



COTTONWOOD

Annual Comprehensive Financial Report

YEAR ENDING JUNE 30, 2024

City of Cottonwood, Arizona

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2024

Prepared by the Finance Department

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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December 18, 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, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Cottonwood (City) for the fiscal year ended June 30, 2024.

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'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, 2024, are free of material misstatements. 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, 2024, 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 the Single Audit Act Amendments of 1996, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Uniform Guidance designed to meet the special needs of federal grantor agencies.

The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited entity's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package filed with the Federal Audit Clearinghouse.

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

PROFILE OF THE GOVERNMENT

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

The City of Cottonwood, Arizona is situated in central Arizona bordering the Verde River to its north. The total geographic area increased from 15.75 square miles to 27.5 square miles with two annexations that occurred in FY 2020 & FY 2022. Cottonwood is near the geographic center of Arizona adjacent to Interstate 17 on State Highways 89A and 260. The 2020 Census places the population at 12,029. Cottonwood is the retail and services center for the Verde Valley area. The main industries are tourism and wine, government services, medical and health services, retail and education.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

Internal Controls. As earlier noted, the management of the City of Cottonwood, Arizona is responsible for establishing and maintaining a system of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding;

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

The concept of reasonable assurances recognizes:

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

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

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

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

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

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

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

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

Local Economy. The City of Cottonwood, Arizona continues to face many growth issues. Its citizens, governing body, and municipal government are committed to finding solutions for each of the issues. This strong commitment to the community has made 2024 a successful year and will provide for future success. The City of Cottonwood continues to research programs that have been postponed in past years due to previous slow economies. Additionally, the City hopes to correct any deficiencies that may have occurred and is working on developing additional reserves to allow the City to fund much-needed capital and maintenance projects that may have been postponed.

Economic Outlook. Retail Sales – Not having a property tax, the City of Cottonwood, Arizona relies heavily on city transaction privilege tax (TPT), sometimes called a sales tax. Overall, city TPT revenues provide over 55.5% 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 per annual contract assists the local Chamber of Commerce to operate the City's Visitor's Centers and promote economic development and tourism. In Fiscal year 2023 the State mandated that Cities/Towns could not charge a residential rental tax beginning January of 2025, the elimination of this tax will show decreased tax (TPT) revenues in future years.

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

State Shared Revenues - The City of Cottonwood, Arizona receives significant revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, fuel tax and motor vehicle-in-lieu taxes. All but the fuel tax is placed in the City's General Fund, where it is used to sustain a large portion of the City's day-to-day activities. These revenue have seen improved numbers recently and have increased over the previous fiscal year numbers. As of FY2023, the State 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 nineteenth 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 0.5% sales tax increase to General Fund reserves. During FY 2024, \$1.3M was transferred to General Fund reserves from the increase, and \$1.3M 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 of Cottonwood to increase the quality of life of its residents. The completed Fiscal Year 2024 goals are summarized within this list of accomplishments:

Council -

- Reinstatement of meetings of the Greater Arizona Mayors Association (GAMA) by Cottonwood's Mayor as chairman of the organization, since the meetings had been suspended due to COVID-19.

Administration -

- Facilitated the successful move of the Council Chambers to the Riverfront location, allowing more citizens to comfortably attend the council meetings.
- Changed organizational structure to improve organizational efficiencies.
- Successfully hosted monthly community meetings, organized through the Cottonwood Community Awareness Group, in order to better inform the public.

City Clerk -

- Transitioned from Novus AGENDA to Granicus Peak Agenda for cloud-based agenda management and publishing meeting minutes. Also adopted the Granicus GovQA Public Records Software for more functionality and public access to "hot topics." Training for both Granicus products is in progress.
- Engaged citizens in preparation of the coming election process by scheduling three Council Neighborhood meetings, including hosting the Cottonwood Community Awareness Group in February 2024, and creating an online instructional video for citizens that will be posted on the City Clerk's website.

Finance & Purchasing -

- Continued development of financial transparency and reserves.

- Received recognition awards for the completion and submission of the FY 2023 Annual Comprehensive Financial Report and the FY 2024 Budget document to the Government Finance Officers Association. Received the certificates for the 33rd Certificate of Achievement in Excellence in Financial Reporting and the 24th Distinguished Budget Presentation awards, maintaining the quality reporting and transparency of the City.
- Developed and produced our first budget survey and budget in brief as well as continued outreach for the budget and budget process by presenting the budget to several local organizations.

Human Resources -

- Facilitated the execution, completion and implementation of a compensation study.
- Updated one section of the employee manual.
- Began revamping the City's safety policies with at least five new adopted policies or procedures.
- Coordinated City-wide discrimination awareness training for staff and supervisors.

Information Technology (IT) -

- Facilitated the installation of fiber to City buildings and upgraded the City 's firewall to accommodate the new fiber speeds and system security.
- Upgraded the integrated Zetron 911 radio (dispatch) system by installing a new server and computers at the Police Department and Communications Center.
- Upgraded the infrastructure of the Spillman servers by replacing one old server with two new servers that will allow redundancy, backups, and faster speeds for the Spillman Communications program.
- Replaced three of the main City servers to allow for accuracy, redundancy, security and speed to the City's network with more storage that will allow for future growth.

Community Development -

- Implemented SmartGov software that is specific to managing the functions of Community Development.
- Organized community nights in collaboration with Police and Building departments.
- Released educational social media posts.
- Supported community activities that highlight the city's Dark Sky Community designation.
- Completed the historic residential property survey.

Tourism & Economic Development -

- Managed and maintained a very attractive and effective tourism campaign for Visit Cottonwood, the tourism division (DMO) for the City of Cottonwood, including positioning Cottonwood in downtown Phoenix and introducing Cottonwood to national and international industry leaders, and media representatives.
- Hired economic consulting firm Elliott D. Pollack & Company to assist in developing the City's first Economic Development Strategy (EDS), and initiated and managed the EDS.
- Developed the City's first Communications Plan that defines the parameters for providing internal and external communications, including media and stakeholders.

Engineering & Public Works -

- Completed the construction phase of the Monte Tesoro Sidewalk project (1,000 linear feet). (70% of goal)
- Completed a pavement preservation project that included 4.3 lane miles of chip seal/edge repair and 15.7 lane miles of fog seal. (100% of goal)
- Completed the design of the Main Street project, including the design of the 10th Street roundabout. Construction to begin after bid/award and utility relocation. (90% of goal)

- Completed initial stormwater inspections of all industrial and commercial properties within the city. (100% of goal)

Police Department -

- Continued participation in the regional Field Force Task Force to strengthen responses to civil unrest and in partnerships throughout the county.
- Initiated and implemented a School Safety Officer Therapy Dog program to enhance connections with students while providing students, teachers, and administrators with an outlet for stress reduction.
- Upgraded body worn camera program in order to make operations, evidence retention, and redaction more efficient.

Communications Department -

- The Mutualink Arizona School Safety Emergency Alert Program has been implemented and is aimed at improving school security and reducing response times to dangerous incidents.
- A Communications Center Manager was hired.
- Processed and executed the shared services agreement for radio technician services with Central Arizona Fire and Medical Department.

Fire & Medical Department -

- Provided community outreach services for car seat installations, Vacation Fire School for Children and CPR classes.
- Established an Operations Division within the department.
- Completed the purchase and in-service of a tower ladder truck.
- Completed the very first Cottonwood Fire Department Strategic Plan.

Recreation Center -

- Successfully completed a comprehensive renovation of the pool plaster and upgrading of the pool filtration system to ensure the prolonged longevity and optimal health of our facility.
- Successfully completed a comprehensive exterior painting and sealing project for our flagship facility, safeguarding the facility's lifespan and upholding the high quality of our infrastructure.
- Successfully executed our award-winning Water Safety and Drowning Prevention program. This program not only promotes water safety but also fosters a sense of community well-being while for its success collaborating with the Cottonwood Fire and Medical Department.

Parks & Recreation -

- Continued to be a resource for the community by helping coordinate, organize and plan community events as needed.
- Successfully partnered with local user groups in the disc golf and pickleball communities to fund basket and net replacements at each facility. The City contributed \$2,000 for the purchase of nine new Disc Golf baskets and the remaining \$2,800 was raised through community efforts; four permanent pickleball nets were funded by the City to the tune of \$2,500 and that amount was matched through community fundraising.
- Successfully achieved our goal of doubling our volunteer base from 10 to 20 volunteers by fostering collaborative partnerships with our dedicated disc golf, tennis, and pickleball players.
- Completed design Phase Two of the Riverfront Loop Trail.

Transit -

- Received funding from 5339 FY 2022 from the Grants for Buses and Bus Facilities program of the Federal Transit Administration for six new transit vehicles.
- Applied and received preliminary award for 5339 FY 2023 grant funding to purchase new camera systems for our fleet and three additional vehicles.
- Anticipated completion of the 5-year Transit Development Plan on June 30, 2024.
- Researched new software and fare collection systems for the 5311-grant application.

Library -

- Hosted free tech assistance to individuals of all abilities and expanded wireless accessibility by introducing six extra Chromebook/hotspot combos for checkout, ensuring our patrons have access to enhanced digital resources highlighting our core value of caring.
- Actively engaged in diverse community events, such as Operation Graduation, Verde Valley Comic Expo, and the Camp Verde Community Library Gamecon through which we were able to highlight our unique pieces of technology, such as VR headsets, green screens, and the Content Creation Center.
- Offered free English as a Second Language (ESL) program for community members, hosted at the Recreation Center, effectively establishing a sustainable communication channel tailored to our Spanish-speaking community.
- Embraced environmental education through the completion of phase 1 of stormwater reclamation landscaping and by creating a program on the wild and scenic river designation and shedding light on the future of the Verde River.

Airport -

- Executed ADOT grants to upgrade Precision Approach Path Indicators (PAPI) and Runway End Identifier Lights (REIL) and replace all airfield guidance signs as well.
- Developed an Airport Obstacle Action and Mitigation Plan to mitigate and/or remove identified runway obstacles.
- Completion of a runway pavement overlay (subject to the final project schedule determined by ADOT in spring/summer 2024).
- Establishment of an Airport Noise Working Group to help mitigate community concerns related to airport operations and aircraft noise.

Water Utilities -

- Completed the installation of five (5) remote meter reading radio tower sites, two (2) new pressure reducing valves, six (6) backup generators at well sites, a new storage tank and booster pack at Quail Canyon 1, a new arsenic treatment system at wells 8-9, and an asset management program with iamGIS (intuitive geographic information system (GIS) software).
- Completed arsenic treatment media changeouts at four (4) well sites and assessment of a comprehensive integrated SCADA system.
- Implemented a valve exercising program and exercised all valves within the water distribution system.
- Initiated the development of comprehensive master plans and rate studies water and wastewater.
- (Anticipated) Drilled new well at Verde Santa Fe (VSF).

Wastewater Utilities -

- Initiated the development of comprehensive master plans and rate studies for water and wastewater.
- Completed 3D scanning of all sewer manholes to determine their structural integrity.

- Installed a new generator at the Mingus Wastewater Treatment Plant that produces enough power to operate the entire plant.
- Replaced the standpipe booster pack.
- Developed and initiated an inspection and cleaning program for the wastewater collection system, utilizing the new closed circuit television camera system and Vactor truck.

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, 2023. This was the 33rd 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 comprehensive annual financial report continues to meet the program's requirements and we are submitting it to GFOA to determine its eligibility for the fiscal year ended 2024 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.

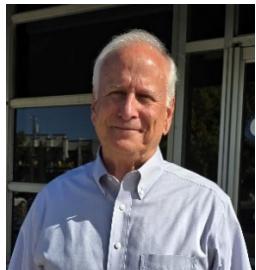
Respectfully submitted,



Tom Whitmer
City Manager



Kirsten L. Lennon Acting
Financial Services Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

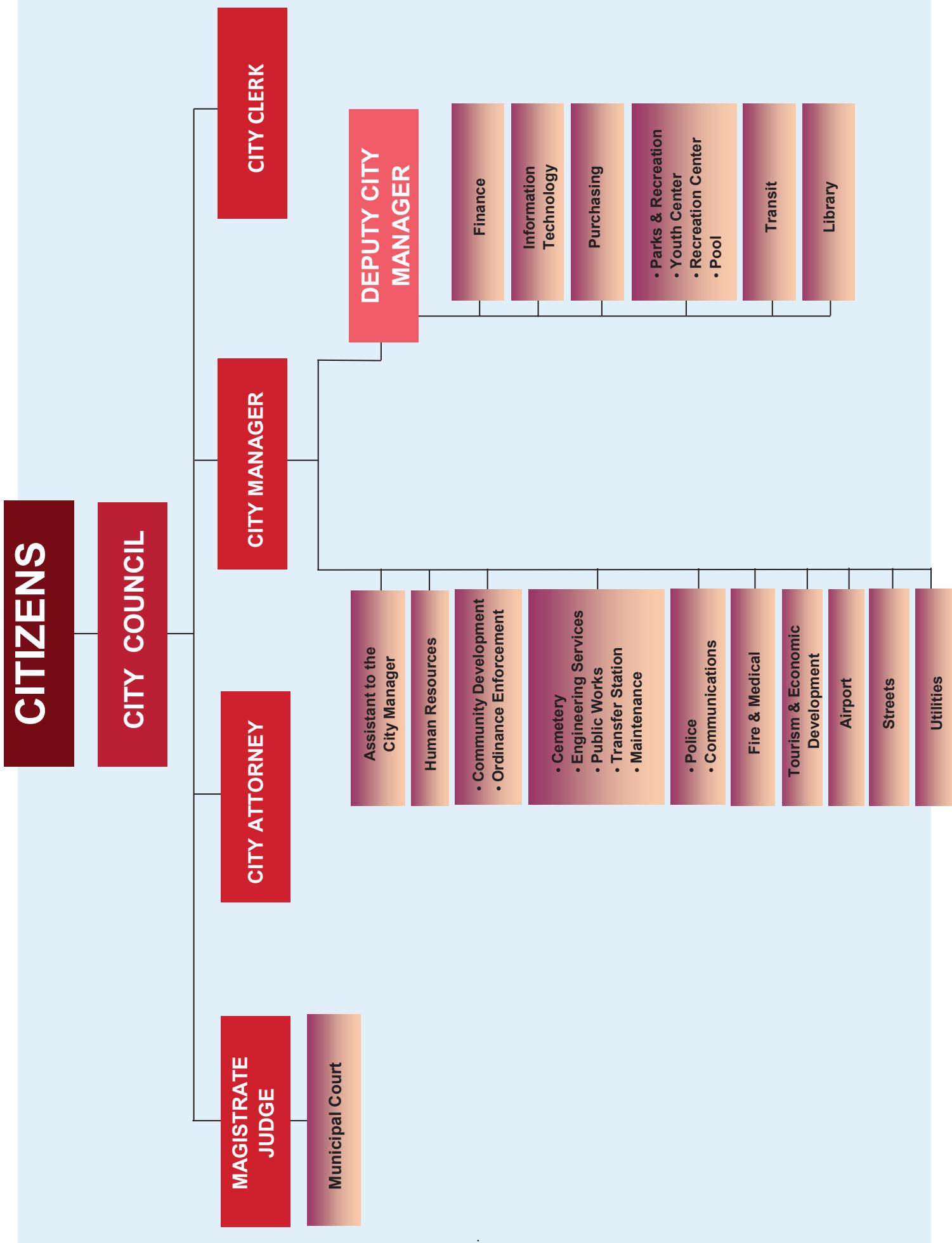
**City of Cottonwood
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Monell

Executive Director/CEO



City of Cottonwood

Annual Comprehensive Financial Report

Principal Officials as of June 30, 2024



**Mayor
Tim Elinski**



**Vice Mayor
Debbie Wilden**



**Council Member
Michael Matthews**



**Council Member
Steve DeWillis**



**Council Member
Lisa DuVerney**



**Council Member
Derek Polassari**



**Council Member
Helaine Kurot**

City Staff as of June 30, 2024

Tom Whitmer, Acting City Manager

**Jesus R. Rodriguez,
Deputy City Manager**

**Kirsten Lennon,
Financial Services Director**



INDEPENDENT AUDITORS' REPORT



To the Honorable Mayor and Members
of the City Council of the City of Cottonwood
Cottonwood, 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, Arizona (the "City"), as of and for the year ended June 30, 2024, 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, 2024, 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

Impairment of Riverfront Water Reclamation Facility

As discussed in Note 17 to the basic financial statements, the City impaired the Riverfront Water Reclamation Facility capital asset 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.

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

To the Honorable Mayor and Members
of the City Council of the City of Cottonwood
Cottonwood, California
Page 3

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 December 18, 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 Pugh Group, LLP". The signature is fluid and cursive, with "The Pugh Group" on the first line and "LLP" on the second line.

Phoenix, Arizona
December 18, 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, 2024

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended **June 30, 2024**

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2024

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, 2024. 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, 2024 by \$114.7 million, this compared to \$110.8 million at fiscal year end June 30, 2023. This is an overall increase of \$3.9 million or an increase of 3.5% of prior year’s net position. Net position for governmental activities exceeded liabilities by \$6.0 million and this compares to \$1.4 million at June 30, 2023, an increase of 12.5%. The amount of increase in net position was \$6.7 million. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$59.9 million compared to \$62.6 million at June 30, 2023, a decrease of 4.3%.

Changes in Net Position – The City’s net position increased \$4.0 million in FY 2023-2024; this compared to \$12.7 million increase in FY 2022-2023. Net position of governmental activities increased \$6.7 million compared to an increase of \$9.1 million in 2022-2023. Net position of business-type activities decreased by \$2.7 million compared to a \$3.6 million increase in FY 2022-2023.

• *Fund Highlights*

Governmental Funds – At the close of FY 2023-2024 the City’s total governmental funds reported a fund balance of \$39.0 million, a \$5.3 million increase from the FY 2022-2023 balance of \$33.7 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.

General Fund – The fund balance of the general fund on June 30, 2024 was \$30.2 million. The fund balance increased by \$4.8 million. This increase is due to large projects that did not come to fruition in FY 2024 and will be completed in FY 2025 and an effort to increase future reserve balances.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2024

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, 2024

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 governmental-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 55-99.

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 103-126.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2024

City of Cottonwood Net Position						
	Governmental		Business-Type		Total	
	Activities	Activities	Activities	Activities	2024	2023
	2024	2023	2024	2023	2024	2023
Current & Other Assets	\$ 46,344,476	\$ 39,099,005	\$ 40,873,208	\$ 40,301,400	\$ 87,217,684	\$ 79,400,405
Capital Assets	53,302,873	51,573,406	37,207,596	40,782,321	90,510,469	92,355,727
Total Assets	99,647,349	90,672,411	78,080,804	81,083,721	177,728,153	171,756,132
Deferred Outflows	5,815,714	6,415,974	3,789,787	3,914,867	9,605,501	10,330,841
Current Liabilities	7,162,826	5,210,252	3,747,215	2,533,888	10,910,041	7,744,140
Long-term Liabilities	41,606,001	41,563,253	17,794,896	19,354,110	59,400,897	60,917,363
Total Liabilities	48,768,827	46,773,505	21,542,111	21,887,998	70,310,938	68,661,503
Deferred Inflows	1,846,641	2,166,669	426,683	461,674	2,273,324	2,628,343
Net Investment in						
Capital Assets	40,376,926	37,611,329	25,983,239	26,141,300	66,360,165	63,752,629
Restricted	13,764,587	13,833,136	8,661,491	8,281,148	22,426,078	22,114,284
Unrestricted (deficit)	706,082	(3,296,254)	25,257,067	28,226,468	25,963,149	24,930,214
Total Net Position	<u>\$ 54,847,595</u>	<u>\$ 48,148,211</u>	<u>\$ 59,901,797</u>	<u>\$ 62,648,916</u>	<u>\$ 114,749,392</u>	<u>\$ 110,797,127</u>

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$114.7 million at the close of fiscal year ending June 30, 2024.

Of the City's total net position, 57.8% 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.

