465	10,010,245	16,361,710
Lease receivable - due in more than one year	617,440	266,014	883,454
Aggregate net OPEB asset	478,592	91,164	569,756
Aggregate net pension asset	140,292	-	140,292
Capital assets:			
Nondepreciable	7,110,427	6,145,472	13,255,899
Depreciable/amortizable, net	44,462,979	34,636,849	79,099,828
Total capital assets, net	51,573,406	40,782,321	92,355,727
Total noncurrent assets	59,161,195	51,149,744	110,310,939
Total assets	90,672,411	81,083,721	171,756,132
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions	-	3,489,599	3,489,599
Deferred loss on debt refunding	156,964	-	156,964
Pension-related deferred outflows	6,186,467	416,148	6,602,615
OPEB-related deferred outflows	72,543	9,120	81,663
Total deferred outflows of resources	6,415,974	3,914,867	10,330,841

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	803,233	401,396	1,204,629
Accrued payroll and related liabilities	551,237	87,754	638,991
Interest payable	314,766	201,426	516,192
Deposits payable	83,534	183,186	266,720
Unearned revenue	105,178	-	105,178
Compensated absences - due within one year	840,752	45,725	886,477
Long-term debt - due within one year	2,511,552	1,614,401	4,125,953
Total current liabilities	5,210,252	2,533,888	7,744,140
Long-term liabilities:			
Compensated absences - due in more than one year	290,006	179,615	469,621
Long-term debt - due in more than one year	31,697,489	16,516,219	48,213,708
Aggregate net pension liability	9,529,837	2,656,780	12,186,617
Aggregate net OPEB liability	45,921	1,496	47,417
Total long-term liabilities	41,563,253	19,354,110	60,917,363
Total liabilities	46,773,505	21,887,998	68,661,503
DEFERRED INFLOWS OF RESOURCES			
Lease-related deferred inflows	634,763	271,631	906,394
Pension-related deferred inflows	1,233,806	132,255	1,366,061
OPEB-related deferred inflows	298,100	57,788	355,888
Total deferred inflows of resources	2,166,669	461,674	2,628,343
NET POSITION			
Net investment in capital assets	37,611,329	26,141,300	63,752,629
Restricted for:			
Debt service	355,639	8,281,148	8,636,787
Pension	5,596,744	-	5,596,744
Grants	1,424,106	-	1,424,106
Highways and streets	5,298,289	-	5,298,289
Capital projects	1,158,358	-	1,158,358
Total restricted	13,833,136	8,281,148	22,114,284
Unrestricted	(3,296,254)	28,226,468	24,930,214
Total net position	\$ 48,148,211	\$ 62,648,916	\$ 110,797,127

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 8,480,068	\$ 1,952,907	\$ 783,445	\$ 89,092	\$ 2,825,444
Public safety	12,916,839	1,179,341	679,969	1,813	1,861,123
Highways and streets	1,813,369	-	1,238,604	122,191	1,360,795
Transportation	2,917,050	156,949	1,431,895	296,576	1,885,420
Culture and leisure	5,388,632	1,012,868	73,076	159,776	1,245,720
Interest and fiscal agent fees, net of amortization	885,435	-	-	-	-
Total governmental activities	32,401,393	4,302,065	4,206,989	669,448	9,178,502
Business-Type activities:					
Water	7,223,858	8,411,092	-	-	8,411,092
Wastewater	3,470,097	5,041,548	-	-	5,041,548
Total business-type activities	10,693,955	13,452,640	-	-	13,452,640
Total primary government	\$ 43,095,348	\$ 17,754,705	\$ 4,206,989	\$ 669,448	\$ 22,631,142

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (5,654,624)	\$ -	\$ (5,654,624)
Public safety	(11,055,716)	-	(11,055,716)
Highways and streets	(452,574)	-	(452,574)
Transportation	(1,031,630)	-	(1,031,630)
Culture and leisure	(4,142,912)	-	(4,142,912)
Interest and fiscal agent fees, net of amortization	(885,435)	-	(885,435)
Total governmental activities	(23,222,891)	-	(23,222,891)
Business-Type activities:			
Water	-	1,187,234	1,187,234
Wastewater	-	1,571,451	1,571,451
Total business-type activities	-	2,758,685	2,758,685
Total primary government	(23,222,891)	2,758,685	(20,464,206)
General revenues:			
Taxes:			
Sales tax	24,970,136	-	24,970,136
Motor vehicle in-lieu taxes	1,013,079	-	1,013,079
Franchise tax	442,258	-	442,258
Transient occupancy tax	632,036	-	632,036
Total taxes	27,057,509	-	27,057,509
State shared revenue	4,198,780	-	4,198,780
Investment income	921,808	847,513	1,769,321
Miscellaneous	98,259	-	98,259
Total general revenues	32,276,356	847,513	33,123,869
Change in net position	9,053,465	3,606,198	12,659,663
Net position - beginning of year, as restated (Note 16)	39,094,746	59,042,718	98,137,464
Net position - end of year	\$ 48,148,211	\$ 62,648,916	\$ 110,797,127

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Governmental Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Governmental Funds of the City are outlined below:

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

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

City of Cottonwood
Balance Sheet
Governmental Funds
June 30, 2023

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 20,565,034	\$ 1,489,321	\$ 6,818,723	\$ 28,873,078
Restricted cash and cash investments	5,596,744	212,835	541,886	6,351,465
Receivables:				
Accounts	149,753	-	171,789	321,542
Taxes	674,238	126,868	279,009	1,080,115
Intergovernmental	186,898	-	852,092	1,038,990
Lease receivable	664,366	-	-	664,366
Due from other funds	197,850	-	-	197,850
Inventories and prepaid items	25,580	14,175	13,928	53,683
Total assets	<u>\$ 28,060,463</u>	<u>\$ 1,843,199</u>	<u>\$ 8,677,427</u>	<u>\$ 38,581,089</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 581,589	\$ -	\$ 221,644	\$ 803,233
Accrued payroll and related liabilities	497,731	-	53,506	551,237
Due to other funds	-	-	197,850	197,850
Deposits payable	83,534	-	-	83,534
Unearned revenue	105,178	-	-	105,178
Interest payable - current portion	58,839	173,342	82,585	314,766
Principal payable - current portion	700,000	1,300,043	227,161	2,227,204
Total liabilities	<u>2,026,871</u>	<u>1,473,385</u>	<u>782,746</u>	<u>4,283,002</u>
Deferred Inflows of Resources:				
Lease-related deferred inflows	634,763	-	-	634,763
Total deferred inflows of resources	<u>634,763</u>	<u>-</u>	<u>-</u>	<u>634,763</u>
Fund Balances:				
Nonspendable	25,580	14,175	13,928	53,683
Restricted	5,596,744	355,639	7,880,753	13,833,136
Assigned	1,000,000	-	-	1,000,000
Unassigned	18,776,505	-	-	18,776,505
Total fund balances	<u>25,398,829</u>	<u>369,814</u>	<u>7,894,681</u>	<u>33,663,324</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,060,463</u>	<u>\$ 1,843,199</u>	<u>\$ 8,677,427</u>	<u>\$ 38,581,089</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, 2023

Total Fund Balances - Total Governmental Funds	<u>\$ 33,663,324</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>51,573,406</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	(840,752)
Compensated absences - due in more than one year	(290,006)
Long-term debt - due within one year	(2,511,552)
Long-term debt - due in more than one year	(31,697,489)
less amount reported in governmental fund financial statements for current portion	<u>2,227,204</u>
	<u>(33,112,595)</u>
Aggregate net pension asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>140,292</u>
Aggregate net OPEB asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>478,592</u>
Deferred loss on debt refunding in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>156,964</u>
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	72,543
Pension-related deferred outflows	<u>6,186,467</u>
	<u>6,259,010</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>(45,921)</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>(9,529,837)</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred inflows	(298,100)
Pension-related deferred inflows	<u>(1,233,806)</u>
	<u>(1,531,906)</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>96,882</u>
Net Position of Governmental Activities	<u><u>\$ 48,148,211</u></u>

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 21,552,435	\$ 1,646,725	\$ 2,845,270	\$ 26,044,430
Intergovernmental	5,916,968	-	3,317,414	9,234,382
Licenses and permits	417,188	-	-	417,188
Fines and forfeitures	179,265	-	-	179,265
Rents and royalties	256,633	-	-	256,633
Investment income	812,817	1,428	107,563	921,808
Charges for services	2,737,157	-	156,949	2,894,106
Contributions	28,200	-	-	28,200
Miscellaneous	1,471,142	-	7,704	1,478,846
Total revenues	33,371,805	1,648,153	6,434,900	41,454,858
EXPENDITURES:				
Current:				
General government	7,990,508	-	114,320	8,104,828
Public safety	11,381,138	-	-	11,381,138
Highways and streets	-	-	1,288,918	1,288,918
Transportation	-	-	2,367,600	2,367,600
Culture and leisure	4,595,774	-	-	4,595,774
Capital outlay	1,482,089	-	2,389,373	3,871,462
Debt service:				
Principal	1,095,474	1,300,043	227,161	2,622,678
Interest and fiscal charges	507,103	348,183	167,415	1,022,701
Total expenditures	27,052,086	1,648,226	6,554,787	35,255,099
REVENUES OVER (UNDER) EXPENDITURES	6,319,719	(73)	(119,887)	6,199,759
OTHER FINANCING SOURCES (USES):				
Sale of property	275,072	-	-	275,072
Inception of finance purchase agreement	486,501	-	71,329	557,830
Inception of subscription liability	159,377	-	-	159,377
Total other financing sources (uses)	920,950	-	71,329	992,279
Net changes in fund balances	7,240,669	(73)	(48,558)	7,192,038
FUND BALANCES:				
Beginning of year	18,158,160	369,887	7,943,239	26,471,286
End of year	<u>\$ 25,398,829</u>	<u>\$ 369,814</u>	<u>\$ 7,894,681</u>	<u>\$ 33,663,324</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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 7,192,038
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. (\$332,076 of the governmental fund capital outlay balance were for repairs and maintenance expenditures).	3,539,386
Depreciation and amortization 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 and amortization expense was not reported as expenditures in governmental funds.	(3,064,919)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.	(291,330)
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.	
Inception of finance purchase agreement	(557,830)
Inception of subscription liability	(159,377)
Accrual of long-term liabilities payable on July 1, 2023 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	2,227,204
Repayment of long-term liabilities due on July 1, 2023 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	2,141,959
Less: accrual of long-term liabilities payable on July 1, 2023	(1,746,485)
Total	<u>395,474</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 (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.	(743,345)
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.	98,380
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	279,873
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>645</u>
Change in Net Position of Governmental Activities	<u>\$ 9,053,465</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Proprietary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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PROPRIETARY FUNDS 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, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
ASSETS				
Current assets:				
Cash and cash investments	\$ 17,386,209	\$ 11,695,730	\$ 29,081,939	\$ 96,882
Receivables:				
Accounts, net	500,748	341,550	842,298	-
Lease receivable - due within one year	9,740	-	9,740	-
Total current assets	17,896,697	12,037,280	29,933,977	96,882
Noncurrent assets:				
Restricted cash and cash equivalents	9,860,453	149,792	10,010,245	-
Lease receivable - due in more than one year	266,014	-	266,014	-
Aggregate net OPEB asset	63,212	27,952	91,164	-
Capital assets:				
Non-depreciable	1,585,742	4,559,730	6,145,472	-
Depreciable, net	10,891,152	23,745,697	34,636,849	-
Total capital assets	12,476,894	28,305,427	40,782,321	-
Total noncurrent assets	22,666,573	28,483,171	51,149,744	-
Total assets	40,563,270	40,520,451	81,083,721	96,882
DEFERRED OUTFLOWS OF RESOURCES				
Excess consideration provided for acquisitions	3,489,599	-	3,489,599	-
Pension-related deferred outflows	293,278	122,870	416,148	-
OPEB-related deferred outflows	6,385	2,735	9,120	-
Total deferred outflows of resources	3,789,262	125,605	3,914,867	-
LIABILITIES				
Current liabilities:				
Accounts payable	304,085	97,311	401,396	-
Accrued payroll and related liabilities	62,421	25,333	87,754	-
Interest payable	161,767	39,659	201,426	-
Deposits payable	182,786	400	183,186	-
Compensated absences - due within one year	33,273	12,452	45,725	-
Long-term debt - due within one year	1,517,548	96,853	1,614,401	-
Total current liabilities	2,261,880	272,008	2,533,888	-
Noncurrent liabilities:				
Compensated absences - due in more than one year	129,918	49,697	179,615	-
Long term debt - due in more than one year	14,775,689	1,740,530	16,516,219	-
Aggregate net pension liability	1,872,347	784,433	2,656,780	-
Aggregate net OPEB liability	1,038	458	1,496	-
Total noncurrent liabilities	16,778,992	2,575,118	19,354,110	-
Total liabilities	19,040,872	2,847,126	21,887,998	-
DEFERRED INFLOWS OF RESOURCES				
Lease-related deferred inflows	271,631	-	271,631	-
Pension-related deferred inflows	93,205	39,050	132,255	-
OPEB-related deferred outflows	40,069	17,719	57,788	-
Total deferred inflows of resources	404,905	56,769	461,674	-
NET POSITION				
Net investment in capital assets	1,402,353	26,468,044	27,870,397	-
Restricted for:				
Debt service	8,131,356	149,792	8,281,148	-
Unrestricted	15,373,046	11,124,325	26,497,371	96,882
Total net position	\$ 24,906,755	\$ 37,742,161	\$ 62,648,916	\$ 96,882

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, 2023

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
OPERATING REVENUES:				
Charges for services	\$ 8,296,701	\$ 5,041,503	\$ 13,338,204	\$ -
Other revenue	114,391	45	114,436	-
Total operating revenues	8,411,092	5,041,548	13,452,640	-
OPERATING EXPENSES:				
Salaries and benefits	2,168,846	889,153	3,057,999	-
Materials, supplies and operational expenses	3,485,643	1,539,320	5,024,963	-
Depreciation	947,950	947,787	1,895,737	-
Amortization	155,546	-	155,546	-
Total operating expenses	6,757,985	3,376,260	10,134,245	-
OPERATING INCOME	1,653,107	1,665,288	3,318,395	-
NONOPERATING REVENUES (EXPENSES):				
Investment income (loss)	678,667	168,846	847,513	645
Interest expense	(412,724)	(68,495)	(481,219)	-
Loss on sale of assets	(53,149)	(25,342)	(78,491)	-
Total nonoperating revenues (expenses)	212,794	75,009	287,803	645
Changes in net position	1,865,901	1,740,297	3,606,198	645
NET POSITION:				
Beginning of year	23,040,854	36,001,864	59,042,718	96,237
End of year	<u>\$ 24,906,755</u>	<u>\$ 37,742,161</u>	<u>\$ 62,648,916</u>	<u>\$ 96,882</u>

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	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	\$ 8,353,989	\$ 5,002,712	\$ 13,356,701	\$ -
Cash payments to suppliers for goods and services	(3,263,118)	(1,632,250)	(4,895,368)	-
Cash payments to employees for services	(2,181,297)	(901,027)	(3,082,324)	-
Others	114,391	45	114,436	-
Net cash provided by operating activities	3,023,965	2,469,480	5,493,445	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating grants	-	2,046,129	2,046,129	-
Net cash provided by noncapital financing activities	-	2,046,129	2,046,129	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(774,536)	(1,658,565)	(2,433,101)	-
Principal paid on capital-related debt	(1,377,348)	(115,563)	(1,492,911)	-
Interest paid on capital-related debt	(284,905)	(71,370)	(356,275)	-
Net cash (used in) capital and related financing activities	(2,436,789)	(1,845,498)	(4,282,287)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	678,667	168,846	847,513	645
Net cash provided by investing activities	678,667	168,846	847,513	645
Net increase in cash and cash equivalents	1,265,843	2,838,957	4,104,800	645
CASH AND CASH EQUIVALENTS:				
Beginning of year	25,980,819	9,006,565	34,987,384	96,237
End of year	<u>\$ 27,246,662</u>	<u>\$ 11,845,522</u>	<u>\$ 39,092,184</u>	<u>\$ 96,882</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:				
Cash and cash investments	\$ 17,386,209	\$ 11,695,730	\$ 29,081,939	\$ 96,882
Restricted cash and investments	9,860,453	149,792	10,010,245	-
Total cash and cash equivalents	<u>\$ 27,246,662</u>	<u>\$ 11,845,522</u>	<u>\$ 39,092,184</u>	<u>\$ 96,882</u>

