

City of Cottonwood

Cottonwood, Arizona

Annual Expenditure Limitation Report

For the Year Ended June 30, 2024



City of Cottonwood

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Independent Accountants' Report

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

We have examined management of the City of Cottonwood, Arizona's (the "City") assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2024, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9). The City's management is responsible for presenting its Annual Expenditure Limitation Report in accordance with applicable statutes and the voter approved alternative expenditure limitation. Our responsibility is to express an opinion on management's assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2024, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9).

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's Annual Expenditure Limitation Report is in accordance with applicable statutes and the voter approved alternative expenditure limitation, in all material respects. An examination involves performing procedures to obtain evidence about management's compliance with the Annual Expenditure Limitation Report requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet the ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, management's assertion that the information contained in the reports and footnotes listed in the table of contents for the year ended June 30, 2024, are accurate and in accordance with the requirements of the Arizona Revised Statutes 41-1279.07 as authorized by the Arizona Constitution, Article IX, Section 20(9), in all material respects.

The Pung Group, LLP

Phoenix, Arizona
December 18, 2024

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City of Cottonwood
Annual Expenditure Limitation Report – Part I
For the Year Ended June 30, 2024

1. Economic Estimates Commission expenditure limitation	<u>\$ 72,879,506</u>
2. Voter approved alternative expenditure limitation (Approved N/A)	
3. Enter applicable amount from Line 1 or Line 2	<u>\$ 72,879,506</u>
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	<u>\$ 57,329,977</u>
5. Board-authorized expenditures necessitated by a disaster declared by the Governor [Article IX, §20(2)(a), Arizona Constitution]	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor [Article IX, §20(2)(b), Arizona Constitution]	
7. Prior-year voter approved expenditures to exceed the expenditure limitation for the reporting fiscal year [Article IX, §20(2)(c), Arizona Constitution]	
8. Subtotal	<u>\$ 57,329,977</u>
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters [Article IX, §20(2)(b), Arizona Constitution]	
10. Total adjusted amount subject to the expenditure limitation	<u>\$ 57,329,977</u>
11. Amount under (in excess of) the expenditure limitation	<u>\$ 15,549,529</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: Kirsten L. Lennon

Name and Title: Kirsten L. Lennon

Telephone Number: 928-301-5493 Date: 12/31/2024

City of Cottonwood
Annual Expenditure Limitation Report – Part II
For the Year Ended June 30, 2024

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation, Line D	\$ 42,794,974	\$ 16,745,235	\$ -	\$ 311,613	\$ 59,851,822
B. Less exclusions claimed:					
4. Grants and aid from the federal government. (Note 4)	2,521,845	-	-	-	2,521,845
16. Total exclusions claimed	2,521,845	-	-	-	2,521,845
C. Amounts subject to the expenditure limitation	<u>\$ 40,273,129</u>	<u>\$ 16,745,235</u>	<u>\$ -</u>	<u>\$ 311,613</u>	<u>\$ 57,329,977</u>

City of Cottonwood
Annual Expenditure Limitation Report – Reconciliation
For the Year Ended June 30, 2024

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund-based financial statements	\$ 42,827,887	\$ 12,211,143	\$ -	\$ 311,613	\$ 55,350,643
B. Subtractions					
1. Items not requiring use of current financial resources:					
a. Depreciation (Capital Asset Rollforward)	- 1,940,038	- -	- -	- -	1,940,038
b. Loss on disposal of capital assets	- 18,736	- -	- -	- -	18,736
c. Bad debt expense	- 48,306	- -	- -	- -	48,306
d. Pension and other postemployment benefits (OPEB) expense (Note 2)	- 226,423	- -	- -	- -	226,423
Claims incurred but not reported (IBNR)					
3. Required fees paid to the Arizona Department of Revenues	32,913 - -	- -	- -	- -	32,913
6. Total subtractions	32,913 2,233,503	- -	- -	- -	2,266,416
C. Additions:					
1. Principal payments on long-term debt (Note 3)	- 1,630,038	- -	- -	- -	1,630,038
2. Capital asset acquisitions (Statement of Cash Flows)	- 4,817,409	- -	- -	- -	4,817,409
4. Pension and OPEB contributions paid in the current year (Note 2)	- 320,148	- -	- -	- -	320,148
5. Total additions	- 6,767,595	- -	- -	- -	6,767,595
D. Amounts reported on Part II, Line A	\$ 42,794,974	\$ 16,745,235	\$ -	\$ 311,613	\$ 59,851,822

See accompanying Notes to the Annual Expenditure Limitation Report.

City of Cottonwood
Notes to the Annual Expenditure Limitation Report
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07. The AELR excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20, from the total expenditures, expenses, or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds; Statement of Revenues, Expenses, and Changes in Fund Net Position for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds; and the Statement of Changes in Fiduciary Net Position for the Fiduciary Funds.

Note 2 – Pension Plans and Other Postemployment Benefits

The \$226,423 subtraction for pension and other post-employment benefit (OPEB) represents enterprise funds pension related operating expense (income) recognized in the current year, that did not result in an outlay of cash. The \$320,148 addition for pension and OPEB contributions paid in the current year consists of the required pension and OPEB contributions made to the Arizona State Retirement System from the enterprise funds, that were not included in enterprise funds operating expenses. The schedule below reconciles the net effect the subtraction and addition have on the expenditures subject to the limitation to the amounts reported on the statement of cash flows net effect on cash.

<u>2024</u>		
<u>Statement of Cash Flows</u>		
Change in net OPEB asset	\$	(4,295)
Change in deferred inflows related to pensions and OPEB		(23,208)
Change in deferred outflows related to pensions and OPEB		(30,466)
Change in net pension and OPEB liability		151,694
Total	<u>\$</u>	<u>93,725</u>
<u>AELR-Reconciliation</u>		
Pension/OPEB contributions – addition	\$	320,148
Pension/OPEB (expense)income – subtraction		226,423
Total	<u>\$</u>	<u>93,725</u>

Note 3 – Principal Payments on Long –Term Debt

The principal payments on long-term debt in the enterprise fund consists of:

<u>2024</u>		
Principal payments		
2015 WIFA refunding loan - \$10,697,154	\$	707,556
2016 WIFA refunding loan - \$15,200,000		769,688
2015 Pledged revenue bonds - \$3,244,416		152,794
Total principal payments	<u>\$</u>	<u>1,630,038</u>

City of Cottonwood
Notes to the Annual Expenditure Limitation Report (Continued)
For the Year Ended June 30, 2024

Note 4 – Grants and aid from the Federal Government

The following schedule presents revenues from which exclusions have been claimed for Federal grants and aid. The amounts excluded do not exceed expenditures of such revenues.

	2024
Grant and aid from the federal government:	
Governmental funds	\$ 2,521,845
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 2,521,845</u>

City of Cottonwood
Schedule of Findings to the Annual Expenditure Limitation Report
For the Year Ended June 30, 2024

Findings to the Annual Expenditure Limitation Report

None noted.