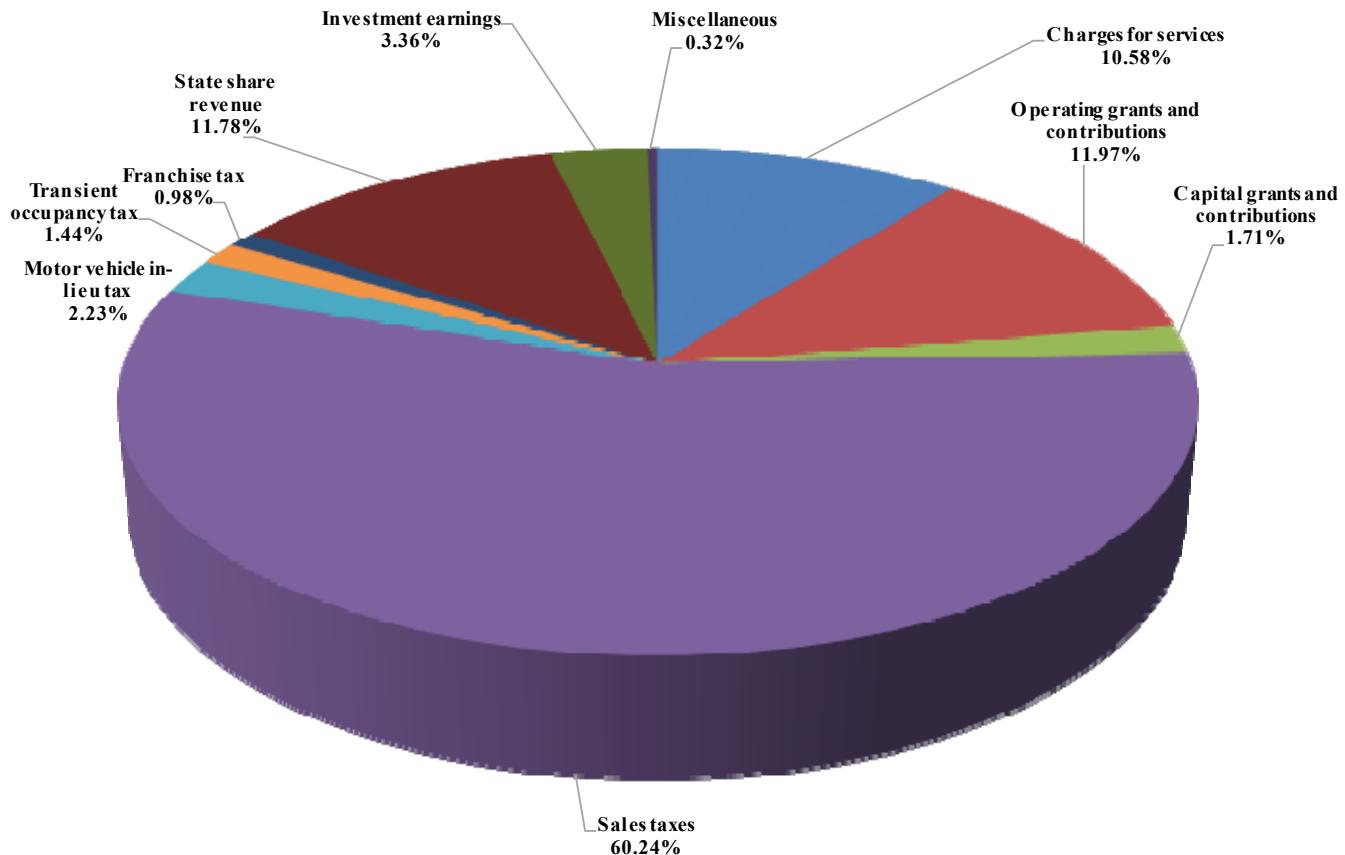
The City's net position was increased by \$3.9 million during the fiscal year, a 4% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase and an overall 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, 2024

Governmental Activities

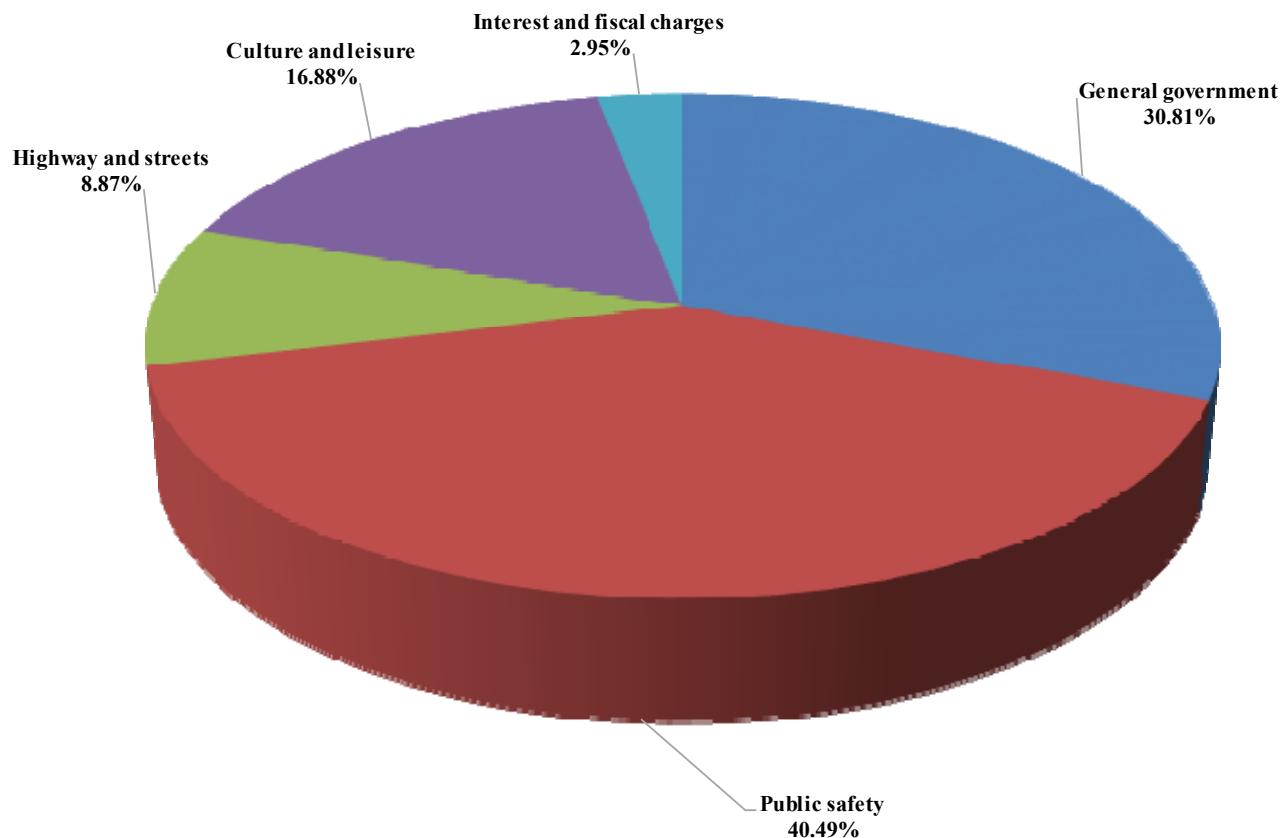
Governmental activities increased the City's net position by \$6.7 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses 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, 2024

EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2024

Statement of Activities For the Year Ended June 30, 2024						
	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 4,841,277	\$ 4,302,065	\$ 13,930,183	\$ 13,452,640	\$ 18,771,460	\$ 17,754,705
Operating grants and contributions	5,477,771	4,206,989	-	-	5,477,771	4,206,989
Capital grants and contributions	782,711	669,448	-	-	782,711	669,448
Total program revenues	11,101,759	9,178,502	13,930,183	13,452,640	25,031,942	22,631,142
General revenues:						
Sales taxes	25,466,711	24,970,136	-	-	25,466,711	24,970,136
Motor vehicle in-lieu tax	1,020,640	1,013,079	-	-	1,020,640	1,013,079
Transient occupancy tax	661,174	632,036	-	-	661,174	632,036
Franchise tax	450,449	442,258	-	-	450,449	442,258
Total taxes	27,598,974	27,057,509	-	-	27,598,974	27,057,509
State share revenue	5,391,255	4,198,780	-	-	5,391,255	4,198,780
Investment earnings	1,536,710	921,808	1,967,201	847,513	3,503,911	1,769,321
Miscellaneous	147,122	98,259	-	-	147,122	98,259
Gain on sale of assets	-	-	-	-	-	-
Total general revenues and transfers	34,674,061	32,276,356	1,967,201	847,513	36,641,262	33,123,869
Total revenues	45,775,820	41,454,858	15,897,384	14,300,153	61,673,204	55,755,011
Expenses:						
General government	11,053,551	8,480,068	-	-	11,053,551	8,480,068
Public safety	14,525,084	12,916,839	-	-	14,525,084	12,916,839
Highway and streets	3,183,557	1,813,369	-	-	3,183,557	1,813,369
Transportation	3,202,822	2,917,050	-	-	3,202,822	2,917,050
Culture and leisure	6,054,053	5,388,632	-	-	6,054,053	5,388,632
Interest and fiscal charges	1,057,369	885,435	-	-	1,057,369	885,435
Water	-	-	8,246,030	7,223,858	8,246,030	7,223,858
Wastewater	-	-	3,965,113	3,470,097	3,965,113	3,470,097
Total expenses	39,076,436	32,401,393	12,211,143	10,693,955	51,287,579	43,095,348
Change in net position	6,699,384	9,053,465	3,686,241	3,606,198	10,385,625	12,659,663
Special item:						
Impairment of Riverfront Water Reclamation Facility	-	-	(6,433,360)	-	(6,433,360)	-
Total special item	-	-	(6,433,360)	-	(6,433,360)	-
Increase (decrease) in net position	6,699,384	8,926,030	(2,747,119)	3,796,889	3,952,265	12,659,663
Net position - beginning	48,148,211	39,046,728	62,648,916	59,042,718	110,797,127	98,089,446
Prior period adjustment	-	48,018	-	-	-	48,018
Net position - beginning, as restated	48,148,211	39,094,746	62,648,916	59,042,718	110,797,127	98,137,464
Net position - ending	\$ 54,847,595	\$ 48,148,211	\$ 59,901,797	\$ 62,648,916	\$114,749,392	\$110,749,109

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2024

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 Capital Improvements Program.
- 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 decreased the City's net position by \$2.7 million, compared to an increase of \$3.6 million in the prior year FY 2022-2023.

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, 2024

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 \$33.7 million, an increase of \$7.2 million primarily due to an increased focus on retaining and increasing reserves.

The General Fund comprises 77.4 percent of the total fund balance. Approximately \$24.7 million or 81.7 percent of the General Fund's fund balance is unassigned. The fund balance increased \$4.8 million due to an increase of sales tax revenue, which grew as a result of a 0.5% increase in sales tax and Council's direction to reserve the additional resources.

The HURF Fund comprises 12.4 percent of the total fund balance. The fund balance remained the same as prior year.

The Transit Fund comprises 1.8 percent of the total fund balance. The fund balance increased \$208,501 due to the allocation of the .5% sales tax increase to the Transit program.

The Grant Fund comprises 3.7 percent of the total fund balance, all of which is restricted. The fund balance remained the same as prior year.

The Debt Service Fund comprises 0.9 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 3.8 percent of the total fund balance. All of the fund balance is assigned or restricted for capital projects. The fund balance increased \$331,755 due to the allocation of a portion of the .5% sales tax increase of FY 2019 to fund future capital improvements.

Proprietary Funds

Net position of the Enterprise Funds and the Internal Service Fund at the end of the fiscal year amounted to \$59.9 million and \$99 thousand, respectively. The decrease in net position in the Enterprise Funds of \$2.7 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, 2024

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 \$43.5M or a decrease of over 28%.

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. 104. There were no significant variances.

Capital Assets

As of the end of the current fiscal year, the City had invested \$103.8 million in governmental capital assets and \$70.1 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 \$4.4 million for the governmental activities and a decrease prior to depreciation of \$2.7 million for the business-type activities. The increase in the governmental activities was primarily due to various street improvements and other construction projects. The decrease in the business-type activities was primarily due to the impairment of the Riverfront Wastewater Reclamation Facility. Total depreciation and amortization expense for the current fiscal year was \$3.6 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	5,208,672	4,918,790	10,127,462
Total non-depreciable assets, net	<u>7,828,557</u>	<u>9,051,031</u>	<u>16,879,588</u>
<i>Depreciable/Amortizable Assets:</i>			
Infrastructure	36,133,570	42,729,068	78,862,638
Buildings and improvements	40,553,580	10,873,815	51,427,395
Vehicles, machinery and equipment	19,000,579	7,423,065	26,423,644
Subscription assets	265,311	-	265,311
	95,953,040	61,025,948	156,978,988
Less accumulated depreciation and amortization	<u>(50,478,724)</u>	<u>(32,869,383)</u>	<u>(83,348,107)</u>
Total depreciable/amortizable assets, net	<u>45,474,316</u>	<u>28,156,565</u>	<u>73,630,881</u>
Total capital assets	<u>\$ 53,302,873</u>	<u>\$ 37,207,596</u>	<u>\$ 90,510,469</u>

Additional information on the capital assets can be found in Note 8 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, 2024

Debt Administration

At year-end, the City had \$33.2 million in governmental long-term debt outstanding with \$3.0 million due within one year. The City had \$16.5 million in business-type long-term debt outstanding, with \$1.6 million due within one year. Long-term debt decreased by \$0.8 million for governmental activities and decreased by \$1.7 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 \$48 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 \$14.4 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 9 in the notes to the financial statements.

	Balance		Balance		Due within one year	Due in more than one year
	July 1, 2023	Additions	Deletions	June 30, 2024		
Governmental Activities						
Finance purchase agreements	\$ 756,635	\$ 1,881,463	\$ (400,934)	\$ 2,237,164	\$ 461,728	\$ 1,775,436
Subscription liability	136,971	-	(80,667)	56,304	56,304	-
2015 Pledged revenue bonds	6,397,490	-	(412,272)	5,985,218	400,064	5,585,154
2016 Pledged revenue bonds	6,827,945	-	(1,283,590)	5,544,355	1,175,000	4,369,355
2021 Pledged revenue bonds	20,090,000	-	(700,000)	19,390,000	905,000	18,485,000
Total Government Activities	34,209,041	1,881,463	(2,877,463)	33,213,041	2,998,096	30,214,945
Business-Type Activities						
Finance purchase agreements	64,454	-	(11,432)	53,022	12,815	40,207
2015 WIFA refunding loan	5,704,268	-	(707,556)	4,996,712	708,205	4,288,507
2016 WIFA refunding loan	9,788,306	-	(769,688)	9,018,618	770,115	8,248,503
2015 Pledged revenue bonds	2,573,592	-	(166,149)	2,407,443	159,936	2,247,507
Total Business-Type Activities	18,130,620	-	(1,654,825)	16,475,795	1,651,071	14,824,724
Total	\$ 52,339,661	\$ 1,881,463	\$ (4,532,288)	\$ 49,688,836	\$ 4,649,167	\$ 45,039,669

Economic Factors and Next Year's Budget

Many factors were considered by the City's officials during the process of developing the fiscal year 2024-25 budget. Among them:

- Fiscal year 2023-24 general fund budget balance carry forward (estimated \$30.9 million).
- Employee salaries and benefits (estimated at \$27.2 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, 2024

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, 2024

Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	ASSETS		
ASSETS			
Current assets:			
Cash and investments	\$ 36,192,283	\$ 29,262,225	\$ 65,454,508
Receivables:			
Accounts, net	383,354	920,233	1,303,587
Taxes	1,390,232	-	1,390,232
Intergovernmental	1,679,684	-	1,679,684
Lease receivable - due within one year	48,284	9,785	58,069
Inventories and prepaid items	72,023	-	72,023
Total current assets	39,765,860	30,192,243	69,958,103
Noncurrent assets:			
Restricted cash and investments	5,234,367	10,329,276	15,563,643
Lease receivable - due in more than one year	569,155	256,230	825,385
Notes receivable - due in more than one year	250,000	-	250,000
Aggregate net OPEB asset	494,892	95,459	590,351
Aggregate net pension asset	30,202	-	30,202
Capital assets:			
Nondepreciable	7,828,557	9,051,031	16,879,588
Depreciable/amortizable, net	45,474,316	28,156,565	73,630,881
Total capital assets, net	53,302,873	37,207,596	90,510,469
Total noncurrent assets	59,881,489	47,888,561	107,770,050
Total assets	99,647,349	78,080,804	177,728,153
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions	-	3,334,053	3,334,053
Deferred loss on debt refunding	125,572	-	125,572
Pension-related deferred outflows	5,609,733	441,650	6,051,383
OPEB-related deferred outflows	80,409	14,084	94,493
Total deferred outflows of resources	5,815,714	3,789,787	9,605,501

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	2,042,524	1,679,068	3,721,592
Accrued payroll and related liabilities	1,047,844	-	1,047,844
Interest payable	432,402	183,533	615,935
Deposits payable	83,261	166,711	249,972
Unearned revenue	86,997	-	86,997
Compensated absences - due within one year	471,702	66,832	538,534
Long-term debt - due within one year	2,998,096	1,651,071	4,649,167
Total current liabilities	<u>7,162,826</u>	<u>3,747,215</u>	<u>10,910,041</u>
Long-term liabilities:			
Compensated absences - due in more than one year	1,045,109	160,202	1,205,311
Long-term debt - due in more than one year	30,214,945	14,824,724	45,039,669
Aggregate net pension liability	10,336,152	2,807,679	13,143,831
Aggregate net OPEB liability	9,795	2,291	12,086
Total long-term liabilities	<u>41,606,001</u>	<u>17,794,896</u>	<u>59,400,897</u>
Total liabilities	<u>48,768,827</u>	<u>21,542,111</u>	<u>70,310,938</u>
DEFERRED INFLOWS OF RESOURCES			
Lease-related deferred inflows	581,949	259,848	841,797
Pension-related deferred inflows	1,005,545	118,322	1,123,867
OPEB-related deferred inflows	259,147	48,513	307,660
Total deferred inflows of resources	<u>1,846,641</u>	<u>426,683</u>	<u>2,273,324</u>
NET POSITION			
Net investment in capital assets	40,376,926	25,983,239	66,360,165
Restricted for:			
Debt service	355,639	8,566,032	8,921,671
Pension and OPEB	4,987,939	95,459	5,083,398
Grants	1,424,106	-	1,424,106
Highways and streets	5,506,790	-	5,506,790
Capital projects	1,490,113	-	1,490,113
Total restricted	<u>13,764,587</u>	<u>8,661,491</u>	<u>22,426,078</u>
Unrestricted	706,082	25,257,067	25,963,149
Total net position	<u>\$ 54,847,595</u>	<u>\$ 59,901,797</u>	<u>\$ 114,749,392</u>

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 11,053,551	\$ 2,371,546	\$ 1,653,556	\$ 23,672	\$ 4,048,774	
Public safety	14,525,084	1,228,147	662,821	2,008	1,892,976	
Highways and streets	3,183,557	-	1,263,182	139,574	1,402,756	
Transportation	3,202,822	174,930	1,771,707	470,440	2,417,077	
Culture and leisure	6,054,053	1,066,654	126,505	147,017	1,340,176	
Interest on long-term debt	1,057,369	-	-	-	-	
Total governmental activities	39,076,436	4,841,277	5,477,771	782,711	11,101,759	
Business-Type activities:						
Water	8,246,030	8,371,038	-	-	8,371,038	
Wastewater	3,965,113	5,559,145	-	-	5,559,145	
Total business-type activities	12,211,143	13,930,183	-	-	13,930,183	
Total primary government	\$ 51,287,579	\$ 18,771,460	\$ 5,477,771	\$ 782,711	\$ 25,031,942	

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (7,004,777)	\$ -	\$ (7,004,777)
Public safety	(12,632,108)	-	(12,632,108)
Highways and streets	(1,780,801)	-	(1,780,801)
Transportation	(785,745)	-	(785,745)
Culture and leisure	(4,713,877)	-	(4,713,877)
Interest on long-term debt	(1,057,369)	-	(1,057,369)
Total governmental activities	<u>(27,974,677)</u>	<u>-</u>	<u>(27,974,677)</u>
Business-Type activities:			
Water	-	125,008	125,008
Wastewater	-	1,594,032	1,594,032
Total business-type activities	<u>-</u>	<u>1,719,040</u>	<u>1,719,040</u>
Total primary government	<u>(27,974,677)</u>	<u>1,719,040</u>	<u>(26,255,637)</u>
General revenues:			
Taxes:			
Sales tax	25,466,711	-	25,466,711
Motor vehicle in-lieu taxes	1,020,640	-	1,020,640
Franchise tax	450,449	-	450,449
Transient occupancy tax	661,174	-	661,174
Total taxes	<u>27,598,974</u>	<u>-</u>	<u>27,598,974</u>
State shared revenue	5,391,255	-	5,391,255
Investment income	1,536,710	1,967,201	3,503,911
Miscellaneous	147,122	-	147,122
Total general revenues	<u>34,674,061</u>	<u>1,967,201</u>	<u>36,641,262</u>
SPECIAL ITEM:			
Impairment of Riverfront Water Reclamation Facility (Note 17)	-	(6,433,360)	(6,433,360)
Total special item	<u>-</u>	<u>(6,433,360)</u>	<u>(6,433,360)</u>
Change in net position	6,699,384	(2,747,119)	3,952,265
Net position - beginning of year	48,148,211	62,648,916	110,797,127
Net position - end of year	<u>\$ 54,847,595</u>	<u>\$ 59,901,797</u>	<u>\$ 114,749,392</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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, 2024

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Annual Comprehensive Financial Report
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Governmental Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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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, 2024