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	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	\$ 1,653,107	\$ 1,665,288	\$ 3,318,395	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	947,950	947,787	1,895,737	-
Amortization	155,546	-	155,546	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	167,363	(38,791)	128,572	-
Lease receivable	(90,305)	-	(90,305)	-
Aggregate net OPEB asset	(63,212)	(3,054)	(66,266)	-
Pension-related deferred outflows	83,257	43,631	126,888	-
OPEB-related deferred outflows	3,273	1,536	4,809	-
Accounts payable	222,525	(92,930)	129,595	-
Accrued payroll and related liabilities	13,469	5,285	18,754	-
Deposits payable	(7,987)	-	(7,987)	-
Compensated absences	21,545	17,703	39,248	-
Aggregate net pension liability	369,583	119,920	489,503	-
Aggregate net OPEB liability	(1,332)	(591)	(1,923)	-
Lease-related deferred inflows	(11,783)	-	(11,783)	-
Pension-related deferred inflows	(431,220)	(192,848)	(624,068)	-
OPEB-related deferred outflows	(7,814)	(3,456)	(11,270)	-
Total adjustments	1,370,858	804,192	2,175,050	-
Net cash provided by operating activities	\$ 3,023,965	\$ 2,469,480	\$ 5,493,445	\$ -

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Fiduciary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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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, 2023

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City of Cottonwood
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	Firemen Pension Trust Fund
	<u> </u>
ASSETS	
Restricted cash and investments	<u>\$ 268,161</u>
Total assets	<u> 268,161</u>
NET POSITION	
Net position restricted for pension	<u><u>\$ 268,161</u></u>

City of Cottonwood
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	Firemen Pension Trust Fund
ADDITIONS:	
Investment income	\$ 50,393
Total additions	<u>50,393</u>
DEDUCTIONS:	
Retirement benefits	1,649
Miscellaneous expense	<u>8,609</u>
Total deductions	<u>10,258</u>
Change in fiduciary net position	40,135
NET POSITION RESTRICTED FOR PENSIONS:	
Beginning of year	<u>228,026</u>
End of year	<u><u>\$ 268,161</u></u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

Notes to the Basic Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
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For the Year Ended June 30, 2023

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City of Cottonwood
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For the Year Ended June 30, 2023

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City of Cottonwood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

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, 2023

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.

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

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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 judgments, 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.

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

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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. The City reports the following major proprietary funds:

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

Fiduciary fund financial statements include a statement of net position and a statement of changes in fiduciary net position.

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.

C. Deferred Outflows and Inflows of Resources

The Statement of Net Position and Balance Sheet Governmental Funds 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

C. *Deferred Outflows and Inflows of Resources (Continued)*

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.

D. *Cash and Investments*

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

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

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

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

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

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

E. 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.

F. 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.

G. 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.

H. 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Leases (Continued)

Lessor (Continued)

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.

I. Subscription-Based Information Technology Arrangements (SBITAs)

The City has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in our financial statements with an initial, individual value of \$25,000 or more with a subscription term greater than one year.

At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the City's incremental borrowing rate and the City recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

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

- The City uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the period during which the City has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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/amortization is recorded on a straight-line basis over estimated useful lives of capital assets as follows:

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

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.

K. 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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

L. 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.

M. 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022
<u>PSPRS</u>	
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

N. 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 and amortization, 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.

O. 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 – Unassigned fund balance includes amounts within the General Fund, the residual resources, either positive or negative in excess of what can be properly classified in one of the other four fund balance categories. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification of fund balance in the nonspendable, restricted or committed categories.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

O. 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.

P. 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.

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023

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, 2023. 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. 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. Implementation of this Statement did not have a significant effect on City's financial statements for the fiscal year ended June 30, 2023.

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. Implementation of this statement did not have a significant effect on City's financial statements for the fiscal year ended June 30, 2023.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Implementation of New GASB Pronouncements for the Year Ended June 30, 2023 (Continued)

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. Implementation of this Statement had a moderate effect on City's financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99

In April 2023, GASB issued Statement No. 99, Omnibus 2023. 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. Implementation of this Statement did not have a significant effect on City's financial statements for the fiscal year ended June 30, 2023.

R. 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. 100

In June 2023, 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 2023, 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.

GASB Statement No. 102

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring governments to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The statement also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the City's fiscal year ending June 30, 2025. Earlier application is encouraged.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments

The following is a summary of cash and investments and restricted cash and investments at June 30, 2023:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 28,969,960	\$ 29,081,939	\$ 58,051,899	\$ -	\$ 58,051,899
Restricted cash and investments	6,351,465	10,010,245	16,361,710	268,161	16,629,871
Total	\$ 35,321,425	\$ 39,092,184	\$ 74,413,609	\$ 268,161	\$ 74,681,770

Cash, cash equivalents, and investments consisted of the following at June 30, 2023:

Cash and cash equivalents:	
Petty cash	\$ 3,558
Demand deposits	23,050,861
Restricted demand deposits	9,828,378
Money market	4,563,162
Investments:	
Local Government Investment Pool	28,516,816
Mutual funds	318,297
U.S. Treasuries	6,902,048
U.S. Government Agency Securities	1,498,650
Total	\$ 74,681,770

At June 30, 2023, 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, 2023:

<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	\$ 318,297	Level 1	Quoted price
U.S. Treasuries	6,902,048	Level 2	Matrix pricing model
U.S. Government Agency Securities	1,498,650	Level 2	Matrix pricing model
Total investments by fair value level	<u>\$ 8,718,995</u>		
External Investment Pools Measured at Fair Value			
Local Government Investment Pool	\$ 28,516,816	Uncategorized	
Total investment pools, measured at fair value	<u>28,516,816</u>		
Total investments	<u>\$ 37,235,811</u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$23,050,861 at June 30, 2023. Bank balances were \$23,193,542 at that date. Arizona state 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, 2023

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 which is at amortized cost. 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, 2023, 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	\$ 28,516,816	\$ 28,516,816	\$ -
Mutual funds	318,297	318,297	-
U.S. Treasuries	6,902,048	2,861,257	4,040,791
U.S. Government Agency Securities	1,498,650	-	1,498,650
Total	\$ 37,235,811	\$ 31,696,370	\$ 5,539,441

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Credit Risk

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

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Government Investment Pool	\$ 28,516,816	Not Rated	Not Rated
Mutual funds	318,297	Not Rated	Not Rated
U.S. Treasuries	6,902,048	Not Rated	AA+
U.S. Government Agency Securities	1,498,650	Not Rated	AA+
Total	<u>\$ 37,235,811</u>		

Custodial Credit Risk

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

Concentration of Credit Risk

In accordance with its investment policy, the City diversifies its investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Total investments in two categories may not exceed 25 percent of the investment portfolio: (1) fully insured or collateralized certificates of deposit and (2) State, City, school district, and other district municipal bonds with an A rating or better. GASB Statement No. 40 requires disclosure by amount and issuer, of investments in any one issuer that represent 5% or more of total investments. At June 30, 2023, there were no 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.

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	Non-Major Governmental Funds	Total
Due from state government	\$ 116,444	\$ 805,015	\$ 921,459
Due from local government	70,454	47,077	117,531
Total	<u>\$ 186,898</u>	<u>\$ 852,092</u>	<u>\$ 1,038,990</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized \$52,814 in lease revenue and \$6,533 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Leases receivable	\$ 710,082	\$ -	\$ (45,716)	\$ 664,366	\$ 46,926	\$ 617,440

As of June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 46,926	\$ 5,915	\$ 52,841
2025	48,284	5,517	53,801
2026	49,683	5,104	54,787
2027	49,403	4,680	54,083
2028	49,153	4,255	53,408
2029-2033	229,101	14,928	244,029
2034-2038	101,531	7,057	108,588
2039-2043	60,537	3,777	64,314
2044-2046	29,748	477	30,225
Total	\$ 664,366	\$ 51,710	\$ 716,076

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2024	\$ 52,814
2025	52,814
2026	52,814
2027	50,650
2028	49,104
2029-2033	215,184
2034-2038	92,504
2039-2043	47,981
2044-2046	20,898
Total	\$ 634,763

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023, the City recognized \$11,783 in lease revenue and \$1,310 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Deletions	Balance 6/30/2023	Classification	
				Due within One Year	Due in More Than One Year
\$ 285,449	\$ -	\$ (9,695)	\$ 275,754	\$ 9,740	\$ 266,014

As of June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 9,740	\$ 1,265	\$ 11,005
2025	9,785	1,219	11,004
2026	9,831	1,173	11,004
2027	9,877	1,127	11,004
2028	10,749	1,080	11,829
2029-2033	56,808	4,622	61,430
2034-2038	63,360	3,215	66,575
2039-2043	64,853	1,721	66,574
2044-2046	40,753	301	41,054
Total	\$ 275,756	\$ 15,723	\$ 291,479

As of June 30, 2023, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2024	\$ 11,783
2025	11,783
2026	11,783
2027	11,783
2028	11,783
2029-2033	58,915
2034-2038	58,915
2039-2043	58,915
2044-2046	35,971
Total	\$ 271,631

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Interfund Balances

A. Due To and From Other Funds

Due from and to other funds as of June 30, 2023, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Transit Fund	\$ 197,850	Overdrawn Cash

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

Note 6 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2023 is as follows:

	July 1, 2022, as restated	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 2,619,885	\$ -	\$ -	\$ -	\$ 2,619,885
Construction in progress	7,564,905	1,724,326	-	(4,798,689)	4,490,542
Total nondepreciable assets	10,184,790	1,724,326	-	(4,798,689)	7,110,427
Depreciable assets:					
Infrastructure	31,337,869	-	-	4,795,701	36,133,570
Building and improvements	40,571,811	-	-	-	40,571,811
Vehicles, machinery and equipment	14,723,800	1,655,683	(1,036,728)	2,988	15,345,743
Subtotal	86,633,480	1,655,683	(1,036,728)	4,798,689	92,051,124
Less accumulated depreciation					
Infrastructure	(17,248,624)	(933,815)	-	-	(18,182,439)
Building and improvements	(16,801,435)	(1,052,572)	-	-	(17,854,007)
Vehicles, machinery and equipment	(11,483,876)	(1,013,678)	745,398	-	(11,752,156)
Subtotal	(45,533,935)	(3,000,065)	745,398	-	(47,788,602)
Total depreciable assets, net	41,099,545	(1,344,382)	(291,330)	4,798,689	44,262,522
Subscription assets, being amortized	105,934	159,377	-	-	265,311
Less accumulated amortization	-	(64,854)	-	-	(64,854)
Total subscription assets, net	105,934	94,523	-	-	200,457
Total	\$ 51,390,269	\$ 474,467	\$ (291,330)	\$ -	\$ 51,573,406

Governmental activities depreciation and amortization expenses for capital assets for the year ended June 30, 2023 are as follows:

General government	\$ 356,405
Public safety	741,755
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation expense	<u>\$ 3,064,919</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023 is as follows:

	Balance July 1, 2022	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2023
Nondepreciable assets:					
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	2,899,180	762,676	-	(1,648,625)	2,013,231
Total nondepreciable assets	7,031,421	762,676	-	(1,648,625)	6,145,472
Depreciable assets					
Water distribution system	18,525,850	660,703	(66,420)	1,648,625	20,768,758
Wastewater systems	28,799,498	123,372	(75,737)	-	28,847,133
Building and improvements	10,873,815	-	-	-	10,873,815
Vehicles, machinery and equipment	5,208,500	886,350	-	-	6,094,850
Subtotal	63,407,663	1,670,425	(142,157)	1,648,625	66,584,556
Less accumulated depreciation					
Water distribution system	(10,790,423)	(673,780)	26,803	-	(11,437,400)
Wastewater systems	(10,944,973)	(578,787)	50,393	-	(11,473,367)
Building and improvements	(3,861,485)	(265,243)	-	-	(4,126,728)
Vehicles, machinery and equipment	(4,532,285)	(377,927)	-	-	(4,910,212)
Subtotal	(30,129,166)	(1,895,737)	77,196	-	(31,947,707)
Total depreciable assets, net	33,278,497	(225,312)	(64,961)	1,648,625	34,636,849
Total	\$ 40,309,918	\$ 537,364	\$ (64,961)	\$ -	\$ 40,782,321

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2023 are as follows:

Water	\$ 947,950
Wastewater	947,787
Total depreciation expense	\$ 1,895,737

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 outflows of resources. Amortization expense for the fiscal year was \$155,546.

	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	(686,980)	(2,148,664)	(2,835,644)
Total	\$ 787,241	\$ 2,702,358	\$ 3,489,599

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023 is as follows:

	Balance July 1, 2022, as restated	Debt Issued	Debt Retired	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities:						
Revenue bonds:						
2015 Pledged revenue bonds	\$ 6,408,168	\$ -	\$ (371,488)	\$ 6,036,680	\$ 382,204	\$ 5,654,476
Plus: unamortized premium	390,878	-	(30,068)	360,810	-	360,810
2016 Pledged revenue bonds	7,220,000	-	(1,085,000)	6,135,000	1,145,000	4,990,000
Plus: unamortized premium	831,535	-	(138,590)	692,945	-	692,945
2021 Pledged revenue bonds	20,380,000	-	(290,000)	20,090,000	700,000	19,390,000
Total revenue bonds	35,230,581	-	(1,915,146)	33,315,435	2,227,204	31,088,231
Finance purchase agreements	513,954	557,830	(315,149)	756,635	203,681	552,954
Subscription liability	57,916	159,377	(80,322)	136,971	80,667	56,304
Total	\$ 35,802,451	\$ 717,207	\$ (2,310,617)	\$ 34,209,041	\$ 2,511,552	\$ 31,697,489

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, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 203,681	\$ 38,906	\$ 242,587
2025	155,692	30,653	186,345
2026	164,603	21,742	186,345
2027	150,734	12,113	162,847
2028	81,925	2,853	84,778
Total	\$ 756,635	\$ 106,267	\$ 862,902

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	\$ 2,407,514
Less: accumulated depreciation	(1,660,815)
Total	\$ 746,699

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Subscription Liabilities

The City has entered into subscription-based information technology arrangements (SBITAs) for services related to cloud-based software applications, data storage and management services. Under the terms of these arrangements, the City does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from 30 to 36 months. The calculated interest rate used was between 2.18% and 2.66%, depending on the length of the SBITA and date of the agreement.

As of June 30, 2023, the capitalized right-to-use assets related to SBITAs were \$200,457 and the total subscription liability was \$136,971, of which \$80,667 is reported as a current liability representing the amount due within the next fiscal year.

Principal and interest payments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 80,667	\$ 3,501	\$ 84,168
2025	56,304	1,495	57,799
Total	\$ 136,971	\$ 4,996	\$ 141,967

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 \$7.9 million. The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.3 million (Note 8B).

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 382,204	\$ 277,901	\$ 660,105
2025	400,064	258,791	658,855
2026	421,496	238,789	660,285
2027	442,928	217,714	660,642
2028	464,360	195,567	659,927
2029-2033	2,682,572	611,812	3,294,384
2034	1,243,056	75,012	1,318,068
Total	\$ 6,036,680	\$ 1,875,586	\$ 7,912,266

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, 2023 were \$6,135,000.

