



COTTONWOOD

ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDING JUNE 30, 2025

City of Cottonwood, Arizona

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the fiscal year ended June 30, 2025

Prepared by the Finance Department

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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December 15, 2025

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 annual comprehensive financial report of the City of Cottonwood (the "City") for the fiscal year ended June 30, 2025.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Cottonwood's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by The Pun Group LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2025, 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, 2025, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the City's financial statements was conducted as part of a broader, federally mandated Single Audit required by the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), designed to meet the 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 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 has a Council-Manager form of government consisting of the Mayor and six Council Members. The Mayor is elected directly by the voters and serves a four-year term. The voters elect six City Council representatives for staggered four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committees, commissions, and board members, and appointing the positions of City Manager, City Attorney, and Magistrate Judge. The City Council appoints a City Manager who is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the general operations of the various departments within the City.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

The concept of reasonable assurances recognizes:

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

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

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

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

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

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

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

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

Local Economy. The City continues to face many growth issues. Its citizens, governing body, and municipal government are committed to finding solutions for each of the issues. This strong commitment to the community has made 2025 a successful year and will provide for future success. The City continues to research programs that have been postponed in past years due to previous slow economies. Additionally, the City hopes to correct any deficiencies that may have occurred and is working on developing additional reserves to allow the City to fund much-needed capital and maintenance projects that may have been postponed.

Economic Outlook. Retail Sales – Not having a property tax, the City 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 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 revenues 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 been to work towards maintaining 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 2025, \$1.3M was transferred to General Fund reserves from the increase, and \$1M was transferred to the HURF Fund and Capital Improvement funds to assist those funds and create reserves.

Regular reporting to the City Manager and department heads allows for prompt shifting of priorities in order to counter downward economic pressure. This year, the General Fund alone was able to maintain its costs and still accomplish its overall goals.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Year. The following depicts the continued commitment of the City to increase the quality of life of its residents. The completed Fiscal Year 2025 goals are summarized within this list of accomplishments:

Ensuring Quality of Life through Sustainable Growth

- Developed a new Strategic Plan for 2026 and beyond (COUNCIL)
- Hired a qualified inspector to improve city services (COMMUNITY DEVELOPMENT)
- Expanded participation in the Summer Reading Program (LIBRARY)
- Completed renovations to the indoor pool, including full re-plastering (RECREATION CENTER)
- Replaced playground equipment at Riverfront Park (P&R)
- Developed new Parents Night Out programming (RECREATION CENTER)
- Introduced new tourism and economic development initiatives (TOURISM & ECONOMIC DEVELOPMENT)
- Implemented a Police Community Outreach Program to address homelessness (POLICE)
- Increased public engagement with the police to build trust (POLICE)
- Expanded and improved public transit with new buses (TRANSIT)

Lead with Environmental Stewardship

- Completed Phase Two of water retention improvements at the Library (LIBRARY)
- Installed two new generators at well sites (WATER)
- Installed two new booster packs to improve water efficiency (WATER)
- Replaced aging treatment plant backup generator with a more efficient model (WASTEWATER)
- Removed outdated and extra chemicals per EPA HAZCOM regulations (WASTEWATER)
- Completed an energy study with ASU to improve energy efficiency (RECREATION CENTER)
- Conducted stormwater inspections of industrial and commercial properties (PUBLIC WORKS)
- Completed 15 LED light conversions, bringing the annual goal to 80% (MAINTENANCE)
- Installed new sand filter for the indoor pool, improving efficiency (MAINTENANCE)

Prioritize Our Infrastructure

- Completed City-wide pavement condition assessment and management plan (PUBLIC WORKS)
- Designed sidewalk infill project (PUBLIC WORKS)
- Completed construction of Main St./10th St. roundabout (PUBLIC WORKS)
- Repaired and fully replaced the Skate Rink at Riverfront Park (P&R)
- Completed the replacement of the Recreation Center's pool filtration system (RECREATION CENTER)
- Installed a new fire system at the N Hangar of the airport (AIRPORT)
- Cleaned and video surveyed 25% of the City's wastewater collection system (WASTEWATER)
- Rehabbed both sand filters at the wastewater plant (WASTEWATER)
- Lift Station 2 rebuild to be completed by May 2025 (WASTEWATER)
- Purchased six new buses for public transportation (TRANSIT)

Further Financial Accountability and Transparency

- Updated Financial Operations Guide, Investment Policies, and budget policies (FINANCE)
- Applied for and received the Distinguished Budget Presentation Award (FINANCE)
- Increased community participation in the budget process through public meetings (FINANCE)
- Implemented a new agenda management program for better records management (CITY CLERK)
- Developed budget projections for potential service subscribers (COMMUNICATIONS)
- Implemented signed service agreements based on budget projections (COMMUNICATIONS)
- Conducted seven Cottonwood Community Awareness public meetings (ADMIN)
- Implemented bi-monthly "Coffee with Council" to engage the community (COUNCIL)
- Increased public outreach through events and ribbon cuttings (COUNCIL)