	Major Funds				
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds	
ASSETS					
Cash and cash investments	\$ 26,789,763	\$ 1,500,246	\$ 7,803,239	\$ 36,093,248	
Restricted cash and cash investments	4,462,845	218,509	553,013	5,234,367	
Receivables:					
Accounts	310,288	-	73,066	383,354	
Taxes	993,406	126,463	270,363	1,390,232	
Intergovernmental	132,646	-	1,547,038	1,679,684	
Lease receivable	617,439	-	-	617,439	
Notes receivable	250,000	-	-	250,000	
Due from other funds	645,189	-	-	645,189	
Inventories and prepaid items	49,995	8,100	13,928	72,023	
Total assets	\$ 34,251,571	\$ 1,853,318	\$ 10,260,647	\$ 46,365,536	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,176,685	\$ -	\$ 865,839	\$ 2,042,524	
Accrued payroll and related liabilities	1,047,844	-	-	1,047,844	
Due to other funds	-	-	645,189	645,189	
Deposits payable	83,261	-	-	83,261	
Unearned revenue	86,997	-	-	86,997	
Interest payable - current portion	203,206	152,290	76,906	432,402	
Principal payable - current portion	905,000	1,337,289	237,776	2,480,065	
Total liabilities	3,502,993	1,489,579	1,825,710	6,818,282	
Deferred Inflows of Resources:					
Lease-related deferred inflows	581,949	-	-	581,949	
Total deferred inflows of resources	581,949	-	-	581,949	
Fund Balances:					
Nonspendable	49,995	8,100	13,928	72,023	
Restricted	4,462,845	355,639	8,421,009	13,239,493	
Assigned	1,000,000	-	-	1,000,000	
Unassigned	24,653,789	-	-	24,653,789	
Total fund balances	30,166,629	363,739	8,434,937	38,965,305	
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,251,571	\$ 1,853,318	\$ 10,260,647	\$ 46,365,536	

City of Cottonwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2024

Total Fund Balances - Total Governmental Funds	\$ 38,965,305
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>53,302,873</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	(471,702)
Compensated absences - due in more than one year	(1,045,109)
Long-term debt - due within one year	(2,998,096)
Long-term debt - due in more than one year	(30,214,945)
less amount reported in governmental fund financial statements for current portion	<u>2,480,065</u>
	<u>(32,249,787)</u>
Aggregate net pension asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>30,202</u>
Aggregate net OPEB asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>494,892</u>
Deferred loss on debt refunding in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>125,572</u>
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	80,409
Pension-related deferred outflows	<u>5,609,733</u>
	<u>5,690,142</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>(9,795)</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>(10,336,152)</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred inflows	(259,147)
Pension-related deferred inflows	<u>(1,005,545)</u>
	<u>(1,264,692)</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>99,035</u>
Net Position of Governmental Activities	\$ 54,847,595

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	Major Funds				Total Governmental Funds
	General Fund	City Debt Service Fund	Non-Major Governmental Funds		
REVENUES:					
Taxes	\$ 22,112,172	\$ 1,642,250	\$ 2,823,913	\$ 26,578,335	
Intergovernmental	7,183,689	-	4,277,882	11,461,571	
Licenses and permits	823,038	-	-	823,038	
Fines and forfeitures	116,293	-	-	116,293	
Rents and royalties	273,162	-	-	273,162	
Investment income	1,298,840	2,318	235,552	1,536,710	
Charges for services	2,773,829	-	174,930	2,948,759	
Contributions	25,748	-	-	25,748	
Miscellaneous	1,973,256	-	38,948	2,012,204	
Total revenues	36,580,027	1,644,568	7,551,225	45,775,820	
EXPENDITURES:					
Current:					
General government	9,289,618	-	641,226	9,930,844	
Public safety	12,491,691	-	-	12,491,691	
Highways and streets	-	-	2,608,010	2,608,010	
Transportation	-	-	2,627,276	2,627,276	
Culture and leisure	5,232,895	-	-	5,232,895	
Capital outlay	4,166,858	-	1,614,012	5,780,870	
Debt service:					
Principal	1,386,602	1,337,288	237,776	2,961,666	
Interest and fiscal charges	718,059	313,355	163,221	1,194,635	
Total expenditures	33,285,723	1,650,643	7,891,521	42,827,887	
REVENUES OVER (UNDER) EXPENDITURES	3,294,304	(6,075)	(340,296)	2,947,933	
OTHER FINANCING SOURCES (USES):					
Sale of property	472,585	-	-	472,585	
Inception of finance purchase agreement	1,826,495	-	54,968	1,881,463	
Transfers in	-	-	825,584	825,584	
Transfers out	(825,584)	-	-	(825,584)	
Total other financing sources (uses)	1,473,496	-	880,552	2,354,048	
Net changes in fund balances	4,767,800	(6,075)	540,256	5,301,981	
FUND BALANCES:					
Beginning of year	25,398,829	369,814	7,894,681	33,663,324	
End of year	\$ 30,166,629	\$ 363,739	\$ 8,434,937	\$ 38,965,305	

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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 5,301,981
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. (\$405,261 of the governmental fund capital outlay balance were for repairs and maintenance expenditures).	5,375,609
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.	(3,606,338)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.	(39,804)
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	(1,881,463)
Accrual of long-term liabilities payable on July 1, 2024 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	2,480,065
Repayment of long-term liabilities due on July 1, 2024 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	2,708,805
Less: accrual of long-term liabilities payable on July 1, 2024	(2,227,204)
	<hr/> Total
	481,601
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.	(1,264,878)
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.	99,245
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	(386,053)
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.	2,153
Change in Net Position of Governmental Activities	<hr/> \$ 6,699,384

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

Proprietary Fund Financial Statements

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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, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Wastewater Fund	Total	
	ASSETS			
Current assets:				
Cash and cash investments	\$ 15,746,416	\$ 13,515,809	\$ 29,262,225	\$ 99,035
Receivables:				
Accounts, net	544,553	375,680	920,233	-
Lease receivable - due within one year	9,785	-	9,785	-
Total current assets	16,300,754	13,891,489	30,192,243	99,035
Noncurrent assets:				
Restricted cash and cash equivalents	10,175,135	154,141	10,329,276	-
Lease receivable - due in more than one year	256,230	-	256,230	-
Aggregate net OPEB asset	66,110	29,349	95,459	-
Capital assets:				
Non-depreciable	4,105,827	4,945,204	9,051,031	-
Depreciable, net	10,953,235	17,203,330	28,156,565	-
Total capital assets	15,059,062	22,148,534	37,207,596	-
Total noncurrent assets	25,556,537	22,332,024	47,888,561	-
Total assets	41,857,291	36,223,513	78,080,804	99,035
DEFERRED OUTFLOWS OF RESOURCES				
Excess consideration provided for acquisitions	3,334,053	-	3,334,053	-
Pension-related deferred outflows	305,866	135,784	441,650	-
OPEB-related deferred outflows	9,755	4,329	14,084	-
Total deferred outflows of resources	3,649,674	140,113	3,789,787	-
LIABILITIES				
Current liabilities:				
Accounts payable	1,482,788	196,280	1,679,068	-
Accrued payroll and related liabilities	-	-	-	-
Interest payable	146,601	36,932	183,533	-
Deposits payable	166,311	400	166,711	-
Compensated absences - due within one year	45,005	21,827	66,832	-
Long-term debt - due within one year	1,554,218	96,853	1,651,071	-
Total current liabilities	3,394,923	352,292	3,747,215	-
Noncurrent liabilities:				
Compensated absences - due in more than one year	108,786	51,416	160,202	-
Long term debt - due in more than one year	13,202,815	1,621,909	14,824,724	-
Aggregate net pension liability	1,944,463	863,216	2,807,679	-
Aggregate net OPEB liability	1,586	705	2,291	-
Total noncurrent liabilities	15,257,650	2,537,246	17,794,896	-
Total liabilities	18,652,573	2,889,538	21,542,111	-
DEFERRED INFLOWS OF RESOURCES				
Lease-related deferred inflows	259,848	-	259,848	-
Pension-related deferred inflows	81,945	36,377	118,322	-
OPEB-related deferred outflows	33,597	14,916	48,513	-
Total deferred inflows of resources	375,390	51,293	426,683	-
NET POSITION				
Net investment in capital assets	5,399,326	20,583,913	25,983,239	-
Restricted for:				
Debt service	8,411,891	154,141	8,566,032	-
Pension and OPEB	66,110	29,349	95,459	-
Unrestricted	12,601,675	12,655,392	25,257,067	99,035
Total net position	\$ 26,479,002	\$ 33,422,795	\$ 59,901,797	\$ 99,035

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, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water Fund	Wastewater Fund	Total		
OPERATING REVENUES:					
Charges for services	\$ 8,352,829	\$ 5,554,617	\$ 13,907,446	\$	-
Other revenue	18,209	4,528	22,737		-
Total operating revenues	8,371,038	5,559,145	13,930,183		-
OPERATING EXPENSES:					
Salaries and benefits	2,466,458	1,158,003	3,624,461		-
Materials, supplies and operational expenses	4,226,211	1,917,511	6,143,722		-
Depreciation	1,125,186	814,852	1,940,038		-
Amortization	155,546	-	155,546		-
Total operating expenses	7,973,401	3,890,366	11,863,767		-
OPERATING INCOME	397,637	1,668,779	2,066,416		-
NONOPERATING REVENUES (EXPENSES):					
Investment income (loss)	1,447,239	519,962	1,967,201	2,153	
Interest expense	(264,311)	(64,329)	(328,640)		-
Loss on sale of assets	(8,318)	(10,418)	(18,736)		-
Total nonoperating revenues (expenses)	1,174,610	445,215	1,619,825		2,153
INCOME (LOSS) BEFORE SPECIAL ITEM	1,572,247	2,113,994	3,686,241		2,153
SPECIAL ITEM:					
Impairment of Riverfront Water Reclamation Facility (Note 17)	-	(6,433,360)	(6,433,360)		-
Total special item	-	(6,433,360)	(6,433,360)		-
Changes in net position	1,572,247	(4,319,366)	(2,747,119)		2,153
NET POSITION:					
Beginning of year	24,906,755	37,742,161	62,648,916		96,882
End of year	\$ 26,479,002	\$ 33,422,795	\$ 59,901,797		\$ 99,035

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	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	\$ 8,290,505	\$ 5,520,487	\$ 13,810,992	\$	-
Cash payments to suppliers for goods and services	(3,047,508)	(1,818,542)	(4,866,050)		-
Cash payments to employees for services	(2,502,203)	(1,114,593)	(3,616,796)		-
Others	18,209	4,528	22,737		-
Net cash provided by operating activities	2,759,003	2,591,880	5,350,883		-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(3,715,672)	(1,101,737)	(4,817,409)		-
Principal paid on capital-related debt	(1,536,204)	(118,621)	(1,654,825)		-
Interest paid on capital-related debt	(279,477)	(67,056)	(346,533)		-
Net cash (used in) capital and related financing activities	(5,531,353)	(1,287,414)	(6,818,767)		-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,447,239	519,962	1,967,201		2,153
Net cash provided by investing activities	1,447,239	519,962	1,967,201		2,153
Net increase (decrease) in cash and cash equivalents	(1,325,111)	1,824,428	499,317		2,153
CASH AND CASH EQUIVALENTS:					
Beginning of year	27,246,662	11,845,522	39,092,184		96,882
End of year	\$ 25,921,551	\$ 13,669,950	\$ 39,591,501		\$ 99,035
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:					
Cash and cash investments	\$ 15,746,416	\$ 13,515,809	\$ 29,262,225	\$	99,035
Restricted cash and investments	10,175,135	154,141	10,329,276		-
Total cash and cash equivalents	\$ 25,921,551	\$ 13,669,950	\$ 39,591,501		\$ 99,035

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water Fund	Wastewater Fund	Total		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ 397,637	\$ 1,668,779	\$ 2,066,416	\$ -	-
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,125,186	814,852	1,940,038		-
Amortization	155,546	-	155,546		-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	(43,805)	(34,130)	(77,935)		-
Lease receivable	9,739	-	9,739		-
Aggregate net OPEB asset	(2,898)	(1,397)	(4,295)		-
Pension-related deferred outflows	(12,588)	(12,914)	(25,502)		-
OPEB-related deferred outflows	(3,370)	(1,594)	(4,964)		-
Accounts payable	1,178,703	98,969	1,277,672		-
Accrued payroll and related liabilities	(62,421)	(25,333)	(87,754)		-
Deposits payable	(16,475)	-	(16,475)		-
Compensated absences	(9,400)	11,094	1,694		-
Aggregate net pension liability	72,116	78,783	150,899		-
Aggregate net OPEB liability	548	247	795		-
Lease-related deferred inflows	(11,783)	-	(11,783)		-
Pension-related deferred inflows	(11,260)	(2,673)	(13,933)		-
OPEB-related deferred outflows	(6,472)	(2,803)	(9,275)		-
Total adjustments	2,361,366	923,101	3,284,467		-
Net cash provided by operating activities	\$ 2,759,003	\$ 2,591,880	\$ 5,350,883	\$ -	

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

Fiduciary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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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, 2024

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City of Cottonwood
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2024

	Firemen Pension Trust Fund
NET POSITION	
Net position restricted for pension	<u>\$</u> <u> </u> <u> </u> <u>-</u>

City of Cottonwood
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2024

	Firemen Pension Trust Fund
ADDITIONS:	
Investment income	\$ 43,452
Total additions	43,452
DEDUCTIONS:	
Retirement benefits	305,797
Miscellaneous expense	5,816
Total deductions	311,613
Change in fiduciary net position	(268,161)
NET POSITION RESTRICTED FOR PENSIONS:	
Beginning of year	268,161
End of year	\$ -

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2024

Notes to the Basic Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
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For the Year Ended June 30, 2024

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City of Cottonwood
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For the Year Ended June 30, 2024

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City of Cottonwood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

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, 2024

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, 2024

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

Major governmental funds of the City are outlined below:

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

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

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

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

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, 2024

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, 2024

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, 2024

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 noncancelable 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, 2024

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, 2024

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, 2024

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, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023
<u>PSPRS</u>	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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, 2024

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 represents the residual amount for the General Fund that is not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

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, 2024

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, 2024. 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. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2024.

R. Upcoming Government Accounting Standards Implementations

In the upcoming years, the City will implement the following GASB Pronouncements:

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

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government 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. Additionally, this Statement 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementations (Continued)

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

Note 2 – Cash and Investments

The following is a summary of cash and investments and restricted cash and investments at June 30, 2024:

	Primary Government		
	Governmental Activities		Business-type Activities
			Total
Cash and investments	\$ 36,192,283	\$ 29,262,225	\$ 65,454,508
Restricted cash and investments	5,234,367	10,329,276	15,563,643
Total	\$ 41,426,650	\$ 39,591,501	\$ 81,018,151

Cash, cash equivalents, and investments consisted of the following at June 30, 2024:

Cash and cash equivalents:	
Petty cash	\$ 3,355
Demand deposits	28,320,421
Restricted demand deposits	4,944,482
Money market	4,762,544
Investments:	
Local Government Investment Pool	28,913,677
U.S. Treasuries	14,073,672
Total	\$ 81,018,151

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

At June 30, 2024, 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, 2024:

Investments by Fair Value Level	Total Fair Value	Measurement Inputs	Valuation Technique
Investment Type			
Investments:			
U.S. Treasuries	14,073,672	Level 2	Matrix pricing model
Total investments by fair value level	<u>\$ 14,073,672</u>		
External Investment Pools Measured at Fair Value:			
Local Government Investment Pool	28,913,677	Uncategorized	
Total investment pools, measured at fair value	<u>28,913,677</u>		
Total investments	<u>\$ 42,987,349</u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$28,320,421 at June 30, 2024. Bank balances were \$29,183,822 at that date. Arizona state statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

B. Investments

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

- Securities of the U.S. Government or its agencies
- Interest-bearing savings accounts and certificates of deposit
- State Treasurer's Loan Government Investment Pools
- 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2024, 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	\$ 28,913,677	\$ 28,913,677	\$ -
U.S. Treasuries	14,073,672	6,825,164	7,248,508
Total	\$ 42,987,349	\$ 35,738,841	\$ 7,248,508

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	\$ 28,913,677	Not Rated	Not Rated
U.S. Treasuries	14,073,672	Not Rated	AA+
Total	\$ 42,987,349		

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, 2024, 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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

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	\$ 100,082	\$ 1,547,038	\$ 1,647,120
Due from local government	32,564	-	32,564
Total	\$ 132,646	\$ 1,547,038	\$ 1,679,684

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, 2024, the City recognized \$52,814 in lease revenue and \$5,914 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Classification	
					Due within One Year	Due in More Than One Year
Leases receivable	\$ 664,366	\$ -	\$ (46,927)	\$ 617,439	\$ 48,284	\$ 569,155

As of June 30, 2024, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
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	50,203	3,823	54,026
2030-2034	207,689	12,810	220,499
2035-2039	83,734	6,380	90,114
2040-2044	62,454	3,061	65,515
2045-2047	16,836	164	17,000
Total	\$ 617,439	\$ 45,794	\$ 663,233

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Lease Receivable (Continued)

A. Governmental Activities (Continued)

As of June 30, 2024, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2025	\$ 52,814
2026	52,814
2027	50,650
2028	49,104
2029	48,829
2030-2034	198,270
2035-2039	70,184
2040-2044	47,981
2045-2047	11,303
Total	<u>\$ 581,949</u>

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, 2024, the City recognized \$11,783 in lease revenue and \$1,265 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2024 is as follows:

	Classification					
	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due within One Year	Due in More Than One Year
Leases receivable	\$ 275,754	\$ -	\$ (9,739)	\$ 266,015	\$ 9,785	\$ 256,230

As of June 30, 2024, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
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	11,076	1,029	12,105
2030-2034	58,286	4,354	62,640
2035-2039	63,656	2,919	66,575
2040-2044	65,156	1,418	66,574
2045-2047	27,599	140	27,739
Total	\$ 266,015	\$ 14,459	\$ 280,474

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Lease Receivable (Continued)

B. Business-Type Activities (Continued)

As of June 30, 2024, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30,	Amortization Schedule
2025	\$ 11,783
2026	11,783
2027	11,783
2028	11,783
2029	11,783
2030-2034	58,915
2035-2039	58,915
2040-2044	58,915
2045-2047	24,188
Total	\$ 259,848

Note 5 – Notes Receivable

On August 29, 2023, the City entered into a loan agreement with Verde Plaza Associates of Cottonwood, LLC in the amount of \$250,000 to be used for the development of affordable housing and related improvements at 195 South 7th Street. Payments on the loan are due annually each April 29th through 2039 for a 15-year term, with installments ranging from \$22,532 to \$29,240 and bear interest at the rate of 4.03%. As of June 30 2024, the balance of the loan was \$250,000.

Note 6 – Interfund Balances

A. Due To and From Other Funds

Due from and to other funds as of June 30, 2024, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Transit Fund	<u>\$ 645,189</u>	Overdrawn Cash

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

B. Transfers

Interfund transfers during the year ended June 30, 2024, consisted of the following:

Transfers In	Transfers Out	Amount	Purpose
HURF Special Revenue Fund	General Fund	\$ 619,887	Capital projects
Grants Special Revenue Fund	General Fund	205,697	Grant matching funds
Total	Total	\$ 825,584	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

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	2006	Business-Type Activities
	Purchase	Purchase	Total
Excess Consideration Provided for Acquisition	\$ 1,474,221	\$ 4,851,022	\$ 6,325,243
Less: Accumulated amortization	(722,765)	(2,268,425)	(2,991,190)
Total	\$ 751,456	\$ 2,582,597	\$ 3,334,053

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2024
Nondepreciable assets:					
Land	\$ 2,619,885	\$ -	\$ -	\$ -	\$ 2,619,885
Construction in progress	4,490,542	2,153,434	-	(1,435,304)	5,208,672
Total nondepreciable assets	7,110,427	2,153,434	-	(1,435,304)	7,828,557
Depreciable/amortizable assets:					
Infrastructure	36,133,570	-	-	-	36,133,570
Building and improvements	40,571,811	-	(18,231)	-	40,553,580
Vehicles, machinery and equipment	15,345,743	3,222,175	(1,002,643)	1,435,304	19,000,579
Subscription assets	265,311	-	-	-	265,311
Subtotal	92,316,435	3,222,175	(1,020,874)	1,435,304	95,953,040
Less accumulated depreciation/amortization					
Infrastructure	(18,182,439)	(1,120,291)	-	-	(19,302,730)
Building and improvements	(17,854,007)	(1,052,737)	14,589	-	(18,892,155)
Vehicles, machinery and equipment	(11,752,156)	(1,352,643)	966,481	-	(12,138,318)
Subscription assets	(64,854)	(80,667)	-	-	(145,521)
Subtotal	(47,853,456)	(3,606,338)	981,070	-	(50,478,724)
Total depreciable/amortizable assets, net	44,462,979	(384,163)	(39,804)	1,435,304	45,474,316
Total	\$ 51,573,406	\$ 1,769,271	\$ (39,804)	\$ -	\$ 53,302,873

Governmental activities depreciation and amortization expenses for capital assets for the year ended June 30, 2024 are as follows:

General government	\$ 897,824
Public safety	741,755
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation expense	\$ 3,606,338

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Deletions	Special Item		Balance June 30, 2024
				Asset Impairment (Note 17)	(Note 17)	
Nondepreciable assets:						
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	2,013,231	2,905,559	-	-	-	4,918,790
Total nondepreciable assets	6,145,472	2,905,559	-	-	-	9,051,031
Depreciable assets						
Water distribution system	20,768,758	342,478	(20,513)	-	-	21,090,723
Wastewater systems	28,847,133	174,121	(29,891)	(7,353,018)	-	21,638,345
Building and improvements	10,873,815	-	-	-	-	10,873,815
Vehicles, machinery and equipment	6,094,850	1,395,251	(67,036)	-	-	7,423,065
Subtotal	66,584,556	1,911,850	(117,440)	(7,353,018)	-	61,025,948
Less accumulated depreciation						
Water distribution system	(11,437,400)	(729,053)	12,195	-	-	(12,154,258)
Wastewater systems	(11,473,367)	(404,194)	19,473	919,658	-	(10,938,430)
Building and improvements	(4,126,728)	(256,549)	-	-	-	(4,383,277)
Vehicles, machinery and equipment	(4,910,212)	(550,242)	67,036	-	-	(5,393,418)
Subtotal	(31,947,707)	(1,940,038)	98,704	919,658	-	(32,869,383)
Total depreciable assets, net	34,636,849	(28,188)	(18,736)	(6,433,360)	-	28,156,565
Total	\$ 40,782,321	\$ 2,877,371	\$ (18,736)	\$ (6,433,360)	\$ -	\$ 37,207,596

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2024 are as follows:

Water	\$ 1,125,186
Wastewater	814,852
Total depreciation expense	\$ 1,940,038

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Long-Term Debt

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Debt Issued	Debt Retired	Balance June 30, 2024	Classification	
					Due within One Year	Due in More Than One Year
Revenue bonds:						
2015 Pledged revenue bonds	\$ 6,036,680	\$ -	\$ (382,204)	\$ 5,654,476	\$ 400,064	\$ 5,254,412
Plus: unamortized premium	360,810	-	(30,068)	330,742	-	330,742
2016 Pledged revenue bonds	6,135,000	-	(1,145,000)	4,990,000	1,175,000	3,815,000
Plus: unamortized premium	692,945	-	(138,590)	554,355	-	554,355
2021 Pledged revenue bonds	20,090,000	-	(700,000)	19,390,000	905,000	18,485,000
Total revenue bonds	33,315,435	-	(2,395,862)	30,919,573	2,480,064	28,439,509
Finance purchase agreements	756,635	1,881,463	(400,934)	2,237,164	461,728	1,775,436
Subscription liability	136,971	-	(80,667)	56,304	56,304	-
Total	\$ 34,209,041	\$ 1,881,463	\$ (2,877,463)	\$ 33,213,041	\$ 2,998,096	\$ 30,214,945

Finance Purchase Agreements

The City has entered into several finance purchase agreements for the financing of 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, 2024 are as follows:

Year Ending				
	June 30,	Principal	Interest	Total
2025	\$ 461,728	\$ 206,616	\$ 668,344	
2026	507,675	160,669	668,344	
2027	541,144	109,451	650,595	
2028	526,071	53,334	579,405	
2029	200,546	7,885	208,431	
Total	\$ 2,237,164	\$ 537,955	\$ 2,775,119	

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	\$ 2,620,412
Less: accumulated depreciation	(442,544)
Total	\$ 2,177,868

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – 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, 2024, the capitalized right-to-use assets related to SBITAs were \$265,311 and the total subscription liability was \$56,304, of which \$56,304 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
2025	\$ 56,304	\$ 1,495	\$ 57,799	

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 \$7.3 million. The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.0 million (Note 9B).