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.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
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	\$ 6,135,000	\$ 625,575	\$ 6,760,575

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2023 were \$20,090,000. 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
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	1,195,000	348,035	1,543,035
2029-2033	6,325,000	1,496,695	7,821,695
2034-2038	7,080,000	709,083	7,789,083
2039	1,530,000	21,994	1,551,994
Total	\$ 20,090,000	\$ 4,125,472	\$ 24,215,472

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Debt Issued	Debt Retired	Balance June 30, 2023	Classification	
					Due within One Year	Due in More Than One Year
Business-Type Activities:						
Loans payable:						
2015 WIFA refunding loan	\$ 6,367,715	\$ -	\$ (663,447)	\$ 5,704,268	\$ 692,960	\$ 5,011,308
2016 WIFA refunding loan	10,520,357	-	(732,051)	9,788,306	757,212	9,031,094
Total loans payable	16,888,072	-	(1,395,498)	15,492,574	1,450,172	14,042,402
Revenue bonds:						
2015 Pledged revenue bonds	2,561,830	-	(148,512)	2,413,318	152,797	2,260,521
Plus: unamortized premium	173,629	-	(13,355)	160,274	-	160,274
Total revenue bonds	2,735,459	-	(161,867)	2,573,592	152,797	2,420,795
Finance purchase agreements	-	70,150	(5,696)	64,454	11,432	53,022
Total	\$ 19,623,531	\$ 70,150	\$ (1,563,061)	\$ 18,130,620	\$ 1,614,401	\$ 16,516,219

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

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, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 11,432	\$ 7,024	\$ 18,456
2025	12,815	5,641	18,456
2026	14,392	4,065	18,457
2027	16,192	2,265	18,457
2028	9,623	389	10,012
Total	\$ 64,454	\$ 19,384	\$ 83,838

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	\$ 70,150
Less: accumulated depreciation	(7,523)
Total	\$ 62,627

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 \$5.9 million. The debt principal and interest paid on this debt during fiscal year 2023 was \$720,244 (approximately 22.3% percent of pledged revenues).

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2015 Water Infrastructure Financing Authority Loan (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	755,982	17,129	773,111
2029-2031	2,083,626	19,864	2,103,490
Total	\$ 5,704,268	\$ 156,743	\$ 5,861,011

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, 2023. This loan refunded the remainder of the MPC Series 2006 revenue bonds. The refunding was undertaken to reduce total debt service payments over the next 19 years by \$5.0 million.

Proceeds of the loan also provided financing to equip the State Route 260 well site and construct a water line. The loan is secured solely from a pledge of net system water revenues and debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$9.9 million. The debt principal and interest paid on this debt during fiscal year 2023 was \$765,228 (approximately 22.0% 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, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	810,158	12,778	822,936
2029-2033	4,262,632	38,311	4,300,943
2034-2035	1,608,367	3,054	1,611,421
Total	\$ 9,788,306	\$ 121,370	\$ 9,909,676

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Long-Term Debt (Continued)

B. Business-Type 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 \$7.9 million (Note 8A). The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.3 million.

The annual debt service requirements are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
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	185,640	87,037	272,677	
2029-2033	1,072,423	293,526	1,365,949	
2034-2035	496,946	49,122	546,068	
Total	\$ 2,413,318	\$ 855,258	\$ 3,268,576	

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 \$1,356,098 at June 30, 2023. Summary of changes in compensated absences for the year ended June 30, 2023 is as follows:

	Balance			Balance	Classification	
	July 1, 2022	Increases	Decreases	June 30, 2023	Due within	Due in More
					One Year	Than One Year
Compensated absences:						
Governmental Activities	\$ 1,410,631	\$ 1,095,633	\$ (1,375,506)	\$ 1,130,758	\$ 840,752	\$ 290,006
Business-Type Activities	186,092	176,074	(136,826)	225,340	45,725	179,615
Total compensated absences	\$ 1,596,723	\$ 1,271,707	\$ (1,512,332)	\$ 1,356,098	\$ 886,477	\$ 469,621

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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.

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 Kairos Health Arizona, Inc. Employee Welfare Benefits Health Pool (KAIROS) for risks of loss related to employee health and accident claims. KAIROS 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 KAIROS for its employee health and accident insurance coverage. The agreement provides that KAIROS 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, 2023

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	\$ 906,984	\$ 261,650	\$ 1,168,634
PSPRS - Police Plan - Tier 1 & 2	165,343	-	165,343
PSPRS - Fire Plan - Tier 1 & 2	185,789	-	185,789
PSPRS - Police Plan - Tier 3	49,424	-	49,424
PSPRS - Fire Plan - Tier 3	20,238	-	20,238
Total pension contributions made after measurement date	1,327,778	261,650	1,589,428
Projected earnings on pension plan investments in excess of actual earnings:			
PSPRS - Police Plan - Tier 1 & 2	1,546,445	-	1,546,445
PSPRS - Fire Plan - Tier 1 & 2	572,414	-	572,414
PSPRS - Police Plan - Tier 3	3,199	-	3,199
PSPRS - Fire Plan - Tier 3	1,398	-	1,398
Total projected earnings on pension plan investments in excess of actual earnings	2,123,456	-	2,123,456
Change in assumptions:			
ASRS	457,084	131,861	588,945
PSPRS - Police Plan - Tier 1 & 2	401,588	-	401,588
PSPRS - Fire Plan - Tier 1 & 2	552,507	-	552,507
PSPRS - Police Plan - Tier 3	164	-	164
PSPRS - Fire Plan - Tier 3	72	-	72
Total change in assumption	1,411,415	131,861	1,543,276
Difference between expected and actual experience			
ASRS	78,471	22,637	101,108
PSPRS - Police Plan - Tier 1 & 2	530,563	-	530,563
PSPRS - Fire Plan - Tier 1 & 2	596,334	-	596,334
PSPRS - Police Plan - Tier 3	65,213	-	65,213
PSPRS - Fire Plan - Tier 3	28,500	-	28,500
Total difference between expected and actual experience	1,299,081	22,637	1,321,718
Change in proportion and differences between employer contributions and proportionate share of contributions			
PSPRS - Police Plan - Tier 3	10,177	-	10,177
PSPRS - Fire Plan - Tier 3	14,560	-	14,560
Total change in proportion and differences between employer contributions and proportionate share of contributions	24,737	-	24,737
Total pension-related deferred outflows of resources			
ASRS	1,442,539	416,148	1,858,687
PSPRS - Police Plan - Tier 1 & 2	2,643,939	-	2,643,939
PSPRS - Fire Plan - Tier 1 & 2	1,907,044	-	1,907,044
PSPRS - Police Plan - Tier 3	128,177	-	128,177
PSPRS - Fire Plan - Tier 3	64,768	-	64,768
Total pension-related deferred outflows of resources	\$ 6,186,467	\$ 416,148	\$ 6,602,615

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 8,369	\$ 2,415	\$ 10,784
ASRS - Long-Term Disability Plan	10,652	3,073	13,725
PSPRS - Fire Plan - Tier 1 & 2	270	-	270
PSPRS - Police Plan - Tier 3	8,469	-	8,469
PSPRS - Fire Plan - Tier 3	2,477	-	2,477
Total OPEB contributions made after measurement date	30,237	5,488	35,725
Projected earnings on OPEB plan investments in excess of actual earnings:			
PSPRS - Police Plan - Tier 1 & 2	6,395	-	6,395
PSPRS - Fire Plan - Tier 1 & 2	4,481	-	4,481
PSPRS - Police Plan - Tier 3	55	-	55
PSPRS - Fire Plan - Tier 3	24	-	24
Total projected earnings on OPEB plan investments in excess of actual earnings	10,955	-	10,955
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	5,196	1,480	6,676
ASRS - Long-Term Disability Plan	2,862	815	3,677
PSPRS - Police Plan - Tier 1 & 2	3,748	-	3,748
PSPRS - Fire Plan - Tier 1 & 2	6,040	-	6,040
PSPRS - Police Plan - Tier 3	78	-	78
PSPRS - Fire Plan - Tier 3	34	-	34
Total change in assumption	17,958	2,295	20,253
Difference between expected and actual experience			
ASRS - Long-Term Disability Plan	2,736	779	3,515
PSPRS - Fire Plan - Tier 1 & 2	7,213	-	7,213
PSPRS - Police Plan - Tier 3	68	-	68
PSPRS - Fire Plan - Tier 3	30	-	30
Total difference between expected and actual experience	10,047	779	10,826
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	1,884	537	2,421
ASRS - Long-Term Disability Plan	72	21	93
PSPRS - Police Plan - Tier 3	302	-	302
PSPRS - Fire Plan - Tier 3	1,088	-	1,088
Total change in proportion and differences between employer contributions and proportionate share of contributions	3,346	558	3,904
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	15,449	4,432	19,881
ASRS - Long-Term Disability Plan	16,322	4,688	21,010
PSPRS - Police Plan - Tier 1 & 2	10,143	-	10,143
PSPRS - Fire Plan - Tier 1 & 2	18,004	-	18,004
PSPRS - Police Plan - Tier 3	8,972	-	8,972
PSPRS - Fire Plan - Tier 3	3,653	-	3,653
Total OPEB-related deferred outflows of resources	\$ 72,543	\$ 9,120	\$ 81,663

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 - Fire Plan - Tier 1 & 2	\$ 120,738	\$ -	\$ 120,738
PSPRS - Police Plan - Tier 3	13,607	-	13,607
PSPRS - Fire Plan - Tier 3	5,947	-	5,947
Total net pension asset	<u>\$ 140,292</u>	<u>\$ -</u>	<u>\$ 140,292</u>
Net pension liability			
ASRS	\$ 9,209,475	\$ 2,656,780	\$ 11,866,255
PSPRS - Police Plan - Tier 1 & 2	320,362	-	320,362
Total net pension liability	<u>\$ 9,529,837</u>	<u>\$ 2,656,780</u>	<u>\$ 12,186,617</u>
	Governmental Activities	Business-Type Activities	Total
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 320,154	\$ 91,164	\$ 411,318
PSPRS - Police Plan - Tier 1 & 2	154,138	-	154,138
PSPRS - Police Plan - Tier 3	2,992	-	2,992
PSPRS - Fire Plan - Tier 3	1,308	-	1,308
Total Net OPEB asset	<u>\$ 478,592</u>	<u>\$ 91,164</u>	<u>\$ 569,756</u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 5,256	\$ 1,496	\$ 6,752
PSPRS - Fire Plan - Tier 1 & 2	40,665	-	40,665
Total Net OPEB liability	<u>\$ 45,921</u>	<u>\$ 1,496</u>	<u>\$ 47,417</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

A. Summary – Pension and OPEB (Continued)

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	\$ 242,587	\$ 69,982	\$ 312,569
Total projected earnings on pension plan investments in excess of actual earnings	242,587	69,982	312,569
Change in assumptions:			
PSPRS - Police Plan - Tier 3	3,384	-	3,384
PSPRS - Fire Plan - Tier 3	1,479	-	1,479
Total change in assumption	4,863	-	4,863
Difference between expected and actual experience			
PSPRS - Police Plan - Tier 1 & 2	66,332	-	66,332
PSPRS - Fire Plan - Tier 1 & 2	675,381	-	675,381
Total difference between expected and actual experience	741,713	-	741,713
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS	215,863	62,273	278,136
PSPRS - Police Plan - Tier 3	26,611	-	26,611
PSPRS - Fire Plan - Tier 3	2,169	-	2,169
Total change in proportion and differences between employer contributions and proportionate share of contributions	244,643	62,273	306,916
Total pension-related deferred inflows of resources			
ASRS	458,450	132,255	590,705
PSPRS - Police Plan - Tier 1 & 2	66,332	-	66,332
PSPRS - Fire Plan - Tier 1 & 2	675,381	-	675,381
PSPRS - Police Plan - Tier 3	29,995	-	29,995
PSPRS - Fire Plan - Tier 3	3,648	-	3,648
Total pension-related deferred inflows of resources	<u>\$ 1,233,806</u>	<u>\$ 132,255</u>	<u>\$ 1,366,061</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 10,784	\$ 3,071	\$ 13,855
ASRS - Long-Term Disability Plan	163	47	210
Total projected earnings on pension plan investments in excess of actual earnings	<u>10,947</u>	<u>3,118</u>	<u>14,065</u>
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	8,732	2,486	11,218
ASRS - Long-Term Disability Plan	12,827	3,653	16,480
PSPRS - Police Plan - Tier 1 & 2	672	-	672
PSPRS - Fire Plan - Tier 1 & 2	1,875	-	1,875
PSPRS - Police Plan - Tier 3	1	-	1
Total change in assumption	<u>24,107</u>	<u>6,139</u>	<u>30,246</u>
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	163,388	46,525	209,913
ASRS - Long-Term Disability Plan	4,897	1,395	6,292
PSPRS - Police Plan - Tier 1 & 2	44,790	-	44,790
PSPRS - Fire Plan - Tier 1 & 2	46,288	-	46,288
PSPRS - Police Plan - Tier 3	254	-	254
PSPRS - Fire Plan - Tier 3	111	-	111
Total difference between expected and actual experience	<u>259,728</u>	<u>47,920</u>	<u>307,648</u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	3	1	4
ASRS - Long-Term Disability Plan	2,144	610	2,754
PSPRS - Police Plan - Tier 3	1,066	-	1,066
PSPRS - Fire Plan - Tier 3	105	-	105
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>3,318</u>	<u>611</u>	<u>3,929</u>
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	182,907	52,083	234,990
ASRS - Long-Term Disability Plan	20,031	5,705	25,736
PSPRS - Police Plan - Tier 1 & 2	45,462	-	45,462
PSPRS - Fire Plan - Tier 1 & 2	48,163	-	48,163
PSPRS - Police Plan - Tier 3	1,321	-	1,321
PSPRS - Fire Plan - Tier 3	216	-	216
Total OPEB-related deferred inflows of resources	<u>\$ 298,100</u>	<u>\$ 57,788</u>	<u>\$ 355,888</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 804,988	\$ 232,226	\$ 1,037,214
PSPRS - Police Plan - Tier 1 & 2	1,003,707	-	1,003,707
PSPRS - Fire Plan - Tier 1 & 2	366,199	-	366,199
PSPRS - Police Plan - Tier 3	3,427	-	3,427
PSPRS - Fire Plan - Tier 3	3,231	-	3,231
Total net pension (income) expense	<u>\$ 2,181,552</u>	<u>\$ 232,226</u>	<u>\$ 2,413,778</u>
 OPEB expenses/(income):			
ASRS - Health Benefit Supplement Plan	\$ (46,531)	\$ (13,250)	\$ (59,781)
ASRS - Long-Term Disability Plan	1,481	422	1,903
PSPRS - Police Plan - Tier 1 & 2	(27,357)	-	(27,357)
PSPRS - Fire Plan - Tier 1 & 2	2,632	-	2,632
PSPRS - Police Plan - Tier 3	(12)	-	(12)
PSPRS - Fire Plan - Tier 3	246	-	246
Total net OPEB (income) expense	<u>\$ (69,541)</u>	<u>\$ (12,828)</u>	<u>\$ (82,369)</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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

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		
Years of credited service	equals 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

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, 2023 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.17 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68 percent (9.62 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023, were:

	Contributions - employer
Pension Plan	\$ 1,168,634
Health Benefit Supplement Plan	10,784
Long-Term Disability Plan	13,725
Total	<u>\$ 1,193,143</u>

During fiscal year 2023, the City paid for ASRS pension and OPEB contributions as follows: 77 percent from the Governmental Funds, 16 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, 2023, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

	Net pension/OPEB
Pension Plan	\$ 11,866,255
Health Benefit Supplement Plan	(411,318)
Long-Term Disability Plan	6,752
Total	<u>\$ 11,461,689</u>

The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The City’s proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Proportion June 30, 2021	0.0744200%	0.0752000%	0.0747200%
Proportion June 30, 2022	0.0727000%	0.0737000%	0.0731100%
Change - Increase (Decrease)	<u>-0.0017200%</u>	<u>-0.0015000%</u>	<u>-0.0016100%</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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)

As of June 30, 2023, 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: 6/30/21 (Valuation date)	\$ 9,778,458	\$ (366,381)	\$ 15,424
Balance at: 6/30/22 (Measurement date)	11,866,255	(411,318)	6,752
Net Changes during 2021-2022	<u>(2,087,797)</u>	<u>44,937</u>	<u>8,672</u>

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, 2023:

	Pension/OPEB expenses
Pension Plan	\$ 1,037,214
Health Benefit Supplement Plan	(59,781)
Long-Term Disability Plan	1,903
Total	<u>\$ 979,336</u>

At June 30, 2023, 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	\$ 1,168,634	\$ -	\$ 10,784	\$ -	\$ 13,725	\$ -
Difference between projected and actual earning on pension plan investments	-	(312,569)	-	(13,855)	-	(210)
Changes in assumptions	588,945	-	6,676	(11,218)	3,677	(16,480)
Difference between actual and expected experience	101,108	-	-	(209,913)	3,515	(6,292)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(278,136)	2,421	(4)	93	(2,754)
Total	<u>\$ 1,858,687</u>	<u>\$ (590,705)</u>	<u>\$ 19,881</u>	<u>\$ (234,990)</u>	<u>\$ 21,010</u>	<u>\$ (25,736)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 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, 2024. 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		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
2024	\$ 366,522	\$ (62,202)	\$ (1,840)
2025	(224,762)	(67,716)	(2,219)
2026	(542,693)	(74,329)	(3,801)
2027	500,281	(10,758)	(913)
2028	-	(10,888)	(3,653)
Thereafter	-	-	(6,025)
	<u>\$ 99,348</u>	<u>\$ (225,893)</u>	<u>\$ (18,451)</u>

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

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. Both the June 30, 2021 and the June 30, 2022 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, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 (Continued)

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%	3.90%	1.95%
Fixed income - credit	20.00%	5.20%	1.06%
Fixed income - interest rate sen	10.00%	-0.02%	-0.02%
Real Estate	20.00%	6.00%	1.20%
Total	100.00%		4.19%

Discount Rate

At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

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% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Pension Plan	\$ 17,508,306	\$ 11,866,255	\$ 7,161,665
Health Benefit Supplement Plan	\$ (295,760)	\$ (411,318)	\$ (509,367)
Long-Term Disability Plan	\$ 11,194	\$ 6,752	\$ 2,448
Total	\$ 17,223,740	\$ 11,461,689	\$ 6,654,746

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

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, 2023, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

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.