Initiate Collaboration with the Legislative Body

- Worked on developing relationships with the League of Arizona Cities and Towns and the State Legislature (COUNCIL)
- Partnered with the Chamber of Commerce to hold a "Meet Your Candidates" forum (CITY CLERK)
- Engaged with AZ Department of Environmental Quality to address community concerns (TOURISM & ECONOMIC DEVELOPMENT)
- Partnered with local businesses and organizations for economic growth initiatives (TOURISM & ECONOMIC DEVELOPMENT)
- Partnered with community members to leverage crime prevention technology (POLICE)
- Unified media engagement across departments to ensure consistent communication (TOURISM & ECONOMIC DEVELOPMENT)

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, 2024. This was the 34th 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 financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

This certificate is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the program's requirements and we are submitting it to GFOA to determine its eligibility for the fiscal year ended 2025 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,



Mario Cifuentez
City Manager



Kirsten L. Lennon
Financial Services Director



City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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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, 2024

Christopher P. Monell

Executive Director/CEO

Citizens

Council

Magistrate

Municipal Court

Administration

Clerk Department

Community Development

Economic Development

Finance

Fire Department

HR

Police Department

Public Works & Streets

Recreation, Parks & Library

Water & Wastewater Utilities



City of Cottonwood
"Inspiring a Vibrant Community"

Annual Comprehensive Financial Report

Principal Officials as of June 30, 2025



Mayor
Ann Shaw



Vice Mayor
Felicia Coates



Council Member
Deb Wilden



Council Member
Steve DeWillis



Council Member
Joy Mosley



Council Member
Bob Marks



Council Member
Chris Dowell

City Staff as of June 30, 2025

Mario Cifuentez, City Manager

Kirsten Lennon,
Financial Services Director

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INDEPENDENT AUDITOR'S REPORT



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

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, 2025, 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, 2025, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. 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, Arizona
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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, Budgetary Information, Budgetary Comparison Schedule – General Fund, Schedules of Proportionate Share of the Net Pension/OPEB (Asset)/Liability, Schedules of Changes in Net Pension/OPEB (Asset)/Liability and Related Ratios, and Schedules of Contributions, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Honorable Mayor and Members
of the City Council of the City of Cottonwood
Cottonwood, Arizona
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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 auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 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.

The Pugh Group, LLP

Phoenix, Arizona
December 15, 2025

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City of Cottonwood, Arizona

Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the fiscal year ended June 30, 2025

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2025

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, 2025. 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, 2025 by \$126.5 million, this compared to \$113.3 million at fiscal year end June 30, 2024. This is an overall increase of \$13.2 million or an increase of 11.7% of prior year’s net position. Assets and deferred outflows of resources for governmental activities exceeded liabilities and deferred inflows of resources by \$62.4 million compared to \$53.6 million at June 30, 2024, an increase of 16.3%. Assets and deferred outflows of resources for business-type activities exceeded liabilities and deferred inflows of resources by \$64.1 million compared to \$59.7 million at June 30, 2024, an increase of 7.5%.

Changes in Net Position – The City’s total net position increased \$13.2 million in FY 2024-2025; this compared to \$4.0 million increase in FY 2023-2024. Net position of governmental activities increased \$8.7 million compared to an increase of \$6.7 million in 2023-2024. Net position of business-type activities increased by \$4.5 million compared to a \$2.7 million decrease in FY 2023-2024.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2024-2025 the City’s total governmental funds reported a fund balance of \$43.0 million, a \$4.1 million increase from the FY 2023-2024 balance of \$39.0 million, an increase of 11%. 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 work on reserving 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, 2025 was \$33.8 million. The fund balance increased by \$3.6 million over FY 2024. This increase is due to large projects that did not come to fruition in FY 2025 and will be completed in FY 2026 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, 2025

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, 2025

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 49-94.

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 97-121.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

Statement of Net Position

The following is a condensed Statement of Net Position as of June 30, 2025 and June 30, 2024, which allows for analysis of the City's net position as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current & Other Assets	\$ 52,609,663	\$ 46,344,476	\$ 36,959,992	\$ 40,873,208	\$ 89,569,655	\$ 87,217,684
Capital Assets	56,057,886	53,302,873	43,838,681	37,207,596	99,896,567	90,510,469
Total Assets	108,667,549	99,647,349	80,798,673	78,080,804	189,466,222	177,728,153
Deferred Outflows	5,592,981	5,815,714	3,799,046	3,789,787	9,392,027	9,605,501
Current Liabilities	8,409,570	7,162,826	3,557,532	3,747,215	11,967,102	10,910,041
Long-term Liabilities	41,333,117	42,839,027	16,431,357	18,043,660	57,764,474	60,882,687
Total Liabilities	49,742,687	50,001,853	19,988,889	21,790,875	69,731,576	71,792,728
Deferred Inflows	2,146,552	1,846,641	467,545	426,683	2,614,097	2,273,324
Net Investment in Capital Assets	44,411,810	40,376,926	30,863,414	25,983,239	75,275,224	66,360,165
Restricted	10,808,799	13,764,587	8,966,783	8,661,491	19,775,582	22,426,078
Unrestricted	7,150,682	(526,944)	24,311,088	25,008,303	31,461,770	24,481,359
Total Net Position, as restated (Note 16)	\$ 62,371,291	\$ 53,614,569	\$ 64,141,285	\$ 59,653,033	\$ 126,512,576	\$ 113,267,602

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$126.4 million at the close of fiscal year ending June 30, 2025.

Of the City's total net position, 59.5% reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