The annual debt service requirements are as follows:

Year Ending				
June 30,		Principal	Interest	Total
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	485,792	172,349	658,141	
2030-2034	2,807,592	489,185	3,296,777	
2035	632,244	25,290	657,534	
Total	\$ 5,654,476	\$ 1,597,685	\$ 7,252,161	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

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, 2024 were \$4,990,000.

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				Total
June 30,	Principal	Interest		
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	\$ 4,990,000	\$ 408,800		\$ 5,398,800

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, 2024 were \$19,390,000. 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				Total
June 30,	Principal	Interest		
2025	\$ 905,000	\$ 403,574		\$ 1,308,574
2026	1,070,000	395,703		1,465,703
2027	1,285,000	383,338		1,668,338
2028	1,195,000	367,050		1,562,050
2029	1,220,000	348,035		1,568,035
2030-2034	6,450,000	1,362,550		7,812,550
2035-2039	7,265,000	517,187		7,782,187
Total	\$ 19,390,000	\$ 3,777,437		\$ 23,167,437

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Long-Term Debt (Continued)

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Debt Issued	Debt Retired	Balance June 30, 2024	Classification	
					Due within One Year	Due in More Than One Year
Loans payable:						
2015 WIFA refunding loan	\$ 5,704,268	\$ -	\$ (707,556)	\$ 4,996,712	\$ 708,205	\$ 4,288,507
2016 WIFA refunding loan	9,788,306	-	(769,688)	9,018,618	770,115	8,248,503
Total loans payable	15,492,574	-	(1,477,244)	14,015,330	1,478,320	12,537,010
Revenue bonds:						
2015 Pledged revenue bonds	2,413,318	-	(152,794)	2,260,524	159,936	2,100,588
Plus: unamortized premium	160,274	-	(13,355)	146,919	-	146,919
Total revenue bonds	2,573,592	-	(166,149)	2,407,443	159,936	2,247,507
Finance purchase agreements	64,454	-	(11,432)	53,022	12,815	40,207
Total	\$ 18,130,620	\$ -	\$ (1,654,825)	\$ 16,475,795	\$ 1,651,071	\$ 14,824,724

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, 2024 are as follows:

Year Ending	Total		
	June 30,	Principal	Interest
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	\$ 53,022	\$ 12,360	\$ 65,382

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	(21,323)
Total	\$ 48,827

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

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 \$5.1 million. The debt principal and interest paid on this debt during fiscal year 2024 was \$730,362 (approximately 22.3% percent of pledged revenues).

The annual requirements to amortize the bonds outstanding at June 30, 2024, are as follows:

Year Ending					
June 30,		Principal	Interest	Total	
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	772,614	11,779	784,393		
2029-2031	1,296,416	8,085	1,304,501		
Total	\$ 4,996,712	\$ 119,341	\$ 5,116,053		

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 are debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$9.1 million. The debt principal and interest paid on this debt during fiscal year 2024 was \$776,382 (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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2016 Water Infrastructure Financing Authority Loan (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2024, are as follows:

Year Ending				Total
June 30,	Principal	Interest	Total	
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	823,963	11,111	835,074	
2029-2034	4,335,268	29,541	4,364,809	
2035	699,292	713	700,005	
Total	\$ 9,018,618	\$ 102,200	\$ 9,120,818	

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 \$7.3 million (Note 9A). The total principal and interest remaining to be paid on the business type portion of the bonds is \$3.0 million.

The annual debt service requirements are as follows:

Year Ending				Total
June 30,	Principal	Interest	Total	
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	194,208	78,183	272,391	
2030-2034	1,122,410	244,588	1,366,998	
2035	252,754	19,877	272,631	
Total	\$ 2,260,524	\$ 739,704	\$ 3,000,228	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick leave) has been accrued and amounts to \$1,743,845 at June 30, 2024. Summary of changes in compensated absences for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities	\$ 1,130,758	\$ 1,072,023	\$ (685,970)	\$ 1,516,811	\$ 471,702	\$ 1,045,109
Business-Type Activities	225,340	204,300	(202,606)	227,034	66,832	160,202
Total	\$ 1,356,098	\$ 1,276,323	\$ (888,576)	\$ 1,743,845	\$ 538,534	\$ 1,205,311

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

Note 11 – 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 reinsurance 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, 2024

Note 12 – Pension Plans and Other Postemployment Benefits

A. Summary – Pension and OPEB

Deferred Outflows of Resources

Pension-related deferred outflows of resources:

Pension contributions made after measurement date:

	Governmental Activities	Business-Type Activities	Total
ASRS	\$ 1,049,846	\$ 313,376	\$ 1,363,222
PSPRS - Police Plan - Tier 1 & 2	226,940	-	226,940
PSPRS - Fire Plan - Tier 1 & 2	172,821	-	172,821
PSPRS - Police Plan - Tier 3	63,139	-	63,139
PSPRS - Fire Plan - Tier 3	49,203	-	49,203
Total pension contributions made after measurement date	1,561,949	313,376	1,875,325

Projected earnings on pension plan investments in excess of actual earnings:

PSPRS - Police Plan - Tier 1 & 2	1,069,849	-	1,069,849
PSPRS - Fire Plan - Tier 1 & 2	380,317	-	380,317
Total projected earnings on pension plan investments in excess of actual earnings	1,450,166	-	1,450,166

Change in assumptions:

PSPRS - Police Plan - Tier 1 & 2	201,369	-	201,369
PSPRS - Fire Plan - Tier 1 & 2	416,446	-	416,446
PSPRS - Police Plan - Tier 3	150	-	150
PSPRS - Fire Plan - Tier 3	61	-	61
Total change in assumption	618,026	-	618,026

Difference between expected and actual experience

ASRS	212,540	63,442	275,982
PSPRS - Police Plan - Tier 1 & 2	699,042	-	699,042
PSPRS - Fire Plan - Tier 1 & 2	716,913	-	716,913
PSPRS - Police Plan - Tier 3	78,078	-	78,078
PSPRS - Fire Plan - Tier 3	31,853	-	31,853
Total difference between expected and actual experience	1,738,426	63,442	1,801,868

Change in proportion and differences between employer contributions and proportionate share of contributions

ASRS	217,196	64,832	282,028
PSPRS - Police Plan - Tier 3	9,159	-	9,159
PSPRS - Fire Plan - Tier 3	14,811	-	14,811
Total change in proportion and differences between employer contributions and proportionate share of contributions	241,166	64,832	305,998

Total pension-related deferred outflows of resources

ASRS	1,479,582	441,650	1,921,232
PSPRS - Police Plan - Tier 1 & 2	2,197,200	-	2,197,200
PSPRS - Fire Plan - Tier 1 & 2	1,686,497	-	1,686,497
PSPRS - Police Plan - Tier 3	150,526	-	150,526
PSPRS - Fire Plan - Tier 3	95,928	-	95,928
Total pension-related deferred outflows of resources	\$ 5,609,733	\$ 441,650	\$ 6,051,383

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – 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	\$ 9,600	\$ 2,865	\$ 12,465
ASRS - Long-Term Disability Plan	13,091	3,907	16,998
PSPRS - Fire Plan - Tier 1 & 2	9,840	-	9,840
PSPRS - Police Plan - Tier 3	872	-	872
PSPRS - Fire Plan - Tier 3	679	-	679
Total OPEB contributions made after measurement date	<u>34,082</u>	<u>6,772</u>	<u>40,854</u>
Projected earnings on OPEB plan investments in excess of actual earnings:			
PSPRS - Police Plan - Tier 1 & 2	3,782	-	3,782
PSPRS - Fire Plan - Tier 1 & 2	3,218	-	3,218
Total projected earnings on OPEB plan investments in excess of actual earnings	<u>7,000</u>	<u>-</u>	<u>7,000</u>
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	13,495	4,028	17,523
ASRS - Long-Term Disability Plan	2,025	605	2,630
PSPRS - Police Plan - Tier 1 & 2	2,312	-	2,312
PSPRS - Fire Plan - Tier 1 & 2	4,832	-	4,832
PSPRS - Police Plan - Tier 3	74	-	74
PSPRS - Fire Plan - Tier 3	30	-	30
Total change in assumption	<u>22,768</u>	<u>4,633</u>	<u>27,401</u>
Difference between expected and actual experience			
ASRS - Long-Term Disability Plan	6,930	2,068	8,998
PSPRS - Fire Plan - Tier 1 & 2	5,912	-	5,912
PSPRS - Police Plan - Tier 3	228	-	228
PSPRS - Fire Plan - Tier 3	93	-	93
Total difference between expected and actual experience	<u>13,163</u>	<u>2,068</u>	<u>15,231</u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	1,395	416	1,811
ASRS - Long-Term Disability Plan	655	195	850
PSPRS - Police Plan - Tier 3	277	-	277
PSPRS - Fire Plan - Tier 3	1,069	-	1,069
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>3,396</u>	<u>611</u>	<u>4,007</u>
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	24,490	7,309	31,799
ASRS - Long-Term Disability Plan	22,701	6,775	29,476
PSPRS - Police Plan - Tier 1 & 2	6,094	-	6,094
PSPRS - Fire Plan - Tier 1 & 2	23,802	-	23,802
PSPRS - Police Plan - Tier 3	1,451	-	1,451
PSPRS - Fire Plan - Tier 3	1,871	-	1,871
Total OPEB-related deferred outflows of resources	<u>\$ 80,409</u>	<u>\$ 14,084</u>	<u>\$ 94,493</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Assets and Liabilities

	Governmental Activities	Business-Type Activities	Total
Net pension asset			
PSPRS - Police Plan - Tier 3	\$ 21,451	\$ -	\$ 21,451
PSPRS - Fire Plan - Tier 3	8,751	-	8,751
Total net pension asset	<u><u>\$ 30,202</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,202</u></u>
Net pension liability			
ASRS	\$ 9,406,076	\$ 2,807,679	\$ 12,213,755
PSPRS - Police Plan - Tier 1 & 2	858,014	-	858,014
PSPRS - Fire Plan - Tier 1 & 2	72,062	-	72,062
Total net pension liability	<u><u>\$ 10,336,152</u></u>	<u><u>\$ 2,807,679</u></u>	<u><u>\$ 13,143,831</u></u>
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 319,799	\$ 95,459	\$ 415,258
PSPRS - Police Plan - Tier 1 & 2	168,329	-	168,329
PSPRS - Police Plan - Tier 3	4,804	-	4,804
PSPRS - Fire Plan - Tier 3	1,960	-	1,960
Total Net OPEB asset	<u><u>\$ 494,892</u></u>	<u><u>\$ 95,459</u></u>	<u><u>\$ 590,351</u></u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 7,674	\$ 2,291	\$ 9,965
PSPRS - Fire Plan - Tier 1 & 2	2,121	-	2,121
Total Net OPEB liability	<u><u>\$ 9,795</u></u>	<u><u>\$ 2,291</u></u>	<u><u>\$ 12,086</u></u>

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS	\$ 332,795	\$ 99,338	\$ 432,133
PSPRS - Police Plan - Tier 3	905	-	905
PSPRS - Fire Plan - Tier 3	369	-	369
Total projected earnings on pension plan investments in excess of actual earnings	<u><u>334,069</u></u>	<u><u>99,338</u></u>	<u><u>433,407</u></u>
Change in assumptions:			
PSPRS - Police Plan - Tier 3	3,130	-	3,130
PSPRS - Fire Plan - Tier 3	1,277	-	1,277
Total change in assumption	<u><u>4,407</u></u>	<u><u>-</u></u>	<u><u>4,407</u></u>
Difference between expected and actual experience			
PSPRS - Police Plan - Tier 1 & 2	49,749	-	49,749
PSPRS - Fire Plan - Tier 1 & 2	526,323	-	526,323
Total difference between expected and actual experience	<u><u>576,072</u></u>	<u><u>-</u></u>	<u><u>576,072</u></u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS	63,600	18,984	82,584
PSPRS - Police Plan - Tier 3	25,445	-	25,445
PSPRS - Fire Plan - Tier 3	1,952	-	1,952
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u><u>90,997</u></u>	<u><u>18,984</u></u>	<u><u>109,981</u></u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Deferred Inflows of Resources (Continued)

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred inflows of resources (continued):			
Total pension-related deferred inflows of resources			
ASRS	396,395	118,322	514,717
PSPRS - Police Plan - Tier 1 & 2	49,749	-	49,749
PSPRS - Fire Plan - Tier 1 & 2	526,323	-	526,323
PSPRS - Police Plan - Tier 3	29,480	-	29,480
PSPRS - Fire Plan - Tier 3	3,598	-	3,598
Total pension-related deferred inflows of resources	<u><u>\$ 1,005,545</u></u>	<u><u>\$ 118,322</u></u>	<u><u>\$ 1,123,867</u></u>
OPEB-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS - Health Benefit Supplement Plan	\$ 14,046	\$ 4,193	\$ 18,239
ASRS - Long-Term Disability Plan	615	183	798
PSPRS - Police Plan - Tier 3	50	-	50
PSPRS - Fire Plan - Tier 3	20	-	20
Total projected earnings on pension plan investments in excess of actual earnings	<u><u>14,731</u></u>	<u><u>4,376</u></u>	<u><u>19,107</u></u>
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	6,364	1,900	8,264
ASRS - Long-Term Disability Plan	11,171	3,335	14,506
PSPRS - Fire Plan - Tier 1 & 2	1,477	-	1,477
PSPRS - Police Plan - Tier 3	1	-	1
Total change in assumption	<u><u>19,013</u></u>	<u><u>5,235</u></u>	<u><u>24,248</u></u>
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	119,261	35,599	154,860
ASRS - Long-Term Disability Plan	4,320	1,289	5,609
PSPRS - Police Plan - Tier 1 & 2	31,125	-	31,125
PSPRS - Fire Plan - Tier 1 & 2	62,486	-	62,486
PSPRS - Police Plan - Tier 3	239	-	239
PSPRS - Fire Plan - Tier 3	97	-	97
Total difference between expected and actual experience	<u><u>217,528</u></u>	<u><u>36,888</u></u>	<u><u>254,416</u></u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	4,984	1,488	6,472
ASRS - Long-Term Disability Plan	1,762	526	2,288
PSPRS - Police Plan - Tier 3	1,033	-	1,033
PSPRS - Fire Plan - Tier 3	96	-	96
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u><u>7,875</u></u>	<u><u>2,014</u></u>	<u><u>9,889</u></u>
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	144,655	43,180	187,835
ASRS - Long-Term Disability Plan	17,868	5,333	23,201
PSPRS - Police Plan - Tier 1 & 2	31,125	-	31,125
PSPRS - Fire Plan - Tier 1 & 2	63,963	-	63,963
PSPRS - Police Plan - Tier 3	1,323	-	1,323
PSPRS - Fire Plan - Tier 3	213	-	213
Total OPEB-related deferred inflows of resources	<u><u>\$ 259,147</u></u>	<u><u>\$ 48,513</u></u>	<u><u>\$ 307,660</u></u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – 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	\$ 1,215,235		\$ 362,743		\$ 1,577,978
PSPRS - Police Plan - Tier 1 & 2	1,230,778		-		1,230,778
PSPRS - Fire Plan - Tier 1 & 2	499,795		-		499,795
PSPRS - Police Plan - Tier 3	31,135		-		31,135
PSPRS - Fire Plan - Tier 3	14,585		-		14,585
Total net pension (income) expense	\$ 2,991,528		\$ 362,743		\$ 3,354,271
OPEB expenses/(income):					
ASRS - Health Benefit Supplement Plan	\$ (38,931)		\$ (11,621)		\$ (50,552)
ASRS - Long-Term Disability Plan	7,119		2,125		9,244
PSPRS - Police Plan - Tier 1 & 2	(24,479)		-		(24,479)
PSPRS - Fire Plan - Tier 1 & 2	(2,741)		-		(2,741)
PSPRS - Police Plan - Tier 3	(591)		-		(591)
PSPRS - Fire Plan - Tier 3	(141)		-		(141)
Total net OPEB (income) expense	\$ (59,764)		\$ (9,496)		\$ (69,260)

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

Plan Description

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

Benefits Provided

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

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

*With actuarially reduced benefits

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

Benefits Provided (Continued)

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Employees Covered

At June 30, 2024 the City had 143 active and contributing employees were covered by the benefit terms of the Plan. As of the date of the audit report, the City was unable to determine the number of transferred/separated employees not receiving benefits or the number of retired employees receiving benefits.

Contributions

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 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, 2024, were:

	Contributions - employer
Pension Plan	\$ 1,363,222
Health Benefit Supplement Plan	12,465
Long-Term Disability Plan	16,998
Total	\$ 1,392,685

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

During fiscal year 2024, 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, 2024, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

<u>Net pension/OPEB (asset) liability</u>	
Pension Plan	\$ 12,213,755
Health Benefit Supplement Plan	(415,258)
Long-Term Disability Plan	9,965
Total	\$ 11,808,462

The net asset and net liabilities were measured as of June 30, 2023. 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, 2022, to the measurement date of June 30, 2023.