Benefits Provided

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

	Retirement Initial Membership Date:		
	Before January 1, 2012	On or After January 1, 2012 and Before July 1, 2017	On or After July 1, 2017
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5	15 years of credited service, age 52.5* 15 or more years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years 50% less 2.0% for each year of credited service less than 20 years or plus 2.0%	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal retirement	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		

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

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

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

Employees Covered

At June 30, 2022, 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	21	21	18	18	6	6	2	2
Transferred and terminated employees	5	5	3	3	6	6	1	1
Retired employees and beneficiaries	22	22	7	7	0	0	0	0
Total	48	48	28	28	12	12	3	3

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, 2023, 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)
Active members - pension	(Tier 1) 7.65%	(Tier 2 - hired after 7/2011) 11.65%		10.41%
City of Cottonwood, Arizona:				
Pension	10.61%	9.05%	8.69%	9.81%
Health Insurance	0.44%	0.13%	0.12%	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 11.21%, 9.05%, 9.81%, and 9.81%, 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, 2023, 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	\$ 165,343	\$ -	\$ 185,789	\$ 270	\$ 49,424	\$ 8,469	\$ 20,238	\$ 2,477

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

Contributions (Continued)

During fiscal year 2023, the City paid for the total PSPRS pension and OPEB contributions from the general fund.

Net Pension and OPEB Liability/(Asset)

The net assets and net liabilities were measured as of June 30, 2022, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

The City’s proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2021	0.1889850%	0.1636390%	0.1605670%	0.2257850%
Proportion June 30, 2022	0.2516980%	0.1100010%	0.2519750%	0.1101220%
Change - Increase (Decrease)	0.0627130%	-0.0536380%	0.0914080%	-0.1156630%

Actuarial Assumptions

The total pension and liabilities/(assets) in the June 30, 2022 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	7.20%
Wage inflation	3.00% to 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

Actuarial Assumptions

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

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
U.S. public equity	24.00%	3.49%	0.84%
International public equity	16.00%	4.47%	0.71%
Global private equity	20.00%	7.18%	1.43%
Other assets (capital appreciation)	7.00%	4.83%	0.34%
Core bonds	2.00%	0.45%	0.01%
Private credit	20.00%	5.10%	1.02%
Diversifying strategies	10.00%	2.68%	0.27%
Cash - Mellon	1.00%	-0.35%	0.00%
	<u>100.00%</u>		<u>4.62%</u>

¹ An expected inflation of 2.25% used for this period

Discount Rate

At June 30, 2022, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. 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, 2023

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 - Tier 1 & 2						
	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, 2021	\$ 22,337,248	\$ 24,817,719	\$ (2,480,471)	\$ 253,141	\$ 449,960	\$ (196,819)
Changes in the year:						
Service cost	316,203	-	316,203	7,619	-	7,619
Interest on the total pension liabilities	1,613,962	-	1,613,962	18,710	-	18,710
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(82,917)	-	(82,917)	(3,802)	-	(3,802)
Changes of assumptions	335,616	-	335,616	2,192	-	2,192
Benefit payments, including refunds of members contributions	(1,088,765)	(1,088,765)	-	(8,905)	(8,905)	-
Contributions - employer	-	223,183	(223,183)	-	-	-
Contributions - employee	-	149,543	(149,543)	-	-	-
Net investment income	-	(973,114)	973,114	-	(17,648)	17,648
Administrative expenses	-	(17,581)	17,581	-	(314)	314
Other changes	-	-	-	-	-	-
Net changes	1,094,099	(1,706,734)	2,800,833	15,814	(26,867)	42,681
Balance at June 30, 2022 (Measurement Date)	\$ 23,431,347	\$ 23,110,985	\$ 320,362	\$ 268,955	\$ 423,093	\$ (154,138)

Fire Plan - Tier 1 & 2						
	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, 2021	\$ 12,959,566	\$ 14,298,379	\$ (1,338,813)	\$ 257,609	\$ 246,195	\$ 11,414
Changes in the year:						
Service cost	331,677	-	331,677	7,721	-	7,721
Interest on the total pension liabilities	961,024	-	961,024	19,099	-	19,099
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(431,791)	-	(431,791)	(5,712)	-	(5,712)
Changes of assumptions	138,697	-	138,697	5,706	-	5,706
Benefit payments, including refunds of members contributions	(253,058)	(253,058)	-	(7,412)	(7,412)	-
Contributions - employer	-	241,352	(241,352)	-	7,352	(7,352)
Contributions - employee	-	130,026	(130,026)	-	-	-
Net investment income	-	(579,527)	579,527	-	(9,618)	9,618
Administrative expenses	-	(10,319)	10,319	-	(171)	171
Other changes	-	-	-	-	-	-
Net changes	746,549	(471,526)	1,218,075	19,402	(9,849)	29,251
Balance at June 30, 2022 (Measurement Date)	\$ 13,706,115	\$ 13,826,853	\$ (120,738)	\$ 277,011	\$ 236,346	\$ 40,665

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	Plan's Aggregate Net Pension/OPEB (Asset) Liability		
	Discount Rate - 1% (6.20%)	Current Discount Rate (7.20%)	Discount Rate + 1% (8.20%)
Police Pension Plan (Tier 1 & 2)	\$ 3,719,886	\$ 320,362	\$ (2,424,197)
Police OPEB Plan (Tier 1 & 2)	\$ (119,851)	\$ (154,138)	\$ (182,802)
Fire Pension Plan (Tier 1 & 2)	\$ 1,905,780	\$ (120,738)	\$ (1,766,299)
Fire OPEB Plan (Tier 1 & 2)	\$ 73,795	\$ 40,665	\$ 12,745
Aggregate Total	\$ 5,579,610	\$ 86,151	\$ (4,360,553)

	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	\$ (13,607)	\$ (34,187)
Police OPEB Plan (Tier 3)	\$ (1,318)	\$ (2,992)	\$ (1,800)
Fire Pension Plan (Tier 3)	\$ 4,186	\$ (5,947)	\$ (29,046)
Fire OPEB Plan (Tier 3)	\$ (1,818)	\$ (1,308)	\$ (2,483)
Aggregate Total	\$ 5,977	\$ (23,854)	\$ (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, 2023

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, 2023, the City recognized the following pension and OPEB expense:

Pension/OPEB expense/(income)	
Pension Plan - Police (Tier 1 & 2)	\$ 1,003,707
Pension Plan - Fire (Tier 1 & 2)	366,199
Pension Plan - Police (Tier 3)	3,427
Pension Plan - Fire (Tier 3)	3,231
OPEB Plan - Police (Tier 1 & 2)	(27,357)
OPEB Plan - Fire (Tier 1 & 2)	2,632
OPEB Plan - Police (Tier 3)	(12)
OPEB Plan - Fire (Tier 3)	246
Total	<u>\$ 1,352,073</u>

At June 30, 2023 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	\$ 165,343	\$ -	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	1,546,445	-	6,395	-
Changes in assumptions	401,588	-	3,748	(672)
Difference between actual and expected experience	530,563	(66,332)	-	(44,790)
Total	<u>\$ 2,643,939</u>	<u>\$ (66,332)</u>	<u>\$ 10,143</u>	<u>\$ (45,462)</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	\$ 185,789	\$ -	\$ 270	\$ -
Difference between projected and actual earning on pension plan investments	572,414	-	4,481	-
Changes in assumptions	552,507	-	6,040	(1,875)
Difference between actual and expected experience	596,334	(675,381)	7,213	(46,288)
Total	<u>\$ 1,907,044</u>	<u>\$ (675,381)</u>	<u>\$ 18,004</u>	<u>\$ (48,163)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 49,424	\$ -	\$ 8,469	\$ -
Difference between projected and actual earning on pension plan investments	3,199	-	55	-
Changes in assumptions	164	(3,384)	78	(1)
Difference between actual and expected experience	65,213	-	68	(254)
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,177	(26,611)	302	(1,066)
Total	<u>\$ 128,177</u>	<u>\$ (29,995)</u>	<u>\$ 8,972</u>	<u>\$ (1,321)</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	\$ 20,238	\$ -	\$ 2,477	\$ -
Difference between projected and actual earning on pension plan investments	1,398	-	24	-
Changes in assumptions	72	(1,479)	34	-
Difference between actual and expected experience	28,500	-	30	(111)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,560	(2,169)	1,088	(105)
Total	<u>\$ 64,768</u>	<u>\$ (3,648)</u>	<u>\$ 3,653</u>	<u>\$ (216)</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, 2024. 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)
2024	\$ 861,171	\$ 237,713	\$ (19,053)	\$ (6,544)
2025	640,403	211,195	(17,852)	(7,204)
2026	308,544	96,692	(8,124)	(9,460)
2027	602,146	402,519	9,710	(1,875)
2028	-	80,114	-	(6,191)
Thereafter	-	17,641	-	845
	<u>\$ 2,412,264</u>	<u>\$ 1,045,874</u>	<u>\$ (35,319)</u>	<u>\$ (30,429)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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)
2024	\$ 4,351	\$ (79)	\$ 3,635	\$ 61
2025	4,379	(77)	3,647	62
2026	4,022	(90)	3,491	56
2027	8,181	57	5,309	121
2028	4,433	(61)	3,671	69
Thereafter	23,392	(568)	21,129	591
	<u>\$ 48,758</u>	<u>\$ (818)</u>	<u>\$ 40,882</u>	<u>\$ 960</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, 2023, 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, 2023

Note 12 – Other Required Disclosures

A. Deficit Fund Balance/Net Position

At June 30, 2023, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$3,296,254.

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the following function(s) by fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Debt service:	
	Principal	\$ 70,474
HURF Special Revenue Fund	Debt service:	
	Interest and fiscal charges	2,246

Note 13 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2023 as follows:

	Major Funds		Non-Major	
	General	City	Governmental	Total
	Fund	Debt Service	Funds	
		Fund		
Nonspendable:				
Inventories and prepaid items	\$ 25,580	\$ 14,175	\$ 13,928	\$ 53,683
Total nonspendable	25,580	14,175	13,928	53,683
Restricted:				
Debt service	-	355,639	-	355,639
Pension	5,596,744	-	-	5,596,744
Grants	-	-	1,424,106	1,424,106
Highways and streets	-	-	5,298,289	5,298,289
Capital projects	-	-	1,158,358	1,158,358
Total restricted	5,596,744	355,639	7,880,753	13,833,136
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	18,776,505	-	-	18,776,505
Total Fund Balances	\$ 25,398,829	\$ 369,814	\$ 7,894,681	\$ 33,663,324

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 14 – Net Investment in Capital Assets

Net Investment in Capital Assets at June 30, 2023 consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, nondepreciable	\$ 7,110,427	\$ 6,145,472
Capital assets, depreciable/amortizable, net	44,462,979	34,636,849
Excess consideration provided for acquisitions	-	3,489,599
Deferred loss on refunding	156,964	-
Long-term debt:		
Finance purchase agreements	(756,635)	(64,454)
Subscription liability	(136,971)	-
2015 Pledged revenue bonds	(6,397,490)	(2,573,592)
2016 Pledged revenue bonds	(6,827,945)	-
2015 WIFA refunding loan	-	(5,704,268)
2016 WIFA refunding loan	-	(9,788,306)
Total net investment in capital assets	<u>\$ 37,611,329</u>	<u>\$ 26,141,300</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.

Note 16 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2022 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities
Net position, as previously reported, at July 1, 2022	\$ 39,046,728
To implement GASB 96 <i>Subscription-based information technology arrangements (SBITAs)</i>	48,018
Net position at July 1, 2022, as restated	<u>\$ 39,094,746</u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

Required Supplementary Information (Unaudited)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2023

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, 2023, and therefore are properly authorized. The City's total expenditure limit was \$67,219,800.

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, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 22,026,935	\$ 22,026,935	\$ 21,552,435	\$ (474,500)
Intergovernmental	6,475,855	6,475,855	5,916,968	(558,887)
Licenses and permits	597,795	597,795	417,188	(180,607)
Fines and forfeitures	227,150	227,150	179,265	(47,885)
Rents and royalties	231,265	231,265	256,633	25,368
Investment income	35,200	35,200	812,817	777,617
Charges for services	2,311,295	2,311,295	2,737,157	425,862
Contributions	21,000	21,000	28,200	7,200
Miscellaneous	1,261,075	1,261,075	1,471,142	210,067
Total revenues	33,187,570	33,187,570	33,371,805	184,235
EXPENDITURES:				
Current:				
General government	18,306,710	18,306,710	7,990,508	10,316,202
Public safety	12,095,905	12,095,905	11,381,138	714,767
Culture and leisure	6,423,320	6,423,320	4,595,774	1,827,546
Capital outlay	3,382,170	3,382,170	1,482,089	1,900,081
Debt service:				
Principal	1,025,000	1,025,000	1,095,474	(70,474)
Interest and fiscal charges	515,825	515,825	507,103	8,722
Total expenditures	41,748,930	41,748,930	27,052,086	14,696,844
REVENUES OVER				
(UNDER) EXPENDITURES	(8,561,360)	(8,561,360)	6,319,719	14,881,079
OTHER FINANCING SOURCES (USES):				
Sale of property	13,000	13,000	275,072	262,072
Inception of finance purchase agreement	550,000	550,000	486,501	(63,499)
Inception of subscription liability	-	-	159,377	159,377
Transfers out	(422,370)	(422,370)	-	422,370
Total other financing sources (uses)	140,630	140,630	920,950	780,320
Net change in fund balances	\$ (8,420,730)	\$ (8,420,730)	7,240,669	\$ 15,661,399
FUND BALANCES:				
Beginning of year			18,158,160	
End of year			\$ 25,398,829	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability
Last Ten Years
For the Year Ended June 30, 2023

	Arizona Employees' Retirement System ("ASRS") Pension Plan									
Measurement Period	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
City's Proportion of the Net Pension Liability	0.07270%	0.07442%	0.07657%	0.07858%	0.08049%	0.08049%	0.07980%	0.07865%	0.07549%	0.07042%
City's Proportionate Share of the Net Pension Liability	\$ 11,866,255	\$ 9,778,458	\$ 13,266,916	\$ 11,434,304	\$ 11,225,522	\$ 11,225,522	\$ 12,431,284	\$ 12,694,900	\$ 11,759,105	\$ 10,420,105
City's Covered Payroll	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288	\$ 7,599,309	\$ 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	138.74%	117.76%	164.56%	146.08%	147.72%	147.72%	168.49%	177.23%	169.09%	173.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	74.26%	78.58%	69.33%	73.24%	73.40%	73.40%	69.92%	67.06%	68.35%	69.49%

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, 2023

	Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit							
Measurement Period	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016 ¹
City's Proportion of the Net OPEB (Asset)/Liability	0.07370%	0.07520%	0.07756%	0.07965%	0.07965%	0.08156%	0.08061%	0.08061%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (411,318)	\$ (366,381)	\$ (54,912)	\$ (22,012)	\$ (22,012)	\$ (29,369)	\$ (43,884)	\$ 23,309
City's Covered Payroll	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288	\$ 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	-4.81%	-4.41%	-0.68%	-0.28%	-0.28%	-0.39%	-0.59%	0.33%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	137.79%	130.24%	104.33%	101.62%	101.62%	102.20%	103.57%	103.57%

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, 2023

	Arizona Employees' Retirement System ("ASRS") Long-Term Disability							
Measurement Period	June 30, 2023	June 30, 2022	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	0.07311%	0.07472%	0.07708%	0.07919%	0.07919%	0.08066%	0.08001%	0.08001%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 6,752	\$ 15,424	\$ 58,474	\$ 51,588	\$ 51,588	\$ 42,145	\$ 29,002	\$ 28,753
City's Covered Payroll	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288	\$ 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	0.08%	0.19%	0.73%	0.66%	0.66%	0.55%	0.39%	0.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	95.40%	90.38%	68.01%	72.85%	72.85%	77.83%	84.44%	84.44%

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, 2023

Arizona Public Safety Public Retirement System ("PSPRS") Police Pension Plan (Tier 3)						
Measurement Period	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net Pension (Asset)/Liability	0.25170%	0.18890%	0.02124%	0.02124%	0.21781%	0.47335%
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ -	\$ -	\$ (64)	\$ (64)	\$ (3,128)	\$ 933
City's Covered Payroll	\$ 112,940	\$ 109,650	\$ 106,456	\$ 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%	0.00%	-0.06%	-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%	121.67%	98.71%	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, 2023

Arizona Public Safety Public Retirement System ("PSPRS") Fire Pension Plan (Tier 3)						
Measurement Period	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net Pension (Asset)/Liability	0.25198%	0.16057%	0.20217%	0.20217%	0.24272%	0.04223%
City's Proportionate Share of the Net Pension (Asset)/Liability	\$ -	\$ -	\$ (606)	\$ (606)	\$ (3,486)	\$ 1,923
City's Covered Payroll	\$ 85,120	\$ 82,641	\$ 80,234	\$ 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%	0.00%	-0.76%	-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%	121.67%	98.71%	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, 2023

Arizona Public Safety Public Retirement System ("PSPRS") Police OPEB Plan (Tier 3)					
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.11000%	0.16364%	0.01849%	0.19159%	0.47333%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (2,992)	\$ (1,588)	\$ (65)	\$ (281)	\$ (20)
City's Covered Payroll	\$ 112,940	\$ 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>-2.65%</u>	<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>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, 2023

Arizona Public Safety Public Retirement System ("PSPRS") Fire OPEB Plan (Tier 3)					
Measurement Period	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018 ¹
City's Proportion of the the Net OPEB (Asset)/Liability	0.11012%	0.22579%	0.28389%	0.37354%	0.04223%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (1,308)	\$ (2,191)	\$ (992)	\$ (549)	\$ (2)
City's Covered Payroll	\$ 85,120	\$ 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>-1.54%</u>	<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>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, 2023

Arizona Public Safety Public Retirement System ("PS PRS") Police Pension Plan

Total Pension Liability	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 316,203	\$ 321,632	\$ 389,109	\$ 414,083	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471	\$ 354,387
Interest on total pension liability	1,613,962	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	335,616	-	-	665,480	-	297,828	604,633	-	1,448,801
Differences between expected and actual experience	(82,917)	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	(1,088,765)	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Net change in total pension liability	1,094,099	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	22,337,248	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)	\$ 23,431,347	\$ 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	\$ 223,183	\$ 14,562,496	\$ 1,058,404	\$ 1,072,824	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731	\$ 562,803
Contributions - employee	149,543	141,473	172,672	166,941	171,124	217,925	235,544	227,682	199,451
Investment income (net of administrative expenses)	(973,114)	2,587,690	111,874	430,937	487,040	666,184	31,475	167,936	531,085
Benefit payments	(1,088,765)	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Administrative expenses	(17,581)	(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	(1,706,734)	16,371,632	312,167	854,454	985,922	1,109,706	295,537	427,963	435,931
Plan fiduciary net position - beginning	24,817,719	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)	\$ 23,110,985	\$ 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)	\$ 320,362	\$ 12,623,587	\$ 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									
	98.63%	111.10%	40.09%	41.72%	41.33%	38.12%	34.78%	37.43%	36.80%
Covered payroll	\$ 1,740,809	\$ 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	18.40%	746.91%	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, 2023

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

Total Pension Liability	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Service cost	\$ 331,677	\$ 307,497	\$ 355,804	\$ 383,528	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663	\$ 303,278
Interest on total pension liability	961,024	895,928	792,524	727,986	666,698	596,244	511,500	477,670	392,718
Changes in assumptions	138,697	-	-	187,461	-	133,242	326,086	-	379,456
Differences between expected and actual experience	(431,791)	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	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Net change in total pension liability	746,549	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	12,959,566	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)	\$ 13,706,115	\$ 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	\$ 241,352	\$ 4,440,091	\$ 430,262	\$ 487,369	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248	\$ 261,908
Contributions - employee	130,026	130,811	132,611	141,988	145,107	183,748	195,245	187,916	171,178
Investment income (net of administrative expenses)	(579,527)	2,307,264	102,955	389,112	446,127	651,916	29,391	167,246	505,572
Benefit payments	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Administrative expenses	(10,319)	(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	(471,526)	6,166,432	480,086	819,738	726,274	1,010,109	270,316	391,635	790,437
Plan fiduciary net position - beginning	14,298,379	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)	\$ 13,826,853	\$ 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)	\$ (120,738)	\$ (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									
	100.88%	110.33%	66.03%	72.26%	71.56%	68.49%	64.96%	74.66%	73.98%
Covered payroll	\$ 1,494,021	\$ 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									
	-8.08%	-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, 2023

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

Total OPEB Liability	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,619	\$ 7,589	\$ 9,013	\$ 6,658	\$ 6,462	\$ 8,171
Interest on total OPEB liability	18,710	18,633	18,367	21,966	21,101	21,172
Changes in assumptions	2,192	-	-	5,987	-	253
Differences between expected and actual experience	(3,802)	(16,378)	(10,223)	(77,946)	(12,591)	(5,210)
Changes in benefit terms	-	-	-	-	-	(13,866)
Benefit payments, including refunds of employee contributions	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Net change in total OPEB liability	15,814	1,124	8,506	(49,996)	8,212	3,652
Total OPEB liability - beginning	253,141	252,017	243,511	293,507	285,295	281,643
Total OPEB liability - ending (a)	\$ 268,955	\$ 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)	(17,648)	98,762	4,516	18,162	21,981	33,569
Benefit payments	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Administrative expenses	(314)	(406)	(367)	(314)	(335)	(297)
Other	-	-	-	5,668	1	-
Net change in plan fiduciary net position	(26,867)	89,636	1,971	23,484	17,475	32,016
Plan fiduciary net position - beginning	360,324	360,324	358,353	334,869	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 333,457	\$ 449,960	\$ 360,324	\$ 358,353	\$ 334,869	\$ 317,394
Net OPEB asset - ending (a)-(b)	\$ (64,502)	\$ (196,819)	\$ (108,307)	\$ (114,842)	\$ (41,362)	\$ (32,099)
Plan fiduciary net position as a percentage of the total OPEB liability	123.98%	177.75%	142.98%	147.16%	114.09%	111.25%
Covered payroll	\$ 1,740,809	\$ 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	-3.71%	-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, 2023

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

Total OPEB Liability	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,721	\$ 7,452	\$ 8,671	\$ 6,215	\$ 6,551	\$ 6,493
Interest on total OPEB liability	19,099	17,283	16,828	18,429	18,603	17,608
Changes in assumptions	5,706	-	-	2,311	-	1,094
Differences between expected and actual experience	(5,712)	6,759	(9,293)	(45,117)	(22,528)	4,879
Changes in benefit terms	-	-	-	-	-	(4,263)
Benefit payments, including refunds of employee contributions	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Net change in total OPEB liability	19,402	25,120	11,310	(25,119)	(6,275)	16,289
Total OPEB liability - beginning	257,609	232,489	221,179	246,298	252,573	236,284
Total OPEB liability - ending (a)	\$ 277,011	\$ 257,609	\$ 232,489	\$ 221,179	\$ 246,298	\$ 252,573
Plan fiduciary net position						
Contributions - employer	\$ 7,352	\$ 9,945	\$ 10,538	\$ 12,994	\$ 7,543	\$ 9,935
Contributions - employee	-	-	-	-	-	-
Investment income (net of administrative expenses)	(9,618)	51,980	2,288	8,985	10,605	16,231
Benefit payments	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Administrative expenses	(171)	(214)	(186)	(155)	(161)	(143)
Other	-	-	-	5,161	(1)	-
Net change in plan fiduciary net position	(9,849)	55,337	7,744	20,028	9,085	16,501
Plan fiduciary net position - beginning	190,858	190,858	183,114	163,086	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 181,009	\$ 246,195	\$ 190,858	\$ 183,114	\$ 163,086	\$ 154,001
Net OPEB liability - ending (a)-(b)	\$ 96,002	\$ 11,414	\$ 41,631	\$ 38,065	\$ 83,212	\$ 98,572
Plan fiduciary net position as a percentage of the total OPEB liability	65.34%	95.57%	82.09%	82.79%	66.21%	60.97%
Covered payroll	\$ 1,494,021	\$ 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	6.43%	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, 2023

Arizona State Retirement System ("ASRS") Pension Plan

	2022-23	2021-22	2020-21	2019-20	2018-19
Statutorily required contribution	\$ 1,168,634	\$ 1,028,299	\$ 959,894	\$ 966,830	\$ 914,919
Contributions in relation to the statutorily required contributions	<u>(1,168,634)</u>	<u>(1,028,299)</u>	<u>(959,894)</u>	<u>(966,830)</u>	<u>(914,919)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380
Contributions as a percentage of covered payroll	26.72%	24.21%	23.28%	24.15%	23.54%
	2017-18	2016-17	2015-16	2014-15	2013-14¹
Statutorily required contribution	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845	\$ 623,008
Contributions in relation to the statutorily required contributions	<u>(882,838)</u>	<u>(810,358)</u>	<u>(815,999)</u>	<u>(271,845)</u>	<u>(623,008)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,773,184	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
Contributions as a percentage of covered payroll	23.40%	22.12%	22.94%	7.87%	17.91%

Notes to Schedule

Valuation date: 6/30/2021

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

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

Arizona Employees' Retirement System ("ASRS") Health Insurance Premium Benefit Plan					
	2022-23	2021-22	2020-21	2019-20	2018-19
Statutorily required contribution	\$ 10,784	\$ 17,980	\$ 32,134	\$ 32,019	\$ 37,644
Contributions in relation to the statutorily required contributions	(10,784)	(17,980)	(32,134)	(32,019)	(37,644)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380
Contributions as a percentage of covered payroll	0.25%	0.42%	0.78%	0.80%	0.97%
	2017-18	2016-17¹			
Statutorily required contribution	\$ 34,932	\$ 43,396			
Contributions in relation to the statutorily required contributions	(34,932)	(43,396)			
Contribution deficiency (excess)	\$ -	\$ -			
Covered payroll	\$ 3,773,184	\$ 3,663,286			
Contributions as a percentage of covered payroll	0.93%	1.18%			

Notes to Schedule

Valuation date: 6/30/2021

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

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Statutorily required contribution	\$ 13,725	\$ 16,268	\$ 14,934	\$ 14,131	\$ 13,094
Contributions in relation to the statutorily required contributions	<u>(13,725)</u>	<u>(16,268)</u>	<u>(14,934)</u>	<u>(14,131)</u>	<u>(13,094)</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	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971	\$ 3,886,380
Contributions as a percentage of covered payroll	0.31%	0.38%	0.36%	0.35%	0.34%
	<u>2017-18</u>	<u>2016-17¹</u>			
Statutorily required contribution	\$ 12,706	\$ 10,882			
Contributions in relation to the statutorily required contributions	<u>(12,706)</u>	<u>(10,882)</u>			
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>			
Covered payroll	\$ 3,773,184	\$ 3,663,286			
Contributions as a percentage of covered payroll	0.34%	0.30%			

Notes to Schedule

Valuation date: 6/30/2021

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

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution	\$ 165,343	\$ 183,981	\$ 13,975,602	\$ 878,499	\$ 940,547
Contributions in relation to the actuarially determined contributions	(165,343)	(183,981)	(13,975,602)	(878,499)	(940,547)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439	\$ 2,201,397	\$ 2,137,279
Contributions as a percentage of covered payroll	6.87%	7.88%	616.36%	39.91%	44.01%
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 974,192	\$ 879,100	\$ 910,441	\$ 601,731	\$ 562,803
Contributions in relation to the actuarially determined contributions	(974,192)	(879,100)	(910,441)	(601,731)	(562,803)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913	\$ 2,034,987	\$ 1,913,359
Contributions as a percentage of covered payroll	46.95%	43.64%	46.55%	29.57%	29.41%

Notes to Schedule

Valuation date: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution	\$ 185,789	\$ 202,312	\$ 4,198,944	\$ 392,866	\$ 442,193
Contributions in relation to the actuarially determined contributions	(185,789)	(202,312)	(4,198,944)	(392,866)	(442,193)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,236,584	\$ 2,171,441	\$ 2,108,196	\$ 2,046,792	\$ 1,987,177
Contributions as a percentage of covered payroll	8.31%	9.32%	199.17%	19.19%	22.25%
	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 430,827	\$ 324,450	\$ 323,156	\$ 243,520	\$ 268,585
Contributions in relation to the actuarially determined contributions	(430,827)	(324,450)	(323,156)	(243,520)	(268,585)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,929,298	\$ 1,873,104	\$ 1,818,548	\$ 1,604,216	\$ 1,689,214
Contributions as a percentage of covered payroll	22.33%	17.32%	17.77%	15.18%	15.90%

Notes to Schedule

Valuation date: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
Actuarially determined contribution	\$ -	\$ 7,057	\$ -	\$ 6,146	\$ 6,482
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>(7,057)</u>	<u>-</u>	<u>(6,146)</u>	<u>(6,482)</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	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439	\$ 2,201,397	\$ 2,137,279
Contributions as a percentage of covered payroll	0.00%	0.30%	0.00%	0.28%	0.30%
	<u>2017-18</u>	<u>2016-17¹</u>			
Actuarially determined contribution	\$ 8,256	\$ 5,612			
Contributions in relation to the actuarially determined contributions	<u>(8,256)</u>	<u>(5,612)</u>			
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>			
Covered payroll	\$ 2,075,028 0	\$ 2,014,590			
Contributions as a percentage of covered payroll	0.40%	0.28%			

Notes to Schedule

Valuation date: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution	\$ 270	\$ 2,906	\$ 9,941	\$ 3,179	\$ 12,495
Contributions in relation to the actuarially determined contributions	(270)	(2,906)	(9,941)	(3,179)	(12,495)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,171,442	\$ 2,108,196	\$ 2,046,792	\$ 1,987,177	\$ 1,929,298
Contributions as a percentage of covered payroll	0.01%	0.14%	0.49%	0.16%	0.65%
	2017-18	2016-17¹			
Actuarially determined contribution	\$ 9,935	\$ 9,935			
Contributions in relation to the actuarially determined contributions	(9,935)	(9,935)			
Contribution deficiency (excess)	\$ -	\$ -			
Covered payroll	\$ 1,873,104	\$ 1,873,104			
Contributions as a percentage of covered payroll	0.53%	0.53%			

Notes to Schedule

Valuation date: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 49,424	\$ 27,080	\$ 85,625	\$ 4,933	\$ 8,220	\$ 3,731
Contributions in relation to the statutorily required contributions	(49,424)	(27,080)	(85,625)	(4,933)	(8,220)	(3,731)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 116,327	\$ 112,939	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	42.49%	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: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 20,238	\$ 21,244	\$ 43,657	\$ 28,740	\$ 9,090	\$ 333
Contributions in relation to the statutorily required contributions	(20,238)	(21,244)	(43,657)	(28,740)	(9,090)	(333)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	23.08%	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: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 8,469	\$ 359	\$ 1,302	\$ 106	\$ 47	\$ 100
Contributions in relation to the statutorily required contributions	<u>(8,469)</u>	<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>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 116,327	\$ 112,939	\$ 109,650	\$ 106,456	\$ 103,355	\$ 100,345
Contributions as a percentage of covered payroll	7.28%	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: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2023

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

	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 2,477	\$ 282	\$ 664	\$ 616	\$ 93	\$ 9
Contributions in relation to the statutorily required contributions	<u>(2,477)</u>	<u>(282)</u>	<u>(664)</u>	<u>(616)</u>	<u>(93)</u>	<u>(9)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234	\$ 77,897	\$ 75,628
Contributions as a percentage of covered payroll	2.83%	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: 6/30/2022

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Supplementary Information

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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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.