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, 2023. The City’s proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2023, were:

	<u>Pension Plan</u>	<u>Health Benefit Supplement Plan</u>	<u>Long-Term Disability Plan</u>
Proportion June 30, 2022	0.0727000%	0.0737000%	0.0731100%
Proportion June 30, 2023	0.0754800%	0.0769100%	0.0760500%
Change - Increase (Decrease)	0.0027800%	0.0032100%	0.0029400%

As of June 30, 2024, 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:

	<u>Plan’s Net Pension and OPEB Liability/(Asset)</u>		
	<u>Pension Plan</u>	<u>Health Benefit Supplement Plan</u>	<u>Long-Term Disability Plan</u>
Balance at: 6/30/22 (Valuation date)	\$ 11,866,255	\$ (411,318)	\$ 6,752
Balance at: 6/30/23 (Measurement date)	<u>12,213,755</u>	<u>(415,258)</u>	<u>9,965</u>
Net Changes during 2022-2023	<u>(347,500)</u>	<u>3,940</u>	<u>(3,213)</u>

The City recognized the following pension/OPEB expenses (credits) for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024:

<u>Pension/OPEB expenses/(credits)</u>	
Pension Plan	\$ 1,577,978
Health Benefit Supplement Plan	(50,552)
Long-Term Disability Plan	9,244
Total	\$ 1,536,670

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – 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)

At June 30, 2024, 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	\$ 1,363,222	\$ -	\$ 12,465	\$ -	\$ 16,998	\$ -
Difference between projected and actual earning on pension plan investments	-	(432,133)	-	(18,239)	-	(798)
Changes in assumptions	-	-	17,523	(8,264)	2,630	(14,506)
Difference between actual and expected experience	275,982	-	-	(154,860)	8,998	(5,609)
Changes in proportion and differences between employer contributions and proportionate share of contributions	282,028	(82,584)	1,811	(6,472)	850	(2,288)
Total	<u>\$ 1,921,232</u>	<u>\$ (514,717)</u>	<u>\$ 31,799</u>	<u>\$ (187,835)</u>	<u>\$ 29,476</u>	<u>\$ (23,201)</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2025. 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
2025	\$ 11,837	\$ (70,288)	\$ (1,490)
2026	(380,557)	(77,186)	(3,136)
2027	465,712	(10,840)	(131)
2028	(53,699)	(10,962)	(2,984)
2029	-	775	(2,700)
Thereafter	-	-	(282)
	<u>\$ 43,293</u>	<u>\$ (168,501)</u>	<u>\$ (10,723)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

For the measurement period ended June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2022 total pension liability. Both the June 30, 2022 and the June 30, 2023 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, 2022
Actuarial roll forward date	June 30, 2023
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, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	50.00%	3.90%	1.95%
Fixed income - credit	20.00%	5.20%	1.06%
Fixed income - interest rate sensitive	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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

Discount Rate (Continued)

Sensitivity of the City’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the City’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0 percent, as well as what the City’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	Aggregate Net Pension and OPEB Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.00%)	Rate (7.00%)	(8.00%)
Pension Plan	\$ 18,294,411	\$ 12,213,755	\$ 7,143,563
Health Benefit Supplement Plan	\$ (290,247)	\$ (415,258)	\$ (521,489)
Long-Term Disability Plan	\$ 14,573	\$ 9,965	\$ 5,433
Total	<u>\$ 18,018,737</u>	<u>\$ 11,808,462</u>	<u>\$ 6,627,507</u>

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, 2024, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

Benefits Provided (Continued)

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

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

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

Employees Covered

At June 30, 2023, 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, 2024, are indicated below. Rates are a percentage of active members’ annual covered payroll.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

Contributions (Continued)

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.

	Police Plan (Tier 1 & 2)	Fire Plan (Tier 1 & 2)	Police Plan (Tier 3)	Fire Plan (Tier 3)
		(Tier 1) 7.65%		
Active members - pension		(Tier 2 - hired after 7/2011) 11.65%		10.41%
City of Cottonwood, Arizona:				
Pension	10.61%	9.05%	8.69%	9.81%
Health Insurance	0.44%	0.13%	0.12%	0.13%

For the year ended June 30, 2024, 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	\$ 226,940	\$ -	\$ 172,821	\$ 9,840	\$ 63,139	\$ 872	\$ 49,203	\$ 679

During fiscal year 2024, 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, 2023, and the change from its proportions measured as of June 30, 2022, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2022	0.2516980%	0.2519750%	0.1100010%	0.1101220%
Proportion June 30, 2023	0.2560650%	0.2561980%	0.1044670%	0.1045210%
Change - Increase (Decrease)	0.0043670%	0.0042230%	-0.0055340%	-0.0056010%

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

Actuarial Assumptions

The total pension and liabilities/(assets) in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 77
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, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 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	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%
	100.00%		4.62%

¹An 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, 2024

Note 12 – 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, 2022	\$ 23,431,347	\$ 23,110,985	\$ 320,362	\$ 268,955	\$ 423,093	\$ (154,138)
Changes in the year:						
Service cost	329,791	-	329,791	7,707	-	7,707
Interest on the total pension liabilities	1,666,620	-	1,666,620	19,584	-	19,584
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	620,310	-	620,310	(9,674)	-	(9,674)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(1,227,269)	(1,227,269)	-	(9,332)	(9,332)	-
Contributions - employer	-	201,373	(201,373)	-	-	-
Contributions - employee	-	136,606	(136,606)	-	-	-
Net investment income	-	1,751,377	(1,751,377)	-	32,007	(32,007)
Administrative expenses	-	(10,287)	10,287	-	(199)	199
Other changes	-	-	-	-	-	-
Net changes	1,389,452	851,800	537,652	8,285	22,476	(14,191)
Balance at June 30, 2023 (Measurement Date)	<u>\$ 24,820,799</u>	<u>\$ 23,962,785</u>	<u>\$ 858,014</u>	<u>\$ 277,240</u>	<u>\$ 445,569</u>	<u>\$ (168,329)</u>

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, 2022	\$ 13,706,115	\$ 13,826,853	\$ (120,738)	\$ 277,011	\$ 236,346	\$ 40,665
Changes in the year:						
Service cost	302,173	-	302,173	7,359	-	7,359
Interest on the total pension liabilities	986,324	-	986,324	20,246	-	20,246
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	299,997	-	299,997	(32,123)	-	(32,123)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(618,683)	(618,683)	-	(6,362)	(6,362)	-
Contributions - employer	-	248,474	(248,474)	-	16,231	(16,231)
Contributions - employee	-	110,230	(110,230)	-	-	-
Net investment income	-	1,061,985	(1,061,985)	-	17,891	(17,891)
Tiers 1 & 2 Adjustment	(19,993)	-	-	-	-	-
Administrative expenses	-	(5,432)	5,432	-	(96)	96
Other changes	-	430	(430)	-	-	-
Net changes	969,811	777,011	172,807	(10,880)	27,664	(38,544)
Balance at June 30, 2023 (Measurement Date)	<u>\$ 14,675,926</u>	<u>\$ 14,603,864</u>	<u>\$ 72,062</u>	<u>\$ 266,131</u>	<u>\$ 264,010</u>	<u>\$ 2,121</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – 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)	\$ 4,469,121	\$ 858,014	\$ (2,058,948)
Police OPEB Plan (Tier 1 & 2)	\$ (133,907)	\$ (168,329)	\$ (197,155)
Fire Pension Plan (Tier 1 & 2)	\$ 2,225,996	\$ 72,062	\$ (1,678,118)
Fire OPEB Plan (Tier 1 & 2)	\$ 33,834	\$ 2,121	\$ (24,613)
Aggregate Total	\$ 6,595,044	\$ 763,868	\$ (3,958,834)

	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)	\$ 54,706	\$ (21,451)	\$ (78,312)
Police OPEB Plan (Tier 3)	\$ (3,848)	\$ (4,804)	\$ (5,565)
Fire Pension Plan (Tier 3)	\$ 22,319	\$ (8,751)	\$ (31,949)
Fire OPEB Plan (Tier 3)	\$ (1,570)	\$ (1,960)	\$ (2,270)
Aggregate Total	\$ 71,607	\$ (36,966)	\$ (118,096)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2024, the City recognized the following pension and OPEB expense (credit):

Pension/OPEB expense/(credit)		
Pension Plan - Police (Tier 1 & 2)	\$ 1,230,778	
Pension Plan - Fire (Tier 1 & 2)	499,795	
Pension Plan - Police (Tier 3)	31,135	
Pension Plan - Fire (Tier 3)	14,585	
OPEB Plan - Police (Tier 1 & 2)	(24,479)	
OPEB Plan - Fire (Tier 1 & 2)	(2,741)	
OPEB Plan - Police (Tier 3)	(591)	
OPEB Plan - Fire (Tier 3)	(141)	
Total	\$ 1,748,341	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

At June 30, 2024 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	\$ 226,940	\$ -	\$ -	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	1,069,849	-	3,782	-	-
Changes in assumptions	201,369	-	2,312	-	-
Difference between actual and expected experience	699,042	(49,749)	-	-	(31,125)
Total	\$ 2,197,200	\$ (49,749)	\$ 6,094	\$ (31,125)	
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	\$ 172,821	\$ -	\$ 9,840	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	380,317	-	3,218	-	-
Changes in assumptions	416,446	-	4,832	(1,477)	(1,477)
Difference between actual and expected experience	716,913	(526,323)	5,912	(62,486)	(62,486)
Total	\$ 1,686,497	\$ (526,323)	\$ 23,802	\$ (63,963)	
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	\$ 63,139	\$ -	\$ 872	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	-	(905)	-	-	(50)
Changes in assumptions	150	(3,130)	74	(1)	(1)
Difference between actual and expected experience	78,078	-	228	(239)	(239)
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,159	(25,445)	277	(1,033)	(1,033)
Total	\$ 150,526	\$ (29,480)	\$ 1,451	\$ (1,323)	
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	\$ 49,203	\$ -	\$ 679	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	-	(369)	-	-	(20)
Changes in assumptions	61	(1,277)	30	-	-
Difference between actual and expected experience	31,853	-	93	(97)	(97)
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,811	(1,952)	1,069	(96)	(96)
Total	\$ 95,928	\$ (3,598)	\$ 1,871	\$ (213)	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – 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)

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, 2025. 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)
2025	\$ 771,527	\$ 255,993	\$ (20,648)	\$ (13,733)
2026	439,668	141,490	(10,920)	(15,989)
2027	733,270	447,317	6,914	(8,404)
2028	(23,954)	124,912	(377)	(12,720)
2029	-	17,641	-	845
Thereafter	-	-	-	-
	\$ 1,920,511	\$ 987,353	\$ (25,031)	\$ (50,001)

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)
2025	\$ 4,937	\$ (100)	\$ 3,897	\$ 59
2026	4,575	(113)	3,749	53
2027	8,805	37	5,475	115
2028	4,993	(84)	3,920	66
2029	6,054	(53)	4,353	78
Thereafter	28,543	(431)	21,733	608
	\$ 57,907	\$ (744)	\$ 43,127	\$ 979

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.

In FY 2024 there were no participants in the Firefighters Relief and Pension Fund. The pension fund was paying premiums to one retiree who passed away in FY 2024 and the remaining funds were dispersed to the Public Safety Personnel Retirement System to assist in keeping the fund at 100% funded status per allowable use from SB1186 that was passed by the State in 2019.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 13 – Other Required Disclosures

A. Expenditures Exceeding Appropriations

For the year ended June 30, 2024, expenditures exceeded appropriations in the following function(s) by fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	General government	\$ 95,423
	Debt service:	
	Principal	56,597
Debt Service Fund	Debt service:	
	Interest and fiscal charges	5,775
HURF Special Revenue Fund	Debt service:	
	Interest and fiscal charges	421

Note 14 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2024 as follows:

	Major Funds			Total
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	
Nonspendable:				
Inventories and prepaid items	\$ 49,995	\$ 8,100	\$ 13,928	\$ 72,023
Total nonspendable	49,995	8,100	13,928	72,023
Restricted:				
Debt service	-	355,639	-	355,639
Pension and OPEB	4,462,845	-	-	4,462,845
Grants	-	-	1,424,106	1,424,106
Highways and streets	-	-	5,506,790	5,506,790
Capital projects	-	-	1,490,113	1,490,113
Total restricted	4,462,845	355,639	8,421,009	13,239,493
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	24,653,789	-	-	24,653,789
Total Fund Balances	\$ 30,166,629	\$ 363,739	\$ 8,434,937	\$ 38,965,305

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 15 – Net Investment in Capital Assets

Net Investment in Capital Assets at June 30, 2024 consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, nondepreciable	\$ 7,828,557	\$ 9,051,031
Capital assets, depreciable/amortizable, net	45,474,316	28,156,565
Unspent bond proceeds of capital borrowings	771,522	1,917,385
Excess consideration provided for acquisitions	-	3,334,053
Deferred loss on refunding	125,572	-
Long-term debt:		
Finance purchase agreements	(2,237,164)	(53,022)
Subscription liability	(56,304)	-
2015 Pledged revenue bonds	(5,985,218)	(2,407,443)
2016 Pledged revenue bonds	(5,544,355)	-
2015 WIFA refunding loan	-	(4,996,712)
2016 WIFA refunding loan	-	(9,018,618)
Total net investment in capital assets	<u><u>\$ 40,376,926</u></u>	<u><u>\$ 25,983,239</u></u>

Note 16 – 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 17 – Special Item

The City recorded a special item transaction as of and/or for the year ended June 30, 2024 in the amount of \$6,433,360, for the impairment of the Riverfront Water Reclamation Facility (the “Riverfront Facility”). In fiscal year 2024, the City determined the additional costs required to be invested for the Riverfront Facility to properly treat wastewater to standards required by the Arizona Department of Environmental Quality are significantly above original estimates. Therefore, the City has determined the future use of the Riverfront Facility for its’ intended manner of use (water reclamation) is not feasible and will impair the wastewater system assets.

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2024

Required Supplementary Information (Unaudited)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2024

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. 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, 2024, and therefore are properly authorized. The City's total expenditure limit was \$72,879,506.

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, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 23,051,910	\$ 22,471,125	\$ 22,112,172	\$ (358,953)
Intergovernmental	8,941,860	7,705,530	7,183,689	(521,841)
Licenses and permits	357,765	677,100	823,038	145,938
Fines and forfeitures	216,150	138,380	116,293	(22,087)
Rents and royalties	248,885	257,995	273,162	15,167
Investment income	61,100	1,213,440	1,298,840	85,400
Charges for services	2,654,235	2,964,510	2,773,829	(190,681)
Contributions	22,000	22,000	25,748	3,748
Miscellaneous	1,460,500	1,485,995	1,973,256	487,261
Total revenues	37,014,405	36,936,075	36,580,027	(356,048)
EXPENDITURES:				
Current:				
General government	17,998,866	9,194,195	9,289,618	(95,423)
Public safety	14,097,855	12,849,073	12,491,691	357,382
Culture and leisure	6,398,995	5,286,159	5,232,895	53,264
Capital outlay	6,421,350	4,735,995	4,166,858	569,137
Debt service:				
Principal	1,555,005	1,330,005	1,386,602	(56,597)
Interest and fiscal charges	562,870	775,025	718,059	56,966
Total expenditures	47,034,941	34,170,452	33,285,723	884,729
REVENUES OVER (UNDER) EXPENDITURES	(10,020,536)	2,765,623	3,294,304	528,681
OTHER FINANCING SOURCES (USES):				
Sale of property	450,000	505,000	472,585	(32,415)
Inception of finance purchase agreement	3,755,000	2,350,000	1,826,495	(523,505)
Transfers out	(7,115,575)	(87,920)	(825,584)	(737,664)
Total other financing sources (uses)	(2,917,880)	2,767,080	1,473,496	(1,293,584)
Net change in fund balances	\$ (12,938,416)	\$ 5,532,703	4,767,800	\$ (764,903)
FUND BALANCE:				
Beginning of year			25,398,829	
End of year			\$ 30,166,629	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability
Last Ten Years
For the Year Ended June 30, 2024

Arizona Employees' Retirement System ("ASRS") Pension Plan

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the the Net Pension Liability	0.07548%	0.07270%	0.07442%	0.07657%	0.07858%
City's Proportionate Share of the Net Pension Liability	\$ 12,213,755	\$ 11,866,255	\$ 9,778,458	\$ 13,266,916	\$ 11,434,304
City's Covered Payroll	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	138.64%	138.74%	117.76%	164.56%	146.08%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	75.47%	74.26%	78.58%	69.33%	73.24%
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's Proportion of the the Net Pension Liability	0.08049%	0.08049%	0.07980%	0.07865%	0.07549%
City's Proportionate Share of the Net Pension Liability	\$ 11,225,522	\$ 11,225,522	\$ 12,431,284	\$ 12,694,900	\$ 11,759,105
City's Covered Payroll	\$ 7,599,309	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077	\$ 6,954,444
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	147.72%	147.72%	168.49%	177.23%	169.09%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2024

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

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net OPEB (Asset)/Liability	0.07691%	0.07370%	0.07520%	0.07756%	0.07965%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (415,258)	\$ (411,318)	\$ (366,381)	\$ (54,912)	\$ (22,012)
City's Covered Payroll	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-4.71%	-4.81%	-4.41%	-0.68%	-0.28%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	134.37%	137.79%	130.24%	104.33%	101.62%
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016 ¹	
City's Proportion of the Net OPEB (Asset)/Liability	0.07965%	0.08156%	0.08061%	0.08061%	
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (22,012)	\$ (29,369)	\$ (43,884)	\$ 23,309	
City's Covered Payroll	\$ 7,827,288	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077	
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-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	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, 2024

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

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net OPEB (Asset)/Liability	0.07605%	0.07311%	0.07472%	0.07708%	0.07919%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 9,965	\$ 6,752	\$ 15,424	\$ 58,474	\$ 51,588
City's Covered Payroll	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107	\$ 7,827,288
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	0.11%	0.08%	0.19%	0.73%	0.66%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	93.70%	95.40%	90.38%	68.01%	72.85%
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016 ¹	
City's Proportion of the Net OPEB (Asset)/Liability	0.07919%	0.08066%	0.08001%	0.08001%	
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 51,588	\$ 42,145	\$ 29,002	\$ 28,753	
City's Covered Payroll	\$ 7,827,288	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077	
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	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	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, 2024

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

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the the Net Pension Liability	0.25607%	0.25170%	0.18890%	0.02124%	0.02124%
City's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ (64)	\$ (64)
City's Covered Payroll	\$ 116,328	\$ 112,940	\$ 109,650	\$ 106,456	\$ 106,456
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	-0.06%	-0.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	106.80%	109.20%	121.67%	98.71%	98.71%
Measurement Period	June 30, 2019	June 30, 2018 ¹			
City's Proportion of the the Net Pension Liability	0.21781%	0.47335%			
City's Proportionate Share of the Net Pension Liability	\$ (3,128)	\$ 933			
City's Covered Payroll	\$ 103,355	\$ 100,345			
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	-3.03%	0.93%			
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	116.90%	89.24%			

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, 2024

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

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the the Net Pension Liability	0.10447%	0.25198%	0.16057%	0.20217%	0.20217%
City's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ (606)	\$ (606)
City's Covered Payroll	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234	\$ 80,234
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	-0.76%	-0.76%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	106.80%	109.20%	121.67%	98.71%	98.71%
Measurement Period	June 30, 2019	June 30, 2018 ¹			
City's Proportion of the the Net Pension Liability	0.24272%	0.04223%			
City's Proportionate Share of the Net Pension Liability	\$ (3,486)	\$ 1,923			
City's Covered Payroll	\$ 77,897	\$ 75,628			
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	-4.48%	2.54%			
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	116.90%	89.24%			

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, 2024

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

Measurement Period	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
City's Proportion of the Net OPEB (Asset)/Liability	0.25620%	0.11000%	0.16364%	0.01849%	0.19159%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (4,804)	\$ (2,992)	\$ (1,588)	\$ (65)	\$ (281)
City's Covered Payroll	\$ 116,328	\$ 112,940	\$ 109,650	\$ 106,456	\$ 103,355
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-4.13%</u>	<u>-2.65%</u>	<u>-1.45%</u>	<u>-0.06%</u>	<u>-0.27%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>217.50%</u>	<u>223.50%</u>	<u>242.50%</u>	<u>198.86%</u>	<u>198.86%</u>
Measurement Period	June 30, 2019 ¹				
City's Proportion of the Net OPEB (Asset)/Liability	0.47333%				
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (20)				
City's Covered Payroll	\$ 100,345				
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-0.02%</u>				
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>110.51%</u>				

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

June 30, 2019	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020				
City's Proportion of the Net OPEB (Asset)/Liability	0.10452%	0.11012%	0.22579%	0.28389%	0.37354%				
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (1,960)	\$ (1,308)	\$ (2,191)	\$ (992)	\$ (549)				
City's Covered Payroll	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234	\$ 77,897				
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-2.24%	-1.54%	-2.65%	-1.24%	-0.70%				
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	217.50%	223.50%	242.50%	198.86%	198.86%				
Measurement Period	June 30, 2019 ¹								
City's Proportion of the Net OPEB (Asset)/Liability	0.04223%								
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (2)								
City's Covered Payroll	\$ 75,628								
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	0.00%								
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	110.51%								

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
Last Ten Years
For the Year Ended June 30, 2024

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

Total Pension Liability	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 329,791	\$ 316,203	\$ 321,632	\$ 389,109	\$ 414,083	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471	\$ 354,387
Interest on total pension liability	1,666,620	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	620,310	(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	(1,227,269)	(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	1,389,452	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	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)	\$ 23,726,700	\$ 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	\$ 201,373	\$ 223,183	\$ 14,562,496	\$ 1,058,404	\$ 1,072,824	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731	\$ 562,803
Contributions - employee	136,606	149,543	141,473	172,672	166,941	171,124	217,925	235,544	227,682	199,451
Investment income (net of administrative expenses)	1,751,377	(973,114)	2,587,690	111,874	430,937	487,040	666,184	31,475	167,936	531,085
Benefit payments	(1,227,269)	(1,088,765)	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Administrative expenses	(10,287)	(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	851,800	(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	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	4,024,407
Plan fiduciary net position - ending (b)	\$ 23,962,785	\$ 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)	\$ (236,085)	\$ 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	101.00%	98.63%	111.10%	40.09%	41.72%	41.33%	38.12%	34.78%	37.43%	36.80%
Covered payroll	\$ 1,793,033	\$ 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	-13.17%	18.40%	746.91%	769.32%	608.00%	498.00%	507.04%	497.03%	401.59%	400.28%