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

City of Cottonwood
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Fund		
	Grants Fund	Transit Fund	HURF Fund
ASSETS			
Cash and cash investments	\$ 1,375,545	\$ -	\$ 4,321,502
Restricted cash and cash investments	-	-	541,886
Receivables:			
Accounts	112,062	59,727	-
Taxes	-	68,527	176,219
Intergovernmental	45,561	669,768	124,686
Prepaid items	-	-	13,928
Total assets	\$ 1,533,168	\$ 798,022	\$ 5,178,221
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 109,062	\$ 60,589	\$ 42,335
Accrued payroll and related liabilities	-	41,313	12,193
Due to other funds	-	197,850	-
Interest payable - current portion	-	-	82,585
Principal payable - current portion	-	-	227,161
Total liabilities	109,062	299,752	364,274
Fund Balances:			
Nonspendable	-	-	13,928
Restricted	1,424,106	498,270	4,800,019
Total fund balances	1,424,106	498,270	4,813,947
Total liabilities and fund balances	\$ 1,533,168	\$ 798,022	\$ 5,178,221

City of Cottonwood
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2023

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
ASSETS		
Cash and cash investments	\$ 1,121,676	\$ 6,818,723
Restricted cash and cash investments	-	541,886
Receivables:		
Accounts	-	171,789
Taxes	34,263	279,009
Intergovernmental	12,077	852,092
Prepaid items	-	13,928
Total assets	\$ 1,168,016	\$ 8,677,427
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 9,658	\$ 221,644
Accrued payroll and related liabilities	-	53,506
Due to other funds	-	197,850
Interest payable - current portion	-	82,585
Principal payable - current portion	-	227,161
Total liabilities	9,658	782,746
Fund Balances:		
Nonspendable	-	13,928
Restricted	1,158,358	7,880,753
Total fund balances	1,158,358	7,894,681
Total liabilities and fund balances	\$ 1,168,016	\$ 8,677,427

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Fund		
	Grants Fund	Transit Fund	HURF Fund
REVENUES:			
Taxes	\$ -	\$ 744,055	\$ 1,729,187
Intergovernmental	269,803	1,728,471	1,238,604
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Rents and royalties	-	-	-
Investment income	-	-	98,595
Charges for services	-	156,949	-
Contributions	-	-	-
Miscellaneous	-	5,451	2,253
Total revenues	<u>269,803</u>	<u>2,634,926</u>	<u>3,068,639</u>
EXPENDITURES:			
Current:			
General government	28,033	-	-
Public safety	-	-	-
Highways and streets	-	-	1,288,918
Transportation	-	2,367,600	-
Culture and leisure	-	-	-
Capital outlay	238,561	84,356	1,702,146
Debt service:			
Principal	-	-	227,161
Interest and fiscal charges	-	-	167,415
Total expenditures	<u>266,594</u>	<u>2,451,956</u>	<u>3,385,640</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>3,209</u>	<u>182,970</u>	<u>(317,001)</u>
OTHER FINANCING SOURCES (USES):			
Sales of property	-	-	-
Inception of finance purchase agreement	-	-	71,329
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>71,329</u>
Net changes in fund balances	3,209	182,970	(245,672)
FUND BALANCES:			
Beginning of year	1,420,897	315,300	5,059,619
End of year	<u>\$ 1,424,106</u>	<u>\$ 498,270</u>	<u>\$ 4,813,947</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, 2023

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
REVENUES:		
Taxes	\$ 372,028	\$ 2,845,270
Intergovernmental	80,536	3,317,414
Licenses and permits	-	-
Fines and forfeitures	-	-
Rents and royalties	-	-
Investment income	8,968	107,563
Charges for services	-	156,949
Contributions	-	-
Miscellaneous	-	7,704
Total revenues	<u>461,532</u>	<u>6,434,900</u>
EXPENDITURES:		
Current:		
General government	86,287	114,320
Public safety	-	-
Highways and streets	-	1,288,918
Transportation	-	2,367,600
Culture and leisure	-	-
Capital outlay	364,310	2,389,373
Debt service:		
Principal	-	227,161
Interest and fiscal charges	-	167,415
Total expenditures	<u>450,597</u>	<u>6,554,787</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>10,935</u>	<u>(119,887)</u>
OTHER FINANCING SOURCES (USES):		
Sales of property	-	-
Inception of finance purchase agreement	-	71,329
Transfers in	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>71,329</u>
Net changes in fund balances	10,935	(48,558)
FUND BALANCES:		
Beginning of year	1,147,423	7,943,239
End of year	<u>\$ 1,158,358</u>	<u>\$ 7,894,681</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Budgetary Comparison Schedule
City Debt Service Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,650,930	\$ 1,650,930	\$ 1,646,725	\$ (4,205)
Investment income	10	10	1,428	1,418
Total revenues	<u>1,650,940</u>	<u>1,650,940</u>	<u>1,648,153</u>	<u>(2,787)</u>
EXPENDITURES:				
Debt service:				
Principal	1,300,046	1,300,046	1,300,043	3
Interest and fiscal charges	<u>350,886</u>	<u>350,886</u>	<u>348,183</u>	<u>2,703</u>
Total expenditures	<u>1,650,932</u>	<u>1,650,932</u>	<u>1,648,226</u>	<u>2,706</u>
Net change in fund balances	<u>\$ 8</u>	<u>\$ 8</u>	(73)	<u>\$ (81)</u>
FUND BALANCE:				
Beginning of year			369,887	
End of year			<u>\$ 369,814</u>	

City of Cottonwood
Budgetary Comparison Schedule
Grant Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Intergovernmental	\$ 1,727,040	\$ 1,727,040	\$ 269,803	\$ (1,457,237)
Total revenues	<u>1,727,040</u>	<u>1,727,040</u>	<u>269,803</u>	<u>(1,457,237)</u>
EXPENDITURES:				
Current:				
General government	-	-	28,033	(28,033)
Capital outlay	1,781,160	1,781,160	238,561	1,542,599
Total expenditures	<u>1,781,160</u>	<u>1,781,160</u>	<u>266,594</u>	<u>1,514,566</u>
REVENUE OVER				
(UNDER) EXPENDITURES	<u>(54,120)</u>	<u>(54,120)</u>	<u>3,209</u>	<u>57,329</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	54,120	54,120	-	(54,120)
Total other financing sources (uses)	<u>54,120</u>	<u>54,120</u>	<u>-</u>	<u>(54,120)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,209</u>	<u>\$ 3,209</u>
FUND BALANCE:				
Beginning of year			<u>1,420,897</u>	
End of year			<u>\$ 1,424,106</u>	

City of Cottonwood
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 552,370	\$ 552,370	\$ 744,055	\$ 191,685
Intergovernmental	2,837,440	2,837,440	1,728,471	(1,108,969)
Charges for services	228,850	228,850	156,949	(71,901)
Miscellaneous	-	-	5,451	5,451
Total revenues	3,618,660	3,618,660	2,634,926	(983,734)
EXPENDITURES:				
Current:				
Transportation	2,801,230	2,801,230	2,367,600	433,630
Capital outlay	1,253,000	1,253,000	84,356	1,168,644
Total expenditures	4,054,230	4,054,230	2,451,956	1,602,274
Net change in fund balances	\$ (435,570)	\$ (435,570)	182,970	\$ 618,540
FUND BALANCE:				
Beginning of year			315,300	
End of year			\$ 498,270	

City of Cottonwood
Budgetary Comparison Schedule
HURF Special Revenue Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 1,589,300	\$ 1,589,300	\$ 1,729,187	\$ 139,887
Intergovernmental	1,236,880	1,236,880	1,238,604	1,724
Investment income	320	320	98,595	98,275
Miscellaneous	4,000	4,000	2,253	(1,747)
Total revenues	2,830,500	2,830,500	3,068,639	238,139
EXPENDITURES:				
Current:				
Highways and streets	3,693,915	3,693,915	1,288,918	2,404,997
Capital outlay	3,615,865	3,615,865	1,702,146	1,913,719
Debt service:				
Principal	227,161	227,161	227,161	-
Interest and fiscal charges	165,169	165,169	167,415	(2,246)
Total expenditures	7,702,110	7,702,110	3,385,640	4,316,470
REVENUE OVER				
(UNDER) EXPENDITURES	(4,871,610)	(4,871,610)	(317,001)	4,554,609
OTHER FINANCING SOURCES (USES):				
Inception of finance purchase agreement	-	-	71,329	71,329
Total other financing sources (uses)	-	-	71,329	71,329
Net change in fund balances	\$ (4,871,610)	\$ (4,871,610)	(245,672)	\$ 4,625,938
FUND BALANCE:				
Beginning of year			5,059,619	
End of year			\$ 4,813,947	

City of Cottonwood
Budgetary Comparison Schedule
Capital Projects Fund
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
REVENUES:				
Taxes	\$ 368,250	\$ 368,250	\$ 372,028	\$ 3,778
Intergovernmental	315,000	315,000	80,536	(234,464)
Investment income	5,000	5,000	8,968	3,968
Total revenues	688,250	688,250	461,532	(226,718)
EXPENDITURES:				
Current:				
General government	319,400	319,400	86,287	233,113
Capital outlay	17,883,330	17,883,330	364,310	17,519,020
Total expenditures	18,202,730	18,202,730	450,597	17,752,133
Net change in fund balances	\$ (17,514,480)	\$ (17,514,480)	10,935	\$ 17,525,415
FUND BALANCE:				
Beginning of year			1,147,423	
End of year			\$ 1,158,358	

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

Statistical Section

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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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, 2023
(accrual basis of accounting)

	Fiscal Year				
	2023	2022	2021	2020	2019
Governmental activities					
Net investment in capital assets	\$ 37,611,329	\$ 36,108,156	\$ 28,377,288	\$ 27,118,419	\$ 27,277,629
Restricted	13,833,136	12,628,846	9,151,977	4,127,464	3,010,461
Unrestricted (deficit)	(3,296,254)	(9,690,274)	(9,008,315)	(11,650,963)	(13,832,151)
Total governmental activities net position	<u>\$ 48,148,211</u>	<u>\$ 39,046,728</u>	<u>\$ 28,520,950</u>	<u>\$ 19,594,920</u>	<u>\$ 16,455,939</u>
Business-type activities					
Net investment in capital assets	\$ 26,141,300	\$ 24,331,532	\$ 26,397,745	\$ 27,364,275	\$ 27,089,493
Restricted	8,281,148	8,158,869	9,501,748	7,674,983	12,252,785
Unrestricted	28,226,468	26,552,317	14,952,181	12,015,527	4,198,028
Total business-type activities net position	<u>\$ 62,648,916</u>	<u>\$ 59,042,718</u>	<u>\$ 50,851,674</u>	<u>\$ 47,054,785</u>	<u>\$ 43,540,306</u>
Primary government					
Net investment in capital assets	\$ 63,752,629	\$ 60,439,688	\$ 54,775,033	\$ 54,482,694	\$ 54,367,122
Restricted	22,114,284	20,787,715	18,653,725	11,802,447	15,263,246
Unrestricted (deficit)	24,930,214	16,862,043	5,943,866	364,564	(9,634,123)
Total primary government net position	<u>\$ 110,797,127</u>	<u>\$ 98,089,446</u>	<u>\$ 79,372,624</u>	<u>\$ 66,649,705</u>	<u>\$ 59,996,245</u>

City of Cottonwood
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2023
(accrual basis of accounting)

	Fiscal Year				
	2018	2017	2016	2015	2014
Governmental activities					
Net investment in capital assets	\$ 27,332,884	\$ 24,457,732	\$ 26,266,479	\$ 32,767,938	\$ 29,811,017
Restricted	2,612,991	4,287,185	3,059,882	1,290,122	1,210,126
Unrestricted (deficit)	(15,403,566)	(7,801,463)	(5,612,279)	(7,294,803)	12,155,916
Total governmental activities net position	<u>\$ 14,542,309</u>	<u>\$ 20,943,454</u>	<u>\$ 23,714,082</u>	<u>\$ 26,763,257</u>	<u>\$ 43,177,059</u>
Business-type activities					
Net investment in capital assets	\$ 24,493,779	\$ 18,333,192	\$ 13,642,806	\$ 5,440,590	\$ 4,851,385
Restricted	7,536,216	-	1,802,675	2,557,734	2,557,755
Unrestricted	8,424,140	10,483,581	9,576,508	15,069,210	15,941,213
Total business-type activities net position	<u>\$ 40,454,135</u>	<u>\$ 28,816,773</u>	<u>\$ 25,021,989</u>	<u>\$ 23,067,534</u>	<u>\$ 23,350,353</u>
Primary government					
Net investment in capital assets	\$ 51,826,663	\$ 42,790,924	\$ 39,909,285	\$ 38,208,528	\$ 34,662,402
Restricted	10,149,207	4,287,185	4,862,557	3,847,856	3,767,881
Unrestricted (deficit)	(6,979,426)	2,682,118	3,964,229	7,774,407	28,097,129
Total primary government net position	<u>\$ 54,996,444</u>	<u>\$ 49,760,227</u>	<u>\$ 48,736,071</u>	<u>\$ 49,830,791</u>	<u>\$ 66,527,412</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Expenses					
Governmental Activities					
General government	\$ 8,480,068	\$ 7,004,688	\$ 6,927,542	\$ 6,651,834	\$ 5,947,814
Public Safety	12,916,839	11,109,091	12,859,366	11,945,539	12,099,647
Highway and streets	1,813,369	1,852,918	1,949,637	1,809,652	1,419,997
Transportation	2,917,050	2,618,607	2,620,605	2,147,294	2,300,410
Culture and recreation	5,388,632	5,043,553	4,215,599	4,455,091	4,107,450
Interest on long-term debt	885,435	881,345	597,696	650,224	691,681
Total governmental activities expenses	32,401,393	28,510,202	29,170,445	27,659,634	26,566,999
Business-Type Activities					
Water	7,223,858	5,949,754	5,265,348	5,348,996	5,273,405
Sewer	3,470,097	3,067,447	3,384,098	2,830,268	2,876,534
Total business-type activities expenses	10,693,955	9,017,201	8,649,446	8,179,264	8,149,939
Total primary government expenses	\$ 43,095,348	\$ 37,527,403	\$ 37,819,891	\$ 35,838,898	\$ 34,716,938
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,952,907	\$ 1,790,437	\$ 1,506,871	\$ 1,267,587	\$ 1,469,608
Public safety	1,179,341	1,110,216	949,274	905,165	888,666
Highways and streets	-	-	-	-	-
Transportation	156,949	122,608	415	154,367	211,490
Culture and leisure	1,012,868	876,284	367,259	775,578	1,029,563
Operating grants and contributions	4,206,989	5,120,000	6,480,841	3,772,457	3,358,972
Capital grants and contributions	669,448	844,323	567,018	770,600	601,461
Total governmental activities program revenues	9,178,502	9,863,868	9,871,678	7,645,754	7,559,760
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,411,092	8,716,680	8,649,599	8,073,195	7,744,901
Sewer	5,041,548	4,580,092	4,035,452	3,266,899	3,076,218
Operating grants and contributions	-	4,092,258	-	-	-
Total business-type activities program revenues	13,452,640	17,389,030	12,685,051	11,340,094	10,821,119
Total primary government program revenues	\$ 22,631,142	\$ 27,252,898	\$ 22,556,729	\$ 18,985,848	\$ 18,380,879
Net (Expense) Revenue					
Governmental activities	\$ (23,222,891)	\$ (18,646,334)	\$ (19,298,767)	\$ (20,013,880)	\$ (19,007,239)
Business-type activities	2,758,685	8,371,829	4,035,605	3,160,830	2,671,180
Total primary government	\$ (20,464,206)	\$ (10,274,505)	\$ (15,263,162)	\$ (16,853,050)	\$ (16,336,059)