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, 2024

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

Total Pension Liability	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 302,173	\$ 331,677	\$ 307,497	\$ 355,804	\$ 383,528	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663	\$ 303,278
Interest on total pension liability	986,324	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	299,997	(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	(618,683)	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Net change in total pension liability	969,811	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	12,959,566	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)	\$ 13,929,377	\$ 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	\$ 248,474	\$ 241,352	\$ 4,440,091	\$ 430,262	\$ 487,369	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248	\$ 261,908
Contributions - employee	110,230	130,026	130,811	132,611	141,988	145,107	183,748	195,245	187,916	171,178
Investment income (net of administrative expenses)	1,061,985	(579,527)	2,307,264	102,955	389,112	446,127	651,916	29,391	167,246	505,572
Benefit payments	(618,683)	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Administrative expenses	(5,432)	(10,319)	(10,787)	(8,395)	(7,759)	(7,490)	(6,168)	(4,629)	(4,470)	-
Other	430	-	-	-	(5,161)	(383,143)	64	(88,820)	(78,930)	(22,265)
Net change in plan fiduciary net position	797,004	(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	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	3,643,352
Plan fiduciary net position - ending (b)	\$ 14,623,857	\$ 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)	\$ (694,480)	\$ (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	104.99%	100.88%	110.33%	66.03%	72.26%	71.56%	68.49%	64.96%	74.66%	73.98%
Covered payroll	\$ 1,538,842	\$ 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	-45.13%	-8.08%	-92.30%	297.11%	180.62%	140.72%	149.96%	166.38%	102.09%	92.29%

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, 2024

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

Total OPEB Liability	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,707	\$ 7,619	\$ 7,589	\$ 9,013	\$ 6,658	\$ 6,462	\$ 8,171
Interest on total OPEB liability	19,584	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	(9,674)	(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	(9,332)	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Net change in total OPEB liability	8,285	15,814	1,124	8,506	(49,996)	8,212	3,652
Total OPEB liability - beginning	253,141	253,141	252,017	243,511	293,507	285,295	281,643
Total OPEB liability - ending (a)	\$ 261,426	\$ 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)	32,007	(17,648)	98,762	4,516	18,162	21,981	33,569
Benefit payments	(9,332)	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Administrative expenses	(199)	(314)	(406)	(367)	(314)	(335)	(297)
Other	-	-	-	-	5,668	1	-
Net change in plan fiduciary net position	22,476	(26,867)	89,636	1,971	23,484	17,475	32,016
Plan fiduciary net position - beginning	423,093	449,960	360,324	358,353	334,869	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 445,569	\$ 423,093	\$ 449,960	\$ 360,324	\$ 358,353	\$ 334,869	\$ 317,394
 Net OPEB asset - ending (a)-(b)	\$ (184,143)	\$ (64,502)	\$ (196,819)	\$ (108,307)	\$ (114,842)	\$ (41,362)	\$ (32,099)
 Plan fiduciary net position as a percentage of the total OPEB liability	170.44%	123.98%	177.75%	142.98%	147.16%	114.09%	111.25%
Covered payroll	\$ 1,793,033	\$ 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	-10.27%	-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, 2024

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

Total OPEB Liability	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,359	\$ 7,721	\$ 7,452	\$ 8,671	\$ 6,215	\$ 6,551	\$ 6,493
Interest on total OPEB liability	20,246	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	(32,123)	(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	(6,362)	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Net change in total OPEB liability	(10,880)	19,402	25,120	11,310	(25,119)	(6,275)	16,289
Total OPEB liability - beginning	257,609	257,609	232,489	221,179	246,298	252,573	236,284
Total OPEB liability - ending (a)	\$ 246,729	\$ 277,011	\$ 257,609	\$ 232,489	\$ 221,179	\$ 246,298	\$ 252,573
 Plan fiduciary net position							
Contributions - employer	\$ 16,231	\$ 7,352	\$ 9,945	\$ 10,538	\$ 12,994	\$ 7,543	\$ 9,935
Contributions - employee	-	-	-	-	-	-	-
Investment income (net of administrative expenses)	17,891	(9,618)	51,980	2,288	8,985	10,605	16,231
Benefit payments	(6,362)	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Administrative expenses	(96)	(171)	(214)	(186)	(155)	(161)	(143)
Other	-	-	-	-	5,161	(1)	-
Net change in plan fiduciary net position	27,664	(9,849)	55,337	7,744	20,028	9,085	16,501
Plan fiduciary net position - beginning	236,346	246,195	190,858	183,114	163,086	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 264,010	\$ 236,346	\$ 246,195	\$ 190,858	\$ 183,114	\$ 163,086	\$ 154,001
 Net OPEB liability - ending (a)-(b)	\$ (17,281)	\$ 96,002	\$ 11,414	\$ 41,631	\$ 38,065	\$ 83,212	\$ 98,572
 Plan fiduciary net position as a percentage of the total OPEB liability	107.00%	65.34%	95.57%	82.09%	82.79%	66.21%	60.97%
Covered payroll	\$ 1,538,842	\$ 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	-1.12%	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, 2024

Arizona State Retirement System ("ASRS") Pension Plan

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 1,363,222	\$ 1,168,634	\$ 1,028,299	\$ 959,894	\$ 966,830
Contributions in relation to the statutorily required contributions	<u>(1,363,222)</u>	<u>(1,168,634)</u>	<u>(1,028,299)</u>	<u>(959,894)</u>	<u>(966,830)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,505,379	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971
Contributions as a percentage of covered payroll	30.26%	26.72%	24.21%	23.28%	24.15%
	2018-19	2017-18	2016-17	2015-16	2014-15
Statutorily required contribution	\$ 914,919	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845
Contributions in relation to the statutorily required contributions	<u>(914,919)</u>	<u>(882,838)</u>	<u>(810,358)</u>	<u>(815,999)</u>	<u>(271,845)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998
Contributions as a percentage of covered payroll	23.54%	23.40%	22.12%	22.94%	7.87%

Notes to Schedule

Valuation date: 6/30/2022

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 12,465	\$ 10,784	\$ 17,980	\$ 32,134	\$ 32,019
Contributions in relation to the statutorily required contributions	<u>(12,465)</u>	<u>(10,784)</u>	<u>(17,980)</u>	<u>(32,134)</u>	<u>(32,019)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,505,379	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971
Contributions as a percentage of covered payroll	0.28%	0.25%	0.42%	0.78%	0.80%
	2018-19	2017-18	2016-17¹		
Statutorily required contribution	\$ 37,644	\$ 34,932	\$ 43,396		
Contributions in relation to the statutorily required contributions	<u>(37,644)</u>	<u>(34,932)</u>	<u>(43,396)</u>		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286		
Contributions as a percentage of covered payroll	0.97%	0.93%	1.18%		

Notes to Schedule

Valuation date: 6/30/2022

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, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 16,998	\$ 13,725	\$ 16,268	\$ 14,934	\$ 14,131
Contributions in relation to the statutorily required contributions	(16,998)	(13,725)	(16,268)	(14,934)	(14,131)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,505,379	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060	\$ 4,002,971
Contributions as a percentage of covered payroll	0.38%	0.31%	0.38%	0.36%	0.35%
	2018-19	2017-18	2016-17¹		
Statutorily required contribution	\$ 13,094	\$ 12,706	\$ 10,882		
Contributions in relation to the statutorily required contributions	(13,094)	(12,706)	(10,882)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286		
Contributions as a percentage of covered payroll	0.34%	0.34%	0.30%		

Notes to Schedule

Valuation date: 6/30/2022

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, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially determined contribution	\$ 226,940	\$ 165,343	\$ 183,981	\$ 13,975,602	\$ 878,499
Contributions in relation to the actuarially determined contributions	<u>(226,940)</u>	<u>(165,343)</u>	<u>(183,981)</u>	<u>(13,975,602)</u>	<u>(878,499)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,477,692	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439	\$ 2,201,397
Contributions as a percentage of covered payroll	9.16%	6.87%	7.88%	616.36%	39.91%
	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution	\$ 940,547	\$ 974,192	\$ 879,100	\$ 910,441	\$ 601,731
Contributions in relation to the actuarially determined contributions	<u>(940,547)</u>	<u>(974,192)</u>	<u>(879,100)</u>	<u>(910,441)</u>	<u>(601,731)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913	\$ 2,034,987
Contributions as a percentage of covered payroll	44.01%	46.95%	43.64%	46.55%	29.57%

Notes to Schedule

Valuation date: 6/30/2023

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be
Asset valuation method	7-Year smoothed fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.20%, net of investment and administrative expenses
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially determined contribution	\$ 172,821	\$ 185,789	\$ 202,312	\$ 4,198,944	\$ 392,866
Contributions in relation to the actuarially determined contributions	(172,821)	(185,789)	(202,312)	(4,198,944)	(392,866)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 2,303,682	\$ 2,236,584	\$ 2,171,441	\$ 2,108,196	\$ 2,046,792
Contributions as a percentage of covered payroll	7.50%	8.31%	9.32%	199.17%	19.19%
	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution	\$ 442,193	\$ 430,827	\$ 324,450	\$ 323,156	\$ 243,520
Contributions in relation to the actuarially determined contributions	(442,193)	(430,827)	(324,450)	(323,156)	(243,520)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,818,548	\$ 1,604,216
Contributions as a percentage of covered payroll	22.25%	22.33%	17.32%	17.77%	15.18%

Notes to Schedule

Valuation date: 6/30/2023

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.20%, net of investment and administrative expenses
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially determined contribution	\$ -	\$ -	\$ 7,057	\$ -	\$ 6,146
Contributions in relation to the actuarially determined contributions	\$ -	\$ -	\$ (7,057)	\$ -	\$ (6,146)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,477,692	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439	\$ 2,201,397
Contributions as a percentage of covered payroll	0.00%	0.00%	0.30%	0.00%	0.28%
	2018-19	2017-18	2016-17¹		
Actuarially determined contribution	\$ 6,482	\$ 8,256	\$ 5,612		
Contributions in relation to the actuarially determined contributions	(6,482)	(8,256)	(5,612)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590		
Contributions as a percentage of covered payroll	0.30%	0.40%	0.28%		

Notes to Schedule

Valuation date: 6/30/2023

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.20%, net of investment and administrative expenses
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2022-23	2022-23	2021-22	2020-21	2019-20
Actuarially determined contribution	\$ 9,840	\$ 270	\$ 2,906	\$ 9,941	\$ 3,179
Contributions in relation to the actuarially determined contributions	<u>(9,840)</u>	<u>(270)</u>	<u>(2,906)</u>	<u>(9,941)</u>	<u>(3,179)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,236,585	\$ 2,171,442	\$ 2,108,196	\$ 2,046,792	\$ 1,987,177
Contributions as a percentage of covered payroll	0.44%	0.01%	0.14%	0.49%	0.16%
	2018-19	2017-18	2016-17¹		
Actuarially determined contribution	\$ 12,495	\$ 9,935	\$ 9,935		
Contributions in relation to the actuarially determined contributions	<u>(12,495)</u>	<u>(9,935)</u>	<u>(9,935)</u>		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 1,929,298	\$ 1,873,104	\$ 1,873,104		
Contributions as a percentage of covered payroll	0.65%	0.53%	0.53%		

Notes to Schedule

Valuation date: 6/30/2023

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed fair value; 20% corridor
Wage inflation	3.50%
Price inflation	2.50%
Salary increases	3.50% to 7.50% including inflation.
Investment rate of return	7.20%, net of investment and administrative expenses
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB.
Mortality	PubS-2010 tables.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 63,139	\$ 49,424	\$ 27,080	\$ 85,625	\$ 4,933
Contributions in relation to					
the statutorily required contributions	<u>(63,139)</u>	<u>(49,424)</u>	<u>(27,080)</u>	<u>(85,625)</u>	<u>(4,933)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 119,817	\$ 116,327	\$ 112,939	\$ 109,650	\$ 106,456
Contributions as a percentage					
of covered payroll	52.70%	42.49%	23.98%	78.09%	4.63%
	2018-19	2017-18¹			
Statutorily required contribution	\$ 8,220	\$ 3,731			
Contributions in relation to					
the statutorily required contributions	<u>(8,220)</u>	<u>(3,731)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 103,355	\$ 100,345			
Contributions as a percentage					
of covered payroll	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: 6/30/2023

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 49,203	\$ 20,238	\$ 21,244	\$ 43,657	\$ 28,740
Contributions in relation to					
the statutorily required contributions	<u>(49,203)</u>	<u>(20,238)</u>	<u>(21,244)</u>	<u>(43,657)</u>	<u>(28,740)</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	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234
Contributions as a percentage					
of covered payroll	54.49%	23.08%	24.96%	52.83%	35.82%
	2018-19	2017-18¹			
Statutorily required contribution	\$ 9,090	\$ 333			
Contributions in relation to					
the statutorily required contributions	<u>(9,090)</u>	<u>(333)</u>			
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>			
Covered payroll	\$ 77,897	\$ 75,628			
Contributions as a percentage					
of covered payroll	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: 6/30/2023

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 872	\$ 8,469	\$ 359	\$ 1,302	\$ 106
Contributions in relation to					
the statutorily required contributions	<u>(872)</u>	<u>(8,469)</u>	<u>(359)</u>	<u>(1,302)</u>	<u>(106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 119,817	\$ 116,327	\$ 112,939	\$ 109,650	\$ 106,456
Contributions as a percentage					
of covered payroll	0.73%	7.28%	0.32%	1.19%	0.10%
	2018-19	2017-18¹			
Statutorily required contribution	\$ 47	\$ 100			
Contributions in relation to					
the statutorily required contributions	<u>(47)</u>	<u>(100)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 103,355	\$ 100,345			
Contributions as a percentage					
of covered payroll	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: 6/30/2023

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2024

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

	2023-24	2022-23	2021-22	2020-21	2019-20
Statutorily required contribution	\$ 679	\$ 2,477	\$ 282	\$ 664	\$ 616
Contributions in relation to					
the statutorily required contributions	<u>(679)</u>	<u>(2,477)</u>	<u>(282)</u>	<u>(664)</u>	<u>(616)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234
Contributions as a percentage					
of covered payroll	0.75%	2.83%	0.33%	0.80%	0.77%
	2018-19	2017-18¹			
Statutorily required contribution	\$ 93	\$ 9			
Contributions in relation to					
the statutorily required contributions	<u>(93)</u>	<u>(9)</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
Covered payroll	\$ 77,897	\$ 75,628			
Contributions as a percentage					
of covered payroll	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: 6/30/2023

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

Supplementary Information

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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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, 2024

	Special Revenue Funds		
	Grants Fund	Transit Fund	HURF Fund
ASSETS			
Cash and cash investments	\$ 1,312,053	\$ -	\$ 5,036,671
Restricted cash and cash investments	-	-	553,013
Receivables:			
Accounts	72,399	667	-
Taxes	-	65,603	171,958
Intergovernmental	55,720	1,357,948	129,650
Prepaid items	-	-	13,928
Total assets	\$ 1,440,172	\$ 1,424,218	\$ 5,905,220
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,066	\$ 72,258	\$ 776,591
Due to other funds	-	645,189	-
Interest payable - current portion	-	-	76,906
Principal payable - current portion	-	-	237,776
Total liabilities	16,066	717,447	1,091,273
Fund Balances:			
Nonspendable	-	-	13,928
Restricted	1,424,106	706,771	4,800,019
Total fund balances	1,424,106	706,771	4,813,947
Total liabilities and fund balances	\$ 1,440,172	\$ 1,424,218	\$ 5,905,220

City of Cottonwood
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2024

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	Funds
ASSETS		
Cash and cash investments	\$ 1,454,515	\$ 7,803,239
Restricted cash and cash investments	-	553,013
Receivables:		
Accounts	-	73,066
Taxes	32,802	270,363
Intergovernmental	3,720	1,547,038
Prepaid items	-	13,928
Total assets	\$ 1,491,037	\$ 10,260,647
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 924	\$ 865,839
Due to other funds	-	645,189
Interest payable - current portion	-	76,906
Principal payable - current portion	-	237,776
Total liabilities	924	1,825,710
Fund Balances:		
Nonspendable	-	13,928
Restricted	1,490,113	8,421,009
Total fund balances	1,490,113	8,434,937
Total liabilities and fund balances	\$ 1,491,037	\$ 10,260,647

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		
	Grants Fund	Transit Fund	HURF Fund
REVENUES:			
Taxes	\$ -	\$ 749,618	\$ 1,699,486
Intergovernmental	759,334	2,242,147	1,263,182
Investment income	-	-	211,145
Charges for services	-	174,930	-
Miscellaneous	-	962	37,986
Total revenues	759,334	3,167,657	3,211,799
EXPENDITURES:			
Current:			
General government	622,759	-	-
Highways and streets	103,398	-	2,504,612
Transportation	-	2,627,276	-
Capital outlay	238,874	331,880	981,045
Debt service:			
Principal	-	-	237,776
Interest and fiscal charges	-	-	163,221
Total expenditures	965,031	2,959,156	3,886,654
REVENUES OVER (UNDER) EXPENDITURES	(205,697)	208,501	(674,855)
OTHER FINANCING SOURCES (USES):			
Inception of finance purchase agreement	-	-	54,968
Transfers in	205,697	-	619,887
Total other financing sources (uses)	205,697	-	674,855
Net changes in fund balances	-	208,501	-
FUND BALANCES:			
Beginning of year	1,424,106	498,270	4,813,947
End of year	\$ 1,424,106	\$ 706,771	\$ 4,813,947

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2024

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	Funds
REVENUES:		
Taxes	\$ 374,809	\$ 2,823,913
Intergovernmental	13,219	4,277,882
Investment income	24,407	235,552
Charges for services	-	174,930
Miscellaneous	-	38,948
Total revenues	412,435	7,551,225
EXPENDITURES:		
Current:		
General government	18,467	641,226
Highways and streets	-	2,608,010
Transportation	-	2,627,276
Capital outlay	62,213	1,614,012
Debt service:		
Principal	-	237,776
Interest and fiscal charges	-	163,221
Total expenditures	80,680	7,891,521
REVENUES OVER (UNDER) EXPENDITURES	331,755	(340,296)
OTHER FINANCING SOURCES (USES):		
Inception of finance purchase agreement	-	54,968
Transfers in	-	825,584
Total other financing sources (uses)	-	880,552
Net changes in fund balances	331,755	540,256
FUND BALANCES:		
Beginning of year	1,158,358	7,894,681
End of year	\$ 1,490,113	\$ 8,434,937

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Budgetary Comparison Schedule
City Debt Service Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Favorable (Unfavorable)	
REVENUES:				
Taxes	\$ 1,644,870	\$ 1,644,870	\$ 1,642,250	\$ (2,620)
Investment income	500	2,640	2,318	(322)
Total revenues	<u>1,645,370</u>	<u>1,647,510</u>	<u>1,644,568</u>	<u>(2,942)</u>
EXPENDITURES:				
Debt service:				
Principal	1,337,290	1,337,290	1,337,288	2
Interest and fiscal charges	307,580	307,580	313,355	(5,775)
Total expenditures	<u>1,644,870</u>	<u>1,644,870</u>	<u>1,650,643</u>	<u>(5,773)</u>
Net change in fund balances	<u>\$ 500</u>	<u>\$ 2,640</u>	<u>(6,075)</u>	<u>\$ (8,715)</u>
FUND BALANCE:				
Beginning of year			369,814	
End of year			<u>\$ 363,739</u>	

City of Cottonwood
Budgetary Comparison Schedule
Grant Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Favorable (Unfavorable)	
REVENUES:				
Intergovernmental	\$ 5,303,030	\$ 2,045,205	\$ 759,334	\$ (1,285,871)
Total revenues	<u>5,303,030</u>	<u>2,045,205</u>	<u>759,334</u>	<u>(1,285,871)</u>
EXPENDITURES:				
Current:				
General government	1,150,000	775,000	622,759	152,241
Highways and streets	2,217,920	860,555	103,398	757,157
Capital outlay	3,665,700	497,570	238,874	258,696
Total expenditures	<u>7,033,620</u>	<u>2,133,125</u>	<u>965,031</u>	<u>1,168,094</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(1,730,590)</u>	<u>(87,920)</u>	<u>(205,697)</u>	<u>(117,777)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	299,055	87,920	205,697	117,777
Total other financing sources (uses)	<u>299,055</u>	<u>87,920</u>	<u>205,697</u>	<u>117,777</u>
Net change in fund balances	<u><u>\$ (1,431,535)</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
FUND BALANCE:				
Beginning of year			1,424,106	
End of year			<u>\$ 1,424,106</u>	

City of Cottonwood
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Favorable (Unfavorable)	
REVENUES:				
Taxes	\$ 574,470	\$ 564,605	\$ 749,618	\$ 185,013
Intergovernmental	2,617,720	3,032,445	2,242,147	(790,298)
Charges for services	193,850	161,670	174,930	13,260
Miscellaneous	9,500	-	962	962
Total revenues	<u>3,395,540</u>	<u>3,758,720</u>	<u>3,167,657</u>	<u>(591,063)</u>
EXPENDITURES:				
Current:				
Transportation	2,461,885	3,051,315	2,627,276	424,039
Capital outlay	1,253,000	1,205,675	331,880	873,795
Total expenditures	<u>3,714,885</u>	<u>4,256,990</u>	<u>2,959,156</u>	<u>1,297,834</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(319,345)</u>	<u>(498,270)</u>	<u>208,501</u>	<u>706,771</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	319,345	-	-	-
Total other financing sources (uses)	<u>319,345</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (498,270)</u>	<u>208,501</u>	<u>\$ 706,771</u>
FUND BALANCE:				
Beginning of year			498,270	
End of year			<u>\$ 706,771</u>	