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Expenses					
Governmental Activities					
General government	\$ 5,357,347	\$ 9,016,421	\$ 5,653,593	\$ 4,815,686	\$ 5,245,413
Public Safety	12,214,453	12,252,315	10,567,676	9,270,523	8,354,188
Highway and streets	1,634,741	3,817,500	3,999,492	4,222,310	3,468,654
Transportation	2,174,021	-	-	-	-
Culture and recreation	4,144,697	3,767,245	4,239,038	3,748,143	3,687,518
Interest on long-term debt	614,906	1,208,866	938,399	815,524	710,755
Total governmental activities expenses	26,140,165	30,062,347	25,398,198	22,872,186	21,466,528
Business-Type Activities					
Water	5,409,263	4,667,663	6,667,587	5,776,752	6,206,940
Wastewater	2,386,840	2,750,544	2,339,933	2,360,966	2,377,111
Total business-type activities expenses	7,796,103	7,418,207	9,007,520	8,137,718	8,584,051
Total primary government expenses	\$ 33,936,268	\$ 37,480,554	\$ 34,405,718	\$ 31,009,904	\$ 30,050,579
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,886,679	\$ 1,745,730	\$ 1,252,512	\$ 1,249,543	\$ 1,248,788
Public safety	835,855	800,601	626,941	182,682	65,481
Highways and streets	-	207,002	358,991	336,854	362,365
Transportation	207,920	-	-	-	-
Culture and leisure	1,093,849	1,023,178	984,529	938,362	824,333
Operating grants and contributions	3,292,725	2,971,986	2,434,617	2,383,018	2,330,406
Capital grants and contributions	2,494,456	2,220,427	348,290	288,143	509,917
Total governmental activities program revenues	9,811,484	8,968,924	6,005,880	5,378,602	5,341,290
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,011,771	7,608,838	7,496,231	7,432,085	6,818,887
Sewer	2,620,736	2,486,514	2,438,088	2,305,897	2,406,542
Operating grants and contributions	-	-	-	-	-
Total business-type activities program revenues	10,632,507	10,095,352	9,934,319	9,737,982	9,225,429
Total primary government program revenues	\$ 20,443,991	\$ 19,064,276	\$ 15,940,199	\$ 15,116,584	\$ 14,566,719
Net (Expense) Revenue					
Governmental activities	\$ (16,328,681)	\$ (21,093,423)	\$ (19,392,318)	\$ (17,493,584)	\$ (16,125,238)
Business-type activities	2,836,404	2,677,145	926,799	1,600,264	641,378
Total primary government	\$ (13,492,277)	\$ (18,416,278)	\$ (18,465,519)	\$ (15,893,320)	\$ (15,483,860)

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

	Fiscal Year				
	2023	2022	2021	2020	2019
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	\$ (20,464,206)	\$ (10,274,505)	\$ (15,263,162)	\$ (16,853,050)	\$ (16,336,059)
Governmental Activities					
Taxes:					
Sales taxes	\$ 24,970,136	\$ 23,598,985	\$ 21,441,099	\$ 18,588,547	\$ 16,453,665
Motor vehicle in-lieu tax	1,013,079	1,006,423	1,039,271	866,283	848,579
Franchise taxes	442,258	657,223	465,588	303,659	404,620
Transit occupancy tax	632,036	418,731	405,373	386,302	288,333
State shared revenue	4,198,780	3,292,506	3,204,737	2,838,005	2,666,814
Investment Income	921,808	(42,572)	10,635	129,036	135,426
Miscellaneous	98,259	221,534	827,590	41,029	48,496
Gain (loss) on sale of assets	-	19,282	830,504	-	74,936
Transfers	-	-	-	-	-
Total governmental activities	\$ 32,276,356	\$ 29,172,112	\$ 28,224,797	\$ 23,152,861	\$ 20,920,869
Business-type activities:					
Investment income	\$ 847,513	\$ (92,372)	\$ 16,978	\$ 353,649	\$ 364,451
Miscellaneous	-	-	-	-	78,225
Gain (loss) on sale of assets	-	(88,413)	(255,694)	-	(27,685)
Transfers	-	-	-	-	-
Total business activities	\$ 847,513	\$ (180,785)	\$ (238,716)	\$ 353,649	\$ 414,991
Total primary government	\$ 33,123,869	\$ 28,991,327	\$ 27,986,081	\$ 23,506,510	\$ 21,335,860
Change in Net Position	\$ 12,659,663	\$ 18,716,822	\$ 12,722,919	\$ 6,653,460	\$ 4,999,801

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Revenue and Other Changes in Net Position	(13,492,277)	(18,416,278)	(18,465,519)	(15,893,320)	(15,893,320)
Governmental Activities					
Taxes:					
Sales taxes	14,275,812	\$ 13,982,967	\$ 13,385,256	\$ 12,774,860	\$ 12,774,860
Motor Vehicle in-lieu tax	781,103	758,271	710,155	660,786	660,786
Franchise taxes	416,542	370,646	349,537	368,062	368,062
Transit occupancy tax	243,347	214,976	-	-	-
Unrestricted state shared revenue	2,637,072	2,528,894	2,422,844	2,393,192	2,393,192
Investment earnings	75,947	17,668	175,351	146,102	146,102
Miscellaneous	278,646	445,770	-	-	-
Gain on sale of assets	12,466	3,603	-	-	-
Transfers	(8,715,709)	-	(700,000)	-	-
Total governmental activities	10,005,226	18,322,795	16,343,143	16,343,002	16,343,002
Business-type activities:					
Investment income	119,643	374,976	327,656	305,896	305,896
Miscellaneous	60,644	28,288	-	-	-
Gain of disposal of capital assets	(95,441)	4,975	-	-	-
Transfers	8,715,709	-	700,000	-	-
Total business activities	8,800,555	408,239	1,027,656	305,896	305,896
Total primary government	\$ 18,805,781	\$ 18,731,034	\$ 17,370,799	\$ 16,648,898	\$ 16,648,898
Change in Net Position	\$ 5,313,504	\$ 314,756	\$ (1,094,720)	\$ 755,578	\$ 755,578

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

	Fiscal Year				
	2023	2022	2021	2020	2019
General Fund					
Nonspendable	\$ 25,580	\$ 71,616	\$ 22,085	\$ 86,988	\$ 21,568
Restricted	5,596,744	4,343,823	3,147,955	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	18,776,505	12,742,721	14,081,384	6,955,514	3,772,894
Total general fund	<u>\$ 25,398,829</u>	<u>\$ 18,158,160</u>	<u>\$ 18,251,424</u>	<u>\$ 8,042,502</u>	<u>\$ 4,794,462</u>
All Other Governmental Funds					
Nonspendable	\$ 28,103	\$ 28,103	\$ 28,103	\$ 30,129	\$ 40,510
Restricted	8,236,392	8,285,023	6,004,022	4,127,464	3,010,461
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(418)
Total all other governmental funds	<u>\$ 8,264,495</u>	<u>\$ 8,313,126</u>	<u>\$ 6,032,125</u>	<u>\$ 4,157,593</u>	<u>\$ 3,050,553</u>

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

	Fiscal Year				
	2018	2017	2016	2015	2014
General Fund					
Nonspendable	\$ 29,225	\$ 21,397	\$ 40,249	46,261	20,608
Restricted	-	-	-	144,477	1,287,757
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	2,154,755	4,206,786	4,187,934	4,599,804	3,674,772
Total general fund	<u>\$ 3,183,980</u>	<u>\$ 5,228,183</u>	<u>\$ 5,228,183</u>	<u>\$ 5,790,542</u>	<u>\$ 5,983,137</u>
All Other Governmental Funds					
Nonspendable	\$ 50,131	\$ 22,275	\$ 15,311	\$ 15,311	\$ 18,988
Restricted	2,622,474	4,287,185	5,708,599	9,421,521	1,210,126
Assigned	-	5,674,582	5,592,044	3,650,405	8,318,189
Unassigned	-	-	-	-	(488,916)
Total all other governmental funds	<u>\$ 2,672,605</u>	<u>\$ 9,984,042</u>	<u>\$ 11,315,954</u>	<u>\$ 13,087,237</u>	<u>\$ 9,058,387</u>

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

	Fiscal Year				
	2023	2022	2021	2020	2019
Revenues:					
Taxes	\$ 26,044,430	\$ 24,674,939	\$ 22,312,060	\$ 19,278,508	\$ 17,146,618
Intergovernmental revenues	9,234,382	9,193,830	10,508,801	7,629,598	6,518,230
Licenses and permits	417,188	642,420	371,819	281,099	568,297
Fines and forfeits	179,265	203,217	237,701	172,572	213,450
Rents and royalties	256,633	243,970	123,500	129,751	159,879
Investment income (loss)	921,808	(42,571)	10,635	129,036	134,119
Charges for services	2,894,106	2,580,702	1,530,513	1,956,531	2,333,342
Contributions	28,200	26,954	25,678	34,050	30,935
Miscellaneous	1,478,846	1,493,237	2,145,264	1,187,470	1,300,823
Total revenues	41,454,858	39,016,698	37,265,971	30,798,615	28,405,693
Expenditures:					
Current:					
General government	8,104,828	7,168,804	6,561,810	6,317,896	6,139,003
Public safety	11,381,138	10,258,750	27,833,695	10,277,695	11,071,615
Highways and street	1,288,918	1,274,499	1,395,849	1,085,263	908,747
Transportation	2,367,600	2,048,879	2,066,818	2,036,416	1,789,161
Culture and recreation	4,595,774	4,216,965	3,402,156	3,609,900	3,303,096
Redevelopment and housing	-	-	-	-	-
Capital outlay	3,871,462	8,780,448	2,242,878	592,442	2,200,382
Debt service:					
Principal retirement	2,622,678	2,327,366	1,900,875	1,842,083	1,544,610
Interest on long-term debt	1,022,701	1,018,611	734,961	787,489	828,946
Bond issuance costs	-	-	-	-	-
Total expenditures	35,255,099	37,094,322	46,139,042	26,549,184	27,785,560
Excess of revenues over (under) expenditures	6,199,759	1,922,376	(8,873,071)	4,249,431	620,133
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	-	-	-	-	-
Sale of property	275,072	64,376	985,538	105,649	82,369
Inception of lease	717,207	200,985	-	-	1,285,928
Transfers in	-	7,457,735	137,518	230,361	25,512
Transfers out	-	(7,457,735)	(137,518)	(230,361)	(25,512)
Total other financing sources (uses)	992,279	265,361	20,956,525	105,649	1,368,297
Net change in fund balances	\$ 7,192,038	\$ 2,187,737	\$ 12,083,454	\$ 4,355,080	\$ 1,988,430
Debt service as a percentage of noncapital expenditures	11.6%	11.8%	6.0%	10.1%	9.3%

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

	Fiscal Year				
	2018	2017	2016	2015	2014
Revenues:					
Taxes	\$ 14,935,701	\$ 14,568,589	\$ 13,734,793	\$ 13,142,922	\$ 12,648,502
Intergovernmental revenues	8,704,128	7,862,119	5,742,590	5,724,063	5,714,445
Licenses and permits	327,452	279,814	279,698	229,810	292,341
Fines and forfeits	178,504	147,698	149,459	160,813	176,208
Rents and royalties	118,756	257,931	181,608	143,578	162,606
Investment income (loss)	75,947	17,668	174,473	145,268	211,420
Charges for services	2,547,571	2,481,394	2,454,952	1,906,025	1,739,844
Contributions	36,419	31,725	73,607	1,076	9,292
Miscellaneous	1,595,475	1,740,887	157,256	267,215	129,968
Total revenues	28,519,953	27,387,825	22,948,436	21,720,770	21,084,626
Expenditures:					
Current:					
General government	6,103,437	5,705,624	4,665,822	4,510,920	4,347,532
Public safety	10,801,786	10,657,958	9,251,574	8,254,360	7,888,166
Highways and street	1,059,037	2,429,760	2,816,635	3,111,725	2,565,264
Transportation	1,598,318	-	-	-	-
Culture and recreation	3,401,603	3,222,539	3,198,799	3,059,962	2,869,610
Redevelopment and housing	-	-	-	-	-
Capital outlay	3,672,088	5,157,047	2,341,365	5,498,903	4,598,404
Debt service:					
Principal retirement	1,783,911	1,776,500	1,322,010	1,332,649	1,241,480
Interest on long-term debt	752,170	999,972	985,873	695,238	728,162
Bond issuance costs	-	-	-	137,693	-
Total expenditures	29,172,350	29,949,400	24,582,078	26,601,450	24,238,618
Excess of revenues over (under) expenditures	(652,397)	(2,561,575)	(1,633,642)	(4,880,680)	(3,153,992)
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	12,466	12,656	-	-	-
Inception of lease	-	-	-	-	850,000
Transfers in	5,146,961	1,112,808	4,216	3,119,148	305,268
Transfers out	(13,862,670)	(1,112,808)	(704,216)	(3,119,048)	(305,268)
Total other financing sources (uses)	(8,703,243)	1,229,663	(700,000)	8,717,035	850,000
Net change in fund balances	\$ (9,355,640)	\$ (1,331,912)	\$ (2,333,642)	\$ 3,836,355	\$ (2,303,992)
Debt service as a percentage of noncapital expenditures	9.9%	10.7%	9.8%	10.4%	10.0%

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

Fiscal Year	Sales Tax	Occupancy Tax	Franchise Tax	Utility Taxes	Total
2023	\$ 24,970,136	\$ 632,036	\$ 442,258	\$ -	\$ 26,044,430
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

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

Overlapping Rates

<u>Fiscal Year</u>	<u>City of Cottonwood</u>	<u>Yavapai County</u>	<u>State of Arizona</u>
2023	3.50	0.75	5.60
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

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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Construction	\$ 49,450	\$ 47,460	\$ 24,344	\$ 23,321	\$ 29,985
Manufacturing	1,597	3,834	705	2,486	2,512
Communications and utilities	15,402	13,955	14,502	14,558	16,041
Wholesale trade	-	-	-	-	-
Retail trade	526,751	478,154	474,798	420,086	331,672
Restaurants and bars	69,664	64,077	61,235	49,864	46,149
Real estate, rental and lease	49,986	30,525	43,858	41,403	40,220
Hotels and other lodging	18,162	18,898	14,499	16,477	21,596
Services	-	-	-	-	-
All Others Not Specified	3,264	33,604	26,178	1,269	1,048
Total	<u>\$ 734,276</u>	<u>\$ 690,507</u>	<u>\$ 660,119</u>	<u>\$ 569,464</u>	<u>\$ 489,223</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Construction	\$ 27,795	\$ 28,548	\$ 12,131	\$ 19,450	\$ 19,609
Manufacturing	3,998	754	8,210	7,198	7,055
Communications and utilities	12,647	12,647	6,642	12,769	12,115
Wholesale trade	-	-	-	3,343	2,465
Retail trade	343,540	343,540	307,992	292,839	268,377
Restaurants and bars	43,296	43,296	38,022	36,101	34,066
Real estate, rental and lease	38,158	38,159	35,800	37,018	39,539
Hotels and other lodging	15,023	15,023	6,509	10,366	8,816
Services	-	-	-	10,999	9,924
All Others Not Specified	483	2,973	57,943	9,857	2,703
Total	<u>\$ 484,940</u>	<u>\$ 484,940</u>	<u>\$ 473,249</u>	<u>\$ 439,940</u>	<u>\$ 404,669</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