City of Cottonwood
Budgetary Comparison Schedule
HURF Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Amounts	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,639,675	\$ 1,744,534	\$ 1,699,486	\$ (45,048)
Intergovernmental	1,290,780	1,290,780	1,263,182	(27,598)
Investment income	20,000	197,895	211,145	13,250
Miscellaneous	4,000	-	37,986	37,986
Total revenues	2,954,455	3,233,209	3,211,799	(21,410)
EXPENDITURES:				
Current:				
Highways and streets	2,321,620	6,477,459	2,504,612	3,972,847
Capital outlay	11,669,070	1,169,120	981,045	188,075
Debt service:				
Principal	237,780	237,780	237,776	4
Interest and fiscal charges	157,365	162,800	163,221	(421)
Total expenditures	14,385,835	8,047,159	3,886,654	4,160,505
REVENUE OVER (UNDER) EXPENDITURES	(11,431,380)	(4,813,950)	(674,855)	4,139,095
OTHER FINANCING SOURCES (USES):				
Inception of finance purchase agreement	-	-	54,968	54,968
Transfers in	6,497,175	-	619,887	619,887
Total other financing sources (uses)	6,497,175	-	674,855	674,855
Net change in fund balances	\$ (4,934,205)	\$ (4,813,950)	-	\$ 4,813,950
FUND BALANCE:				
Beginning of year			4,813,947	
End of year			\$ 4,813,947	

City of Cottonwood
Budgetary Comparison Schedule
City Capital Projects Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final	Favorable (Unfavorable)	
REVENUES:				
Taxes	\$ 382,980	\$ 382,980	\$ 374,809	\$ (8,171)
Intergovernmental	400,000	400,000	13,219	(386,781)
Investment income	5,000	5,000	24,407	19,407
Total revenues	787,980	787,980	412,435	(375,545)
EXPENDITURES:				
Current:				
General government	404,400	404,000	18,467	385,533
Capital outlay	900,000	117,800	62,213	55,587
Total expenditures	1,304,400	521,800	80,680	441,120
Net change in fund balances	\$ (516,420)	\$ 266,180	331,755	\$ 65,575
FUND BALANCE:				
Beginning of year			1,158,358	
End of year			\$ 1,490,113	

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

Statistical Section

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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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
(accrual basis of accounting)

	Fiscal Year				
	2024	2023	2022	2021	2020
Governmental activities					
Net investment in capital assets	\$ 40,376,926	\$ 37,611,329	\$ 36,108,156	\$ 28,377,288	\$ 27,118,419
Restricted	13,764,587	13,833,136	12,628,846	9,151,977	4,127,464
Unrestricted (deficit)	706,082	(3,296,254)	(9,690,274)	(9,008,315)	(11,650,963)
Total governmental activities net position	<u>\$ 54,847,595</u>	<u>\$ 48,148,211</u>	<u>\$ 39,046,728</u>	<u>\$ 28,520,950</u>	<u>\$ 19,594,920</u>
Business-type activities					
Net investment in capital assets	\$ 25,983,239	\$ 26,141,300	\$ 24,331,532	\$ 26,397,745	\$ 27,364,275
Restricted	8,661,491	8,281,148	8,158,869	9,501,748	7,674,983
Unrestricted	25,257,067	28,226,468	26,552,317	14,952,181	12,015,527
Total business-type activities net position	<u>\$ 59,901,797</u>	<u>\$ 62,648,916</u>	<u>\$ 59,042,718</u>	<u>\$ 50,851,674</u>	<u>\$ 47,054,785</u>
Primary government					
Net investment in capital assets	\$ 66,360,165	\$ 63,752,629	\$ 60,439,688	\$ 54,775,033	\$ 54,482,694
Restricted	22,426,078	22,114,284	20,787,715	18,653,725	11,802,447
Unrestricted (deficit)	25,963,149	24,930,214	16,862,043	5,943,866	364,564
Total primary government net position	<u>\$ 114,749,392</u>	<u>\$ 110,797,127</u>	<u>\$ 98,089,446</u>	<u>\$ 79,372,624</u>	<u>\$ 66,649,705</u>

City of Cottonwood
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets	\$ 27,277,629	\$ 27,332,884	\$ 24,457,732	\$ 26,266,479	\$ 32,767,938
Restricted	3,010,461	2,612,991	4,287,185	3,059,882	1,290,122
Unrestricted (deficit)	<u>(13,832,151)</u>	<u>(15,403,566)</u>	<u>(7,801,463)</u>	<u>(5,612,279)</u>	<u>(7,294,803)</u>
Total governmental activities net position	<u><u>\$ 16,455,939</u></u>	<u><u>\$ 14,542,309</u></u>	<u><u>\$ 20,943,454</u></u>	<u><u>\$ 23,714,082</u></u>	<u><u>\$ 26,763,257</u></u>
Business-type activities					
Net investment in capital assets	\$ 27,089,493	\$ 24,493,779	\$ 18,333,192	\$ 13,642,806	\$ 5,440,590
Restricted	12,252,785	7,536,216	-	1,802,675	2,557,734
Unrestricted	<u>4,198,028</u>	<u>8,424,140</u>	<u>10,483,581</u>	<u>9,576,508</u>	<u>15,069,210</u>
Total business-type activities net position	<u><u>\$ 43,540,306</u></u>	<u><u>\$ 40,454,135</u></u>	<u><u>\$ 28,816,773</u></u>	<u><u>\$ 25,021,989</u></u>	<u><u>\$ 23,067,534</u></u>
Primary government					
Net investment in capital assets	\$ 54,367,122	\$ 51,826,663	\$ 42,790,924	\$ 39,909,285	\$ 38,208,528
Restricted	15,263,246	10,149,207	4,287,185	4,862,557	3,847,856
Unrestricted (deficit)	<u>(9,634,123)</u>	<u>(6,979,426)</u>	<u>2,682,118</u>	<u>3,964,229</u>	<u>7,774,407</u>
Total primary government net position	<u><u>\$ 59,996,245</u></u>	<u><u>\$ 54,996,444</u></u>	<u><u>\$ 49,760,227</u></u>	<u><u>\$ 48,736,071</u></u>	<u><u>\$ 49,830,791</u></u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
Expenses					
Governmental Activities					
General government	\$ 11,053,551	\$ 8,480,068	\$ 7,004,688	\$ 6,927,542	\$ 6,651,834
Public Safety	14,525,084	12,916,839	11,109,091	12,859,366	11,945,539
Highway and streets	3,183,557	1,813,369	1,852,918	1,949,637	1,809,652
Transportation	3,202,822	2,917,050	2,618,607	2,620,605	2,147,294
Culture and recreation	6,054,053	5,388,632	5,043,553	4,215,599	4,455,091
Interest on long-term debt	1,057,369	885,435	881,345	597,696	650,224
Total governmental activities expenses	<u>39,076,436</u>	<u>32,401,393</u>	<u>28,510,202</u>	<u>29,170,445</u>	<u>27,659,634</u>
Business-Type Activities					
Water	8,246,030	7,223,858	5,949,754	5,265,348	5,348,996
Sewer	3,965,113	3,470,097	3,067,447	3,384,098	2,830,268
Total business-type activities expenses	<u>12,211,143</u>	<u>10,693,955</u>	<u>9,017,201</u>	<u>8,649,446</u>	<u>8,179,264</u>
Total primary government expenses	<u>\$ 51,287,579</u>	<u>\$ 43,095,348</u>	<u>\$ 37,527,403</u>	<u>\$ 37,819,891</u>	<u>\$ 35,838,898</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 2,371,546	\$ 1,952,907	\$ 1,790,437	\$ 1,506,871	\$ 1,267,587
Public safety	1,228,147	1,179,341	1,110,216	949,274	905,165
Highways and streets	-	-	-	-	-
Transportation	174,930	156,949	122,608	415	154,367
Culture and leisure	1,066,654	1,012,868	876,284	367,259	775,578
Operating grants and contributions	5,477,771	4,206,989	5,120,000	6,480,841	3,772,457
Capital grants and contributions	782,711	669,448	844,323	567,018	770,600
Total governmental activities program revenues	<u>11,101,759</u>	<u>9,178,502</u>	<u>9,863,868</u>	<u>9,871,678</u>	<u>7,645,754</u>
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,371,038	8,411,092	8,716,680	8,649,599	8,073,195
Sewer	5,559,145	5,041,548	4,580,092	4,035,452	3,266,899
Operating grants and contributions	-	-	4,092,258	-	-
Total business-type activities program revenues	<u>13,930,183</u>	<u>13,452,640</u>	<u>17,389,030</u>	<u>12,685,051</u>	<u>11,340,094</u>
Total primary government program revenues	<u>\$ 25,031,942</u>	<u>\$ 22,631,142</u>	<u>\$ 27,252,898</u>	<u>\$ 22,556,729</u>	<u>\$ 18,985,848</u>
Net (Expense) Revenue					
Governmental activities	\$ (27,974,677)	\$ (23,222,891)	\$ (18,646,334)	\$ (19,298,767)	\$ (20,013,880)
Business-type activities	1,719,040	2,758,685	8,371,829	4,035,605	3,160,830
Total primary government	<u>\$ (26,255,637)</u>	<u>\$ (20,464,206)</u>	<u>\$ (10,274,505)</u>	<u>\$ (15,263,162)</u>	<u>\$ (16,853,050)</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Expenses					
Governmental Activities					
General government	\$ 5,947,814	\$ 5,357,347	\$ 9,016,421	\$ 5,653,593	\$ 4,815,686
Public Safety	12,099,647	12,214,453	12,252,315	10,567,676	9,270,523
Highway and streets	1,419,997	1,634,741	3,817,500	3,999,492	4,222,310
Transportation	2,300,410	2,174,021	-	-	-
Culture and recreation	4,107,450	4,144,697	3,767,245	4,239,038	3,748,143
Interest on long-term debt	691,681	614,906	1,208,866	938,399	815,524
Total governmental activities expenses	<u>26,566,999</u>	<u>26,140,165</u>	<u>30,062,347</u>	<u>25,398,198</u>	<u>22,872,186</u>
Business-Type Activities					
Water	5,273,405	5,409,263	4,667,663	6,667,587	5,776,752
Sewer	2,876,534	2,386,840	2,750,544	2,339,933	2,360,966
Total business-type activities expenses	<u>8,149,939</u>	<u>7,796,103</u>	<u>7,418,207</u>	<u>9,007,520</u>	<u>8,137,718</u>
Total primary government expenses	<u>\$ 34,716,938</u>	<u>\$ 33,936,268</u>	<u>\$ 37,480,554</u>	<u>\$ 34,405,718</u>	<u>\$ 31,009,904</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,469,608	\$ 1,886,679	\$ 1,745,730	\$ 1,252,512	\$ 1,249,543
Public safety	888,666	835,855	800,601	626,941	182,682
Highways and streets	-	-	207,002	358,991	336,854
Transportation	211,490	207,920	-	-	-
Culture and leisure	1,029,563	1,093,849	1,023,178	984,529	938,362
Operating grants and contributions	3,358,972	3,292,725	2,971,986	2,434,617	2,383,018
Capital grants and contributions	601,461	2,494,456	2,220,427	348,290	288,143
Total governmental activities program revenues	<u>7,559,760</u>	<u>9,811,484</u>	<u>8,968,924</u>	<u>6,005,880</u>	<u>5,378,602</u>
Program Revenues					
Business-type activities					
Charges for services:					
Water	7,744,901	8,011,771	7,608,838	7,496,231	7,432,085
Sewer	3,076,218	2,620,736	2,486,514	2,438,088	2,305,897
Operating grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>10,821,119</u>	<u>10,632,507</u>	<u>10,095,352</u>	<u>9,934,319</u>	<u>9,737,982</u>
Total primary government program revenues	<u>\$ 18,380,879</u>	<u>\$ 20,443,991</u>	<u>\$ 19,064,276</u>	<u>\$ 15,940,199</u>	<u>\$ 15,116,584</u>
Net (Expense) Revenue					
Governmental activities	\$ (19,007,239)	\$ (16,328,681)	\$ (21,093,423)	\$ (19,392,318)	\$ (17,493,584)
Business-type activities	2,671,180	2,836,404	2,677,145	926,799	1,600,264
Total primary government	<u>\$ (16,336,059)</u>	<u>\$ (13,492,277)</u>	<u>\$ (18,416,278)</u>	<u>\$ (18,465,519)</u>	<u>\$ (15,893,320)</u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	\$ (26,255,637)	\$ (20,464,206)	\$ (10,274,505)	\$ (15,263,162)	\$ (16,853,050)
Governmental Activities					
Taxes:					
Sales taxes	\$ 25,466,711	\$ 24,970,136	\$ 23,598,985	\$ 21,441,099	\$ 18,588,547
Motor vehicle in-lieu tax	1,020,640	1,013,079	1,006,423	1,039,271	866,283
Franchise taxes	450,449	442,258	657,223	465,588	303,659
Transit occupancy tax	661,174	632,036	418,731	405,373	386,302
State shared revenue	5,391,255	4,198,780	3,292,506	3,204,737	2,838,005
Investment Income	1,536,710	921,808	(42,572)	10,635	129,036
Miscellaneous	147,122	98,259	221,534	827,590	41,029
Gain (loss) on sale of assets	-	-	19,282	830,504	-
Transfers	-	-	-	-	-
Total governmental activities	<u>\$ 34,674,061</u>	<u>\$ 32,276,356</u>	<u>\$ 29,172,112</u>	<u>\$ 28,224,797</u>	<u>\$ 23,152,861</u>
Business-type activities:					
Investment income	\$ 1,967,201	\$ 847,513	\$ (92,372)	\$ 16,978	\$ 353,649
Miscellaneous	-	-	-	-	-
Gain (loss) on sale of assets	-	-	(88,413)	(255,694)	-
Transfers	-	-	(19,282)	(830,504)	-
Special item	<u>(6,433,360)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business activities	<u>\$ (4,466,159)</u>	<u>\$ 847,513</u>	<u>\$ (200,067)</u>	<u>\$ (1,069,220)</u>	<u>\$ 353,649</u>
Total primary government	<u>\$ 30,207,902</u>	<u>\$ 33,123,869</u>	<u>\$ 28,972,045</u>	<u>\$ 27,155,577</u>	<u>\$ 23,506,510</u>
Change in Net Position	<u>\$ 3,952,265</u>	<u>\$ 12,659,663</u>	<u>\$ 18,697,540</u>	<u>\$ 11,892,415</u>	<u>\$ 6,653,460</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	\$ (16,336,059)	\$ (13,492,277)	\$ (18,416,278)	\$ (18,465,519)	\$ (15,893,320)
Governmental Activities					
Taxes:					
Sales taxes	\$ 16,453,665	14,275,812	\$ 13,982,967	\$ 13,385,256	\$ 12,774,860
Motor vehicle in-lieu tax	848,579	781,103	758,271	710,155	660,786
Franchise taxes	404,620	416,542	370,646	349,537	368,062
Transit occupancy tax	288,333	243,347	214,976	-	-
State shared revenue	2,666,814	2,637,072	2,528,894	2,422,844	2,393,192
Investment Income	135,426	75,947	17,668	175,351	146,102
Miscellaneous	48,496	278,646	445,770	-	-
Gain (loss) on sale of assets	74,936	12,466	3,603	-	-
Transfers	-	(8,715,709)	-	(700,000)	-
Total governmental activities	<u>\$ 20,920,869</u>	<u>\$ 10,005,226</u>	<u>\$ 18,322,795</u>	<u>\$ 16,343,143</u>	<u>\$ 16,343,002</u>
Business-type activities:					
Investment income	\$ 364,451	119,643	374,976	327,656	305,896
Miscellaneous	78,225	60,644	28,288	-	-
Gain (loss) on sale of assets	(27,685)	(95,441)	4,975	-	-
Transfers	(74,936)	8,715,709	-	700,000	-
Special item	-	-	-	-	-
Total business activities	<u>\$ 340,055</u>	<u>\$ 8,800,555</u>	<u>\$ 408,239</u>	<u>\$ 1,027,656</u>	<u>\$ 305,896</u>
Total primary government	<u>\$ 21,260,924</u>	<u>\$ 18,805,781</u>	<u>\$ 18,731,034</u>	<u>\$ 17,370,799</u>	<u>\$ 16,648,898</u>
Change in Net Position	<u>\$ 4,924,865</u>	<u>\$ 5,313,504</u>	<u>\$ 314,756</u>	<u>\$ (1,094,720)</u>	<u>\$ 755,578</u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
General Fund					
Nonspendable	\$ 49,995	\$ 25,580	\$ 71,616	\$ 22,085	\$ 86,988
Restricted	4,462,845	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	24,653,789	18,776,505	12,742,721	14,081,384	6,955,514
Total general fund	\$ 30,166,629	\$ 25,398,829	\$ 18,158,160	\$ 18,251,424	\$ 8,042,502
All Other Governmental Funds					
Nonspendable	\$ 22,028	\$ 28,103	\$ 28,103	\$ 28,103	\$ 30,129
Restricted	8,776,648	8,236,392	8,285,023	6,004,022	4,127,464
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 8,798,676	\$ 8,264,495	\$ 8,313,126	\$ 6,032,125	\$ 4,157,593

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

	Fiscal Year				
	2019	2018	2017	2016	2015
General Fund					
Nonspendable	\$ 21,568	\$ 29,225	\$ 21,397	\$ 40,249	\$ 46,261
Restricted	-	-	-	-	144,477
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	<u>3,772,894</u>	<u>2,154,755</u>	<u>4,206,786</u>	<u>4,187,934</u>	<u>4,599,804</u>
Total general fund	<u>\$ 4,794,462</u>	<u>\$ 3,183,980</u>	<u>\$ 5,228,183</u>	<u>\$ 5,228,183</u>	<u>\$ 5,790,542</u>
All Other Governmental Funds					
Nonspendable	\$ 40,510	\$ 50,131	\$ 22,275	\$ 15,311	\$ 15,311
Restricted	3,010,461	2,622,474	4,287,185	5,708,599	9,421,521
Assigned	-	-	5,674,582	5,592,044	3,650,405
Unassigned	<u>(418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,050,553</u>	<u>\$ 2,672,605</u>	<u>\$ 9,984,042</u>	<u>\$ 11,315,954</u>	<u>\$ 13,087,237</u>

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

	Fiscal Year				
	2024	2023	2022	2021	2020
Revenues:					
Taxes	\$ 26,578,335	\$ 26,044,430	\$ 24,674,939	\$ 22,312,060	\$ 19,278,508
Intergovernmental revenues	11,461,571	9,234,382	9,193,830	10,508,801	7,629,598
Licenses and permits	823,038	417,188	642,420	371,819	281,099
Fines and forfeits	116,293	179,265	203,217	237,701	172,572
Rents and royalties	273,162	256,633	243,970	123,500	129,751
Investment income (loss)	1,536,710	921,808	(42,571)	10,635	129,036
Charges for services	2,948,759	2,894,106	2,580,702	1,530,513	1,956,531
Contributions	25,748	28,200	26,954	25,678	34,050
Miscellaneous	2,012,204	1,478,846	1,493,237	2,145,264	1,187,470
Total revenues	45,775,820	41,454,858	39,016,698	37,265,971	30,798,615
Expenditures:					
Current:					
General government	9,930,844	8,104,828	7,168,804	6,561,810	6,317,896
Public safety	12,491,691	11,381,138	10,258,750	27,833,695	10,277,695
Highways and street	2,608,010	1,288,918	1,274,499	1,395,849	1,085,263
Transportation	2,627,276	2,367,600	2,048,879	2,066,818	2,036,416
Culture and recreation	5,232,895	4,595,774	4,216,965	3,402,156	3,609,900
Redevelopment and housing	-	-	-	-	-
Capital outlay	5,780,870	3,871,462	8,780,448	2,242,878	592,442
Debt service:					
Principal retirement	2,961,666	2,622,678	2,327,366	1,900,875	1,842,083
Interest on long-term debt	1,194,635	1,022,701	1,018,611	734,961	787,489
Bond issuance costs	-	-	-	-	-
Total expenditures	42,827,887	35,255,099	37,094,322	46,139,042	26,549,184
Excess of revenues over (under) expenditures	2,947,933	6,199,759	1,922,376	(8,873,071)	4,249,431
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	472,585	275,072	64,376	985,538	105,649
Inception of lease	1,881,463	717,207	200,985	-	-
Transfers in	825,584	-	7,457,735	137,518	230,361
Transfers out	(825,584)	-	(7,457,735)	(137,518)	(230,361)
Total other financing sources (uses)	2,354,048	992,279	265,361	20,956,525	105,649
Net change in fund balances	\$ 5,301,981	\$ 7,192,038	\$ 2,187,737	\$ 12,083,454	\$ 4,355,080