	2023	2022	2021	2020	2019
Source					
City Sales Tax ^a	\$ 25,593,109	\$ 24,496,631	\$ 21,435,371	\$ 18,385,925	\$ 16,474,873
State Shared Sales Taxes	1,838,893	1,704,031	1,453,612	1,260,498	1,210,830
State Shared Income Taxes	2,359,887	1,588,475	1,751,125	1,577,507	1,455,983
Fines and Forfeitures	207,263	203,217	259,423	172,572	213,450
Licenses & Permits	576,434	642,420	573,515	281,099	568,297
Total	\$ 30,575,586	\$ 28,634,774	\$ 25,473,046	\$ 21,677,601	\$ 19,923,433

(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

	2018	2017	2016	2015	2014
Source					
City Sales Tax ^a	\$ 14,703,470	\$ 13,516,835	\$ 13,198,045	\$ 13,142,922	\$ 12,648,502
State Shared Sales Taxes	1,151,996	1,083,047	1,066,539	1,029,494	980,537
State Shared Income Taxes	1,485,076	1,445,847	1,356,305	1,363,698	1,255,627
Fines and Forfeitures	178,504	147,698	149,459	160,813	176,208
Licenses & Permits	327,452	279,814	279,698	229,810	292,341
Total	\$ 17,846,498	\$ 16,473,241	\$ 16,050,046	\$ 15,926,737	\$ 15,353,215

(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

	2023	2022	2021	2020	2019
Industry Classification					
Retail trade	\$ 18,436,288	\$ 17,406,134	\$ 15,963,435	\$ 13,280,014	\$ 11,751,602
Contracting	1,730,769	1,287,374	834,667	1,052,796	776,728
Real estate, rental and lease	1,648,719	1,529,148	1,377,587	1,327,528	1,354,733
Communications and utilities	539,077	506,723	498,298	510,615	465,369
Restaurants and bars	2,438,234	2,294,337	2,003,950	1,736,839	1,572,599
All Others Not Specified	800,022	1,472,915	776,496	808,435	815,439
Total	\$ 25,593,109	\$ 24,496,631	\$ 21,454,433	\$ 18,716,227	\$ 16,736,470

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

	2018	2017	2016	2015	2014
<u>Industry Classification</u>					
Retail trade	\$ 10,487,520	\$ 10,098,671	\$ 9,239,760	\$ 8,526,527	\$ 7,227,946
Contracting	858,037	681,940	363,930	686,093	491,176
Real estate, rental and lease	1,195,647	1,101,019	1,074,000	1,108,026	1,053,823
Communications and utilities	385,296	414,051	199,260	152,080	134,746
Restaurants and bars	1,356,197	1,238,284	1,140,660	1,076,267	892,193
All Others Not Specified	664,120	197,846	1,367,646	712,582	1,047,770
Total	<u><u>\$ 14,946,817</u></u>	<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>

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	Subscription Liability	Total
2023	\$ 33,315,435	\$ -	\$ 756,635	\$ 136,971	\$ 34,209,041
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

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	Revenue Bonds	Loans Payable	Finance Purchase		Total	Total Debt	Percentage of Personal	
Ending June 30			Agreements				Income	Per Capita
2023	\$ 2,573,592	\$ 15,492,574	\$ 64,454	\$	18,130,620	\$ 52,339,661	N/A	4,257
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	N/A	4,895
2020	3,044,915	19,652,522	-		22,697,437	42,056,543	28.3%	3,496
2019	3,193,930	21,011,061	-		26,097,092	48,216,538	22.2%	3,935
2018	3,340,090	22,343,732	413,270		26,483,280	50,685,050	19.1%	4,138
2017	3,244,416	22,418,796	820,068		48,888,699	72,648,774	12.8%	5,988
2016	23,911,915	23,756,290	1,220,494		35,862,267	60,956,826	14.4%	5,091
2015	24,551,327	9,696,290	1,614,650		33,750,000	51,214,937	16.0%	4,334
2014	31,750,000	-	2,000,000		32,725,000	51,056,417	15.5%	4,323

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
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
2023	\$ 33,315,435	\$ 734,276,000	4.54%	12,296	2,709
2022	35,230,581	690,507,000	5.50%	12,029	3,156
2021	36,815,011	628,349,935	6.32%	12,029	3,301
2020	17,980,153	566,876,577	3.71%	12,253	1,716
2019	19,498,151	501,274,855	4.53%	12,249	1,853
2018	20,979,005	484,940,003	5.01%	12,133	2,004
2017	22,531,286	473,249,667	2.30%	11,990	909
2016	8,686,868	439,940,000	2.58%	11,818	961
2015	8,716,935	404,669,000	0.00%	11,810	738
2014	150,000	391,129,000	0.04%	11,810	13

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, 2023

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Amount Overlapping Debt</u>
Overlapping Debt:			
Yavapai County	\$ 16,128,950	5.30%	\$ 854,834
Yavapai Community College	415,826,656	5.30%	22,038,813
Mingus Union High School District	536,632,078	15.81%	84,841,532
Cottonwood Oak Creek School District	74,000	13.40%	9,916
Total Overlapping Debt			84,851,448
Direct:			
City of Cottonwood		100.000%	<u>33,315,435</u>
Total Direct and Overlapping Debt			<u>\$ 118,166,883</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	\$ 2,709.45
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 2023:

Net full cash assessed valuation	\$188,542,539
Debt limit (6%)	11,312,552
Debt applicable to limit	-
Legal debt margin	<u><u>\$199,855,091</u></u>

	2023	2022	2021	2020	2019
Total 20% Debt Limit	\$ 37,708,508	\$ 32,582,995	\$ 29,121,355	\$ 28,978,987	\$ 25,587,171
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 37,708,508</u></u>	<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>
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%
	2023	2022	2021	2020	2019
Total 6% Debt Limit	\$ 11,312,552	\$ 9,774,899	\$ 8,736,406	\$ 8,693,696	\$ 7,676,151
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 11,312,552</u></u>	<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>
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 2023:

Net full cash assessed valuation	\$188,542,539
Debt limit (20%)	37,708,508
Debt application to limit	-
Legal debt margin	<u><u>\$226,251,047</u></u>

	2018	2017	2016	2015	2014
Total 20% Debt Limit	\$ 24,009,228	\$ 19,767,803	\$ 18,658,140	\$ 20,447,479	\$ 18,658,140
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u><u>\$ 24,009,228</u></u>	<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>
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%
	2018	2017	2015	2016	2015
Total 6% Debt Limit	\$ 7,202,768	\$ 5,930,341	\$ 5,597,442	\$6,134,244	\$ 5,597,442
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u><u>\$ 7,202,768</u></u>	<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>
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				
	2023	2022	2021	2020	2019
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 9,089,759	\$ 8,702,992	\$ 8,664,939	\$ 8,386,920	\$ 8,120,944
Less: Operating expenses (2)	5,810,035	5,592,631	4,756,733	5,331,836	5,273,405
Net available revenue	3,279,724	3,110,361	3,908,206	3,055,084	2,847,539
Debt Service					
Principal	1,422,569	1,422,569	1,374,916	1,358,539	1,332,671
Interest	338,611	319,357	359,525	386,162	398,108
Total Annual Requirement	1,761,180	1,741,925	1,734,441	1,744,701	1,730,779
Estimated Coverage	1.86	1.79	2.25	1.75	1.65
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	30,575,586	28,634,774	25,473,045	18,803,787	16,736,469
Debt Service					
Principal	1,746,488	1,605,000	1,515,001	1,485,001	1,445,000
Interest	968,783	1,089,494	758,363	797,024	853,100
Total Annual Requirement	2,715,271	2,694,494	2,273,364	2,282,025	2,298,100
Estimated Coverage	11.26	10.63	11.21	8.24	7.28
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, amortization, and interest expense.

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

	Fiscal Year Ending				
	2018	2017	2016	2015	2014
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 8,174,427	\$ 7,608,838	\$ 7,819,312	\$ 7,736,434	\$ 7,185,880
Less: Operating expenses (2)	4,859,357	4,489,731	3,591,176	3,169,489	3,754,462
Net available revenue	3,315,070	3,119,107	4,228,136	4,566,945	3,431,418
Debt Service					
Principal	1,307,304	709,004	610,000	1,000,000	975,000
Interest	410,792	613,923	1,205,635	1,464,618	1,482,773
Total Annual Requirement	1,718,096	1,322,927	1,815,635	2,464,618	2,457,773
Estimated Coverage	1.93	2.36	2.33	1.85	1.40
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	14,949,167	14,070,668	15,808,100	15,168,053	12,276,616
Debt Service					
Principal	-	-	-	-	150,000
Interest	-	-	465,916	-	4,150
Total Annual Requirement	-	-	465,916	-	154,150
Estimated Coverage	N/A	N/A	33.93	N/A	79.64
General Arizona Development Authority Loan					
Pledged revenues	-	-	15,808,100	15,168,053	14,512,780
Debt Service					
Principal	-	-	875,000	840,000	1,165,000
Interest	-	-	631,276	683,076	724,776
Total Annual Requirement	-	-	1,506,276	1,523,076	1,889,776
Estimated Coverage	N/A	N/A	10.49	9.96	7.68

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, amortization, and interest expense.

City of Cottonwood

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (2)	Personal Income (thousands of dollars)	Per Capita Personal Income (3)	School Enrollment	City of Cottonwood Unemployment Rates (4)
2023	12,296	N/A	N/A	3,058	4.60 ²
2022	12,029	12,739,608	51,747	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

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>2023</u>		<u>2014</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	1,050	0.010 %	1,000	0.009 %
Wal-Mart	400	0.004	375	0.003
Cottonwood Oak Creek Schools	280	0.003	240	0.002
City of Cottonwood	231	0.002	190	0.002
Mingus Union High School	139	0.001	139	0.001
Fry's	132	0.001	117	0.001
Spectrum Healthcare	173	0.002	140	0.001
Home Depot	140	0.001	134	0.001
Safeway	140	0.001	110	0.001
Food City	58	0.001	58	0.001
Total	<u>2,743</u>	<u>0.025 %</u>	<u>2,503</u>	<u>2% %</u>
 Total employment	 <u>110,135</u>		 <u>93,572</u>	

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

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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government										
Management Services	19.50	16.75	20.50	21.50	20.50	14.00	14.00	18.50	19.50	11.80
Finance	4.50	3.50	3.50	3.50	2.50	2.50	2.50	2.50	2.50	3.20
Planning	10.00	10.00	9.00	10.00	8.00	7.00	7.00	6.00	6.00	6.00
Building	-	-	-	-	5.50	5.50	5.50	5.50	-	-
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	4.80	4.60	5.00	5.00	5.00	5.00	5.00	6.00
Total general government	39.80	36.05	38.80	40.60	42.50	35.00	35.00	38.50	34.00	28.00
Public Safety										
Police	67.00	64.00	60.00	60.00	62.00	61.00	64.00	63.50	57.50	57.50
Firefighters	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Total public safety	95.00	92.00	88.00	88.00	90.00	89.00	92.00	91.50	85.50	85.50
Public Works										
Engineering	4.00	3.00	1.00	3.00	3.00	3.00	3.00	5.00	4.00	5.00
Others	10.00	9.00	8.50	8.50	4.00	4.00	4.00	4.00	9.50	5.50
Streets	6.00	5.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Total public works	20.00	17.75	14.00	16.00	11.50	11.50	11.50	13.50	18.00	15.00
Parks and Recreation	11.00	11.00	11.00	12.00	12.00	17.50	17.50	12.00	12.00	12.00
Library	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Water	24.60	24.60	23.60	19.60	19.60	18.60	18.60	18.80	18.30	17.80
Sewer	11.40	11.40	11.40	10.40	10.40	10.40	10.40	10.80	11.30	10.80
Transit	21.00	19.00	18.00	18.00	14.00	14.00	17.00	14.00	13.00	12.00
	77.00	75.00	73.00	69.00	65.00	69.50	72.50	64.60	63.60	61.60
Total	231.80	220.80	213.80	213.60	209.00	205.00	211.00	208.10	201.10	190.10

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

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Function/Program</u>										
Police										
Stations	1	1	1 1	1	1	1	1	1	1	1
Patrol units	36	33	26	26	30	34	32	32	28	26
Non-Patrol Units	22	21	13 8	8						
Fire stations	1	1	1 1	1	1	1	1	1	1	1
Public works										
Streets (miles)	145.9	70	70	67	67	52	52	62	63	63
Highways (Miles)	N/A	12	12	12	12	12	12	12	20	20
Streetlights	644	644	644	644	644	644	644	644	644	644
Traffic Signals	1	1	1	1	1	10	10	10	10	10
Recreation and culture										
Acreage	39	39	39	39	39	39	39	39	125	125
Playgrounds	3	3	3	2	2	2	2	2	5	5
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	2	2	2	1	1	1	1	1	4	4
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (Miles)	170	170	190	189	189	187	186	186	94	94
Fire Hydrants	730	730	235	231	514	512	496	496	687	579
Storage Capacity (Thousands of gallons)	3760	3760	4450	4450	4450	4450	4,450	4,450	3,800	3,800
Wastewater										
Sanitary Sewers (Miles)	60	60	60	60	60	60	60	60	51	50
Treatment Capacity (Millions of Gallons)	1.8	1.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5
Transportation										
Buses	20	20	20	20	20	19	19	19	14	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Government					
Building Permits Issued	543	599	498	590	479
Police					
Physical Arrests	830	1437	1938	1776	1,921
Parking Violations	N/A	N/A	N/A	N/A	N/A
Traffic Violations	1589	2960	2056	2694	2,037
Calls for Service	13642	13266	13162	14468	
Fire					
Emergency Responses	3,633	2,696	3,361	3,448	3,655
Fires Extinguished	52	288	300	304	305
Inspections	1,455	1,556	1,558	1,398	1,306
Public Works					
Street Resurfacing (Miles)	4.27	3.25	6.54	0.74	1
Library					
Volumes in Collection	86,000	97,030	97,311	110,034	109,308
*Ebooks in Collection	57,000	30,000	28,647		
Volumes Borrowed	174,132	179,000	159,074	197,357	208,580
*Ebooks in Borrowed	25,000	25,000	24,807		
Water					
New Connections	N/A	77	67	86	91
Water Main Breaks	N/A	180	189	188	156
Average Daily Consumption (Thousands of Gallons)	1887	2079	1938	1821	1,880
Peak Daily Consumption (Thousands of Gallons)	N/A	2614	2419	2326	2,470
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1.07MGD	1014	876	1012	1,000
Transit					
Total Route Miles	468,065	469,539	460,351	455,476	451,022
Passengers	140,749	121,000	146,981	164,930	165,099

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government					
Building Permits Issued	373	379	304	301	291
Police					
Physical Arrests	756	1,703	1,390	813	1,355
Parking Violations	N/A	87	177	118	108
Traffic Violations	1,248	2,199	1,450	1,827	2,152
Fire					
Emergency Responses	3,626	3,455	3,080	2,756	2,699
Fires Extinguished	315	291	245	241	208
Inspections	1,543	1,649	1,591	1,896	1,650
Public Works					
Street Resurfacing (Miles)	N/A	0.8	0.8	0.3	1.0
Library					
Volumes in Collection	133,668	110,385	137,444	106,713	104,052
Total Volumes Borrowed	241,679	264,135	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 (Thousands of Gallons)	N/A	2,800	2,083	2,235	2,095
Peak Daily Consumption (Thousands of Gallons)	N/A	3,200	2,625	3,147	2,763
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	949	949	949	969	963
Transit					
Total Route Miles	435,228	416,116	266,688	321,387	267,256
Passengers	150,354	153,889	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, 2023

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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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2024.

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 or significant deficiencies may exist that were not 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
January 31, 2024



City of Cottonwood
821 N Main Street
Cottonwood, AZ 86326
Phone (928) 634-0060
Fax (928) 634-3727
CottonwoodAZ.gov

Cover design by Laura Herrera and Helen Bartels

A City of Cottonwood Publication
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