Debt service as a percentage of noncapital expenditures	11.1%	11.6%	11.8%	6.0%	10.1%
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City of Cottonwood
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues:					
Taxes	\$ 17,146,618	\$ 14,935,701	\$ 14,568,589	\$ 13,734,793	\$ 13,142,922
Intergovernmental revenues	6,518,230	8,704,128	7,862,119	5,742,590	5,724,063
Licenses and permits	568,297	327,452	279,814	279,698	229,810
Fines and forfeits	213,450	178,504	147,698	149,459	160,813
Rents and royalties	159,879	118,756	257,931	181,608	143,578
Investment income (loss)	134,119	75,947	17,668	174,473	145,268
Charges for services	2,333,342	2,547,571	2,481,394	2,454,952	1,906,025
Contributions	30,935	36,419	31,725	73,607	1,076
Miscellaneous	1,300,823	1,595,475	1,740,887	157,256	267,215
Total revenues	28,405,693	28,519,953	27,387,825	22,948,436	21,720,770
Expenditures:					
Current:					
General government	6,139,003	6,103,437	5,705,624	4,665,822	4,510,920
Public safety	11,071,615	10,801,786	10,657,958	9,251,574	8,254,360
Highways and street	908,747	1,059,037	2,429,760	2,816,635	3,111,725
Transportation	1,789,161	1,598,318	-	-	-
Culture and recreation	3,303,096	3,401,603	3,222,539	3,198,799	3,059,962
Redevelopment and housing	-	-	-	-	-
Capital outlay	2,200,382	3,672,088	5,157,047	2,341,365	5,498,903
Debt service:					
Principal retirement	1,544,610	1,783,911	1,776,500	1,322,010	1,332,649
Interest on long-term debt	828,946	752,170	999,972	985,873	695,238
Bond issuance costs	-	-	-	-	137,693
Total expenditures	27,785,560	29,172,350	29,949,400	24,582,078	26,601,450
Excess of revenues over (under) expenditures	620,133	(652,397)	(2,561,575)	(1,633,642)	(4,880,680)
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	82,369	12,466	12,656	-	-
Inception of lease	1,285,928	-	-	-	-
Transfers in	25,512	5,146,961	1,112,808	4,216	3,119,148
Transfers out	(25,512)	(13,862,670)	(1,112,808)	(704,216)	(3,119,048)
Total other financing sources (uses)	1,368,297	(8,703,243)	1,229,663	(700,000)	8,717,035
Net change in fund balances	\$ 1,988,430	\$ (9,355,640)	\$ (1,331,912)	\$ (2,333,642)	\$ 3,836,355

Debt service as a percentage of noncapital expenditures	9.3%	9.9%	10.7%	9.8%	10.4%
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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
2024	\$ 24,934,185	\$ 661,174	\$ 450,449	\$ 429,779	\$ 26,475,587
2023	24,544,855	632,036	442,258	416,218	26,035,367
2022	23,205,191	657,223	418,731	393,794	22,312,071
2021	21,056,079	465,589	405,383	385,020	22,312,060
2020	21,075,962	405,373	465,588	365,137	17,146,618
2019	16,136,973	288,333	404,620	316,692	14,935,701
2018	14,023,394	243,347	416,542	252,417	14,568,589
2017	13,758,577	214,976	370,646	224,390	13,734,793
2016	12,967,957	187,211	349,537	230,088	13,142,922
2015	12,390,295	161,960	368,062	222,605	12,648,502

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

Overlapping Rates

Fiscal Year	City of Cottonwood	Yavapai County	State of Arizona
2024	3.50	0.75	5.60
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

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)

	2024	2023	2022	2021	2020
Construction	\$ 50,587	\$ 49,450	\$ 47,460	\$ 24,344	\$ 23,321
Manufacturing	1,386	1,597	3,834	705	2,486
Communications and utilities	15,805	15,402	13,955	14,502	14,558
Wholesale trade	-	-	-	-	-
Retail trade	527,568	526,751	478,154	474,798	420,086
Restaurants and bars	73,811	69,664	64,077	61,235	49,864
Real estate, rental and lease	49,986	49,986	30,525	43,858	41,403
Hotels and other lodging	18,801	18,162	18,898	14,499	16,477
Services	-	-	-	-	-
All Others Not Specified	11,844	3,264	33,604	26,178	1,269
Total	<u>\$ 749,788</u>	<u>\$ 734,276</u>	<u>\$ 690,507</u>	<u>\$ 660,119</u>	<u>\$ 569,464</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)

	2019	2018	2017	2016	2015
Construction	\$ 29,985	\$ 27,795	\$ 28,548	\$ 12,131	\$ 19,450
Manufacturing	2,512	3,998	754	8,210	7,198
Communications and utilities	16,041	12,647	12,647	6,642	12,769
Wholesale trade	-	-	-	-	3,343
Retail trade	331,672	343,540	343,540	307,992	292,839
Restaurants and bars	46,149	43,296	43,296	38,022	36,101
Real estate, rental and lease	40,220	38,158	38,159	35,800	37,018
Hotels and other lodging	21,596	15,023	15,023	6,509	10,366
Services	-	-	-	-	10,999
All Others Not Specified	1,048	483	2,973	57,943	9,857
Total	\$ 489,223	\$ 484,940	\$ 484,940	\$ 473,249	\$ 439,940

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

Source	2024	2023	2022	2021	2020
City Sales Tax ^a	\$ 26,119,077	\$ 25,593,109	\$ 24,496,631	\$ 21,435,371	\$ 18,385,925
State Shared Sales Taxes	1,961,470	1,838,893	1,704,031	1,453,612	1,260,498
State Shared Income Taxes	342,785	2,359,887	1,588,475	1,751,125	1,577,507
Fines and Forfeitures	116,293	207,263	203,217	259,423	172,572
Licenses & Permits	823,038	576,434	642,420	573,515	281,099
Total	<u>\$ 29,362,663</u>	<u>\$ 30,575,586</u>	<u>\$ 28,634,774</u>	<u>\$ 25,473,046</u>	<u>\$ 21,677,601</u>

(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

Source	2019	2018	2017	2016	2015
City Sales Tax ^a	\$ 16,474,873	\$ 14,703,470	\$ 13,516,835	\$ 13,198,045	\$ 13,142,922
State Shared Sales Taxes	1,210,830	1,151,996	1,083,047	1,066,539	1,029,494
State Shared Income Taxes	1,455,983	1,485,076	1,445,847	1,356,305	1,363,698
Fines and Forfeitures	213,450	178,504	147,698	149,459	160,813
Licenses & Permits	568,297	327,452	279,814	279,698	229,810
Total	<u>\$ 19,923,433</u>	<u>\$ 17,846,498</u>	<u>\$ 16,473,241</u>	<u>\$ 16,050,046</u>	<u>\$ 15,926,737</u>

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

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

<u>Industry Classification</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Retail trade	\$ 18,464,884	\$ 18,436,288	\$ 17,406,134	\$ 15,963,435	\$ 13,280,014
Contracting	1,798,351	1,730,769	1,287,374	834,667	1,052,796
Real estate, rental and lease	1,648,719	1,648,719	1,529,148	1,377,587	1,327,528
Communications and utilities	553,185	539,077	506,723	498,298	510,615
Restaurants and bars	2,583,368	2,438,234	2,294,337	2,003,950	1,736,839
All Others Not Specified	1,070,610	800,022	1,472,915	776,496	808,435
Total	\$ 26,119,117	\$ 25,593,109	\$ 24,496,631	\$ 21,454,433	\$ 18,716,227

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

<u>Industry Classification</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Retail trade	\$ 11,751,602	\$ 10,487,520	\$ 10,098,671	\$ 9,239,760	\$ 8,526,527
Contracting	776,728	858,037	681,940	363,930	686,093
Real estate, rental and lease	1,354,733	1,195,647	1,101,019	1,074,000	1,108,026
Communications and utilities	465,369	385,296	414,051	199,260	152,080
Restaurants and bars	1,572,599	1,356,197	1,238,284	1,140,660	1,076,267
All Others Not Specified	815,439	664,120	197,846	1,367,646	712,582
Total	\$ 16,736,470	\$ 14,946,817	\$ 13,731,811	\$ 13,385,256	\$ 12,261,575

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
2024	\$ 30,919,573	\$ -	\$ 2,237,164	\$ 56,304	\$ 33,213,041
2023	33,315,435	-	756,635	136,971	35,744,535
2022	35,230,581	-	513,954	-	37,708,858
2021	36,815,011	-	893,847	-	19,359,106
2020	17,980,153	-	1,378,953	-	22,119,446
2019	19,498,151	-	1,844,552	-	24,201,770
2018	20,979,005	-	1,140,441	-	23,760,075
2017	22,531,286	-	1,670,484	-	25,094,559
2016	8,686,868	14,177,929	895,278	-	17,464,937
2015	8,716,935	15,070,336	1,307,288	-	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

Fiscal Year Ending June 30	Business-Type Activates				Total Outstanding Debt		
	Revenue Bonds	Loans Payable	Finance Purchase Agreements	Total	Total Debt	Percentage of Personal Income	Per Capita
2024	\$ 14,015,330	\$ 2,407,443	\$ 53,022	\$ 16,475,795	\$ 49,688,836	N/A	3,916
2022	2,573,592	15,492,574	64,454	19,623,531	55,368,066	N/A	4,603
2021	2,735,459	16,888,072	-	21,176,613	58,885,471	N/A	4,895
2020	2,893,043	18,283,570	-	22,697,437	42,056,543	28.3%	3,496
2019	3,044,915	19,652,522	-	26,097,092	48,216,538	22.2%	3,935
2018	3,193,930	21,011,061	-	26,483,280	50,685,050	19.1%	4,138
2017	3,340,090	22,343,732	413,270	48,888,699	72,648,774	12.8%	5,988
2016	3,244,416	22,418,796	820,068	35,862,267	60,956,826	14.4%	5,091
2015	23,911,915	23,756,290	1,220,494	33,750,000	51,214,937	16.0%	4,334
2014	24,551,327	9,696,290	1,614,650	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
2024	\$ 30,919,573	\$ 749,788,000	4.12%	12,688	2,437
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

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, 2024

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Amount Overlapping Debt
Overlapping Debt:			
Yavapai County	\$ 9,034,000	5.30%	\$ 478,802
Yavapai Community College	-	5.30%	-
Mingus Union High School District	4,644,497	15.81%	734,295
Cottonwood Oak Creek School District	9,734,388	13.40%	1,304,408
Total Overlapping Debt			2,038,703
Direct:			
City of Cottonwood		100.000%	<u>47,266,615</u>
Total Direct and Overlapping Debt			<u>\$ 49,305,318</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	\$ 2,436.91	
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, 2023 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 2024:

Net full cash assessed valuation	\$ 240,260,797
Debt limit (6%)	14,415,648
Debt applicable to limit	-
Legal debt margin	<u>\$ 254,676,445</u>

	2024	2023	2022	2021	2020
Total 20% Debt Limit	\$ 48,052,159	\$ 37,708,508	\$ 32,582,995	\$ 29,121,355	\$ 28,978,987
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u>\$ 48,052,159</u>	<u>\$ 37,708,508</u>	<u>\$ 32,582,995</u>	<u>\$ 29,121,355</u>	<u>\$ 28,978,987</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	2023	2022	2021	2020
Total 6% Debt Limit	\$ 14,415,648	\$ 11,312,552	\$ 9,774,899	\$ 8,736,406	\$ 8,693,696
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u>\$ 14,415,648</u>	<u>\$ 11,312,552</u>	<u>\$ 9,774,899</u>	<u>\$ 8,736,406</u>	<u>\$ 8,693,696</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 2024:

Net full cash assessed valuation	\$ 240,260,797
Debt limit (20%)	48,052,159
Debt application to limit	-
Legal debt margin	<u>\$ 288,312,956</u>

	2019	2018	2017	2016	2015
Total 20% Debt Limit	\$ 25,587,171	\$ 24,009,228	\$ 19,767,803	\$ 18,658,140	\$ 20,447,479
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u>\$ 25,587,171</u>	<u>\$ 24,009,228</u>	<u>\$ 19,767,803</u>	<u>\$ 18,658,140</u>	<u>\$ 20,447,479</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%
	2019	2018	2017	2015	2016
Total 6% Debt Limit	\$ 7,676,151	\$ 7,202,768	\$ 5,930,341	\$ 5,597,442	\$ 6,134,244
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u>\$ 7,676,151</u>	<u>\$ 7,202,768</u>	<u>\$ 5,930,341</u>	<u>\$ 5,597,442</u>	<u>\$ 6,134,244</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				
	2024	2023	2022	2021	2020
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 9,818,277	\$ 9,089,759	\$ 8,702,992	\$ 8,664,939	\$ 8,386,920
Less: Operating expenses (2)	6,848,215	5,810,035	5,592,631	4,756,733	5,331,836
Net available revenue	2,970,062	3,279,724	3,110,361	3,908,206	3,055,084
Debt Service					
Principal	1,536,204	1,422,569	1,422,569	1,374,916	1,358,539
Interest	279,477	338,611	319,357	359,525	386,162
Total Annual Requirement	1,815,681	1,761,180	1,741,925	1,734,441	1,744,701
Estimated Coverage	1.64	1.86	1.79	2.25	1.75
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	29,362,663	30,575,586	28,634,774	25,473,045	18,803,787
Debt Service					
Principal	2,227,204	1,746,488	1,605,000	1,515,001	1,485,001
Interest	8,985,250	968,783	1,089,494	758,363	797,024
Total Annual Requirement	11,212,454	2,715,271	2,694,494	2,273,364	2,282,025
Estimated Coverage	2.62	11.26	10.63	11.21	8.24
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				
	2019	2018	2017	2016	2015
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 8,120,944	\$ 8,174,427	\$ 7,608,838	\$ 7,819,312	\$ 7,736,434
Less: Operating expenses (2)	5,273,405	4,859,357	4,489,731	3,591,176	3,169,489
Net available revenue	2,847,539	3,315,070	3,119,107	4,228,136	4,566,945
Debt Service					
Principal	1,332,671	1,307,304	709,004	610,000	1,000,000
Interest	398,108	410,792	613,923	1,205,635	1,464,618
Total Annual Requirement	1,730,779	1,718,096	1,322,927	1,815,635	2,464,618
Estimated Coverage	1.65	1.93	2.36	2.33	1.85
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	16,736,469	14,949,167	14,070,668	15,808,100	15,168,053
Debt Service					
Principal	1,445,000	-	-	-	-
Interest	853,100	-	-	465,916	-
Total Annual Requirement	2,298,100	-	-	465,916	-
Estimated Coverage	7.282741869	N/A	N/A	33.93	N/A
General Arizona Development Authority Loan					
Pledged revenues	-	-	-	15,808,100	15,168,053
Debt Service					
Principal	-	-	-	875,000	840,000
Interest	-	-	-	631,276	683,076
Total Annual Requirement	-	-	-	1,506,276	1,523,076
Estimated Coverage	N/A	N/A	N/A	10.49	9.96

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 (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (3)	School Enrollment	City of Cottonwood Unemployment Rates (2)
2024	12,688	N/A	N/A	2,945	3.60
2023	12,296	N/A	N/A	3,058	4.60
2022	12,029	12,739,608	51,747	3,156	3.40
2021	12,029	11,884,929	49,060	2,850	6.10
2020	12,253	10,687,662	44,490	3,049	9.20
2019	12,249	9,696,469	41,076	3,283	4.60
2018	12,133	9,321,549	40,312	3,487	4.40
2017	11,974	8,753,027	38,381	3,331	4.60
2016	11,818	8,199,948	36,353	3,060	5.40
2015	11,810	7,888,490	35,600	3,191	6.00

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 2020 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>2024</u>		<u>2015</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	802	0.007 %	960	0.009 %
Wal-Mart	300	0.003	346	0.003
Cottonwood Oak Creek Schools	285	0.003	322	0.003
City of Cottonwood	237	0.002	203	0.002
Mingus Union High School	143	0.001	127	0.001
Fry's	117	0.001	120	0.001
Spectrum Healthcare	150	0.001	165	0.001
Home Depot	145	0.001	140	0.001
Safeway	135	0.001	80	0.001
Food City	50	0.000	45	0.000
Total	<u>2,364</u>	<u>0.021 %</u>	<u>2,508</u>	<u>0.023 %</u>
Total employment	<u>111,196</u>		<u>97,488</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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Government										
Management Services	20.50	19.50	16.75	20.50	21.50	20.50	14.00	14.00	18.50	19.50
Finance	5.50	4.50	3.50	3.50	3.50	2.50	2.50	2.50	2.50	2.50
Planning	10.00	10.00	10.00	9.00	10.00	8.00	7.00	7.00	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	4.80	4.60	5.00	5.00	5.00	5.00	5.00
Total general government	41.80	39.80	36.05	38.80	40.60	42.50	35.00	35.00	38.50	34.00
Public Safety										
Police	68.00	67.00	64.00	60.00	60.00	62.00	61.00	64.00	63.50	57.50
Firefighters	29.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Total public safety	97.00	95.00	92.00	88.00	88.00	90.00	89.00	92.00	91.50	85.50
Public Works										
Engineering	4.00	4.00	3.00	1.00	3.00	3.00	3.00	3.00	5.00	4.00
Others	10.50	10.00	9.00	8.50	8.50	4.00	4.00	4.00	4.00	9.50
Streets	6.50	6.00	5.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Total public works	21.00	20.00	17.75	14.00	16.00	11.50	11.50	11.50	13.50	18.00
Parks and Recreation										
Library	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Water	25.60	24.60	24.60	23.60	19.60	19.60	18.60	18.60	18.80	18.30
Sewer	11.40	11.40	11.40	11.40	10.40	10.40	10.40	10.40	10.80	11.30
Transit	21.00	21.00	19.00	18.00	18.00	14.00	14.00	17.00	14.00	13.00
	78.00	77.00	75.00	73.00	69.00	65.00	69.50	72.50	64.60	63.60
Total	237.80	231.80	220.80	213.80	213.60	209.00	205.00	211.00	208.10	201.10

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

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	36	36	33	26	26	30	34	32	32	28
Non-Patrol Units	28	22	21	13	8					
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	156	145.9	70	70	67	67	52	52	62	63
Highways (Miles)	N/A	N/A	12	12	12	12	12	12	12	20
Streetlights	644	644	644	644	644	644	644	644	644	644
Traffic Signals	1	1	1	1	1	1	10	10	10	10
Recreation and culture										
Acreage	39	39	39	39	39	39	39	39	39	125
Playgrounds	3	3	3	3	2	2	2	2	2	5
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	2	2	2	2	1	1	1	1	1	4
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (Miles)	170	170	170	190	189	189	187	186	186	94
Fire Hydrants	730	730	730	235	231	514	512	496	496	687
Storage Capacity (Thousands of gallons)	3760	3760	3760	4450	4450	4450	4450	4450	4450	3800
Wastewater										
Sanitary Sewers (Miles)	60	60	60	60	60	60	60	60	60	51
Treatment Capacity (Millions of Gallons)	1.8	1.8	1.8	1.8	1.8	1.8	1.5	1.5	1.5	1.5
Transportation										
Buses	23	20	20	20	20	20	19	19	19	14

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
General Government					
Building Permits Issued	545	543	599	498	590
Police					
Physical Arrests	1600	830	1437	1938	1776
Parking Violations	N/A	N/A	N/A	N/A	N/A
Traffic Violations	1043	1589	2960	2056	2694
Calls for Service	11316	13642	13266	13162	14468
Fire					
Emergency Responses	3,729	3,633	2,696	3,361	3,448
Fires Extinguished	50	52	288	300	304
Inspections	1,830	1,455	1,556	1,558	1,398
Public Works					
Street Resurfacing (Miles)	9.87	4.27	3.25	6.54	0.74
Library					
Volumes in Collection	84,700	86,000	97,030	97,311	110,034
*Ebooks in Collection	57,742	57,000	30,000	28,647	
Volumes Borrowed	209,995	174,132	179,000	159,074	197,357
*Ebooks in Borrowed	36,296	25,000	25,000	24,807	
Water					
New Connections	40	N/A	77	67	86
Water Main Breaks	153	N/A	180	189	188
Average Daily Consumption (Thousands of Gallons)	1643	1887	2079	1938	1821
Peak Daily Consumption (Thousands of Gallons)	2182	N/A	2614	2419	2326
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	.912 MGD	1.07MGD	1014	876	1012
Transit					
Total Route Miles	469,425	468,065	469,539	460,351	455,476
Passengers	165,929	140,749	121,000	146,981	164,930

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.

City of Cottonwood
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General Government					
Building Permits Issued	479	373	379	304	301
Police					
Physical Arrests	1,921	756	1,703	1,390	813
Parking Violations	N/A	N/A	87	177	118
Traffic Violations	2,037	1,248	2,199	1,450	1,827
Calls for Service					
Fire					
Emergency Responses	3,655	3,626	3,455	3,080	2,756
Fires Extinguished	305	315	291	245	241
Inspections	1,306	1,543	1,649	1,591	1,896
Public Works					
Street Resurfacing (Miles)	1	N/A	0.8	0.8	0.3
Library					
Volumes in Collection	109,308	133,668	110,385	137,444	106,713
*Ebooks in Collection					
Volumes Borrowed	208,580	241,679	264,135	283,432	228,870
*Ebooks in Borrowed					
Water					
New Connections	91	N/A	74	29	48
Water Main Breaks	156	N/A	131	120	183
Average Daily Consumption (Thousands of Gallons)	1,880	N/A	2,800	2,083	2,235
Peak Daily Consumption (Thousands of Gallons)	2,470	N/A	3,200	2,625	3,147
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1,000	949	949	949	969
Transit					
Total Route Miles	451,022	435,228	416,116	266,688	321,387
Passengers	165,099	150,354	153,889	149,492	122,874

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.

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 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.

The PwC Group, LLP

Phoenix, Arizona
December 18, 2024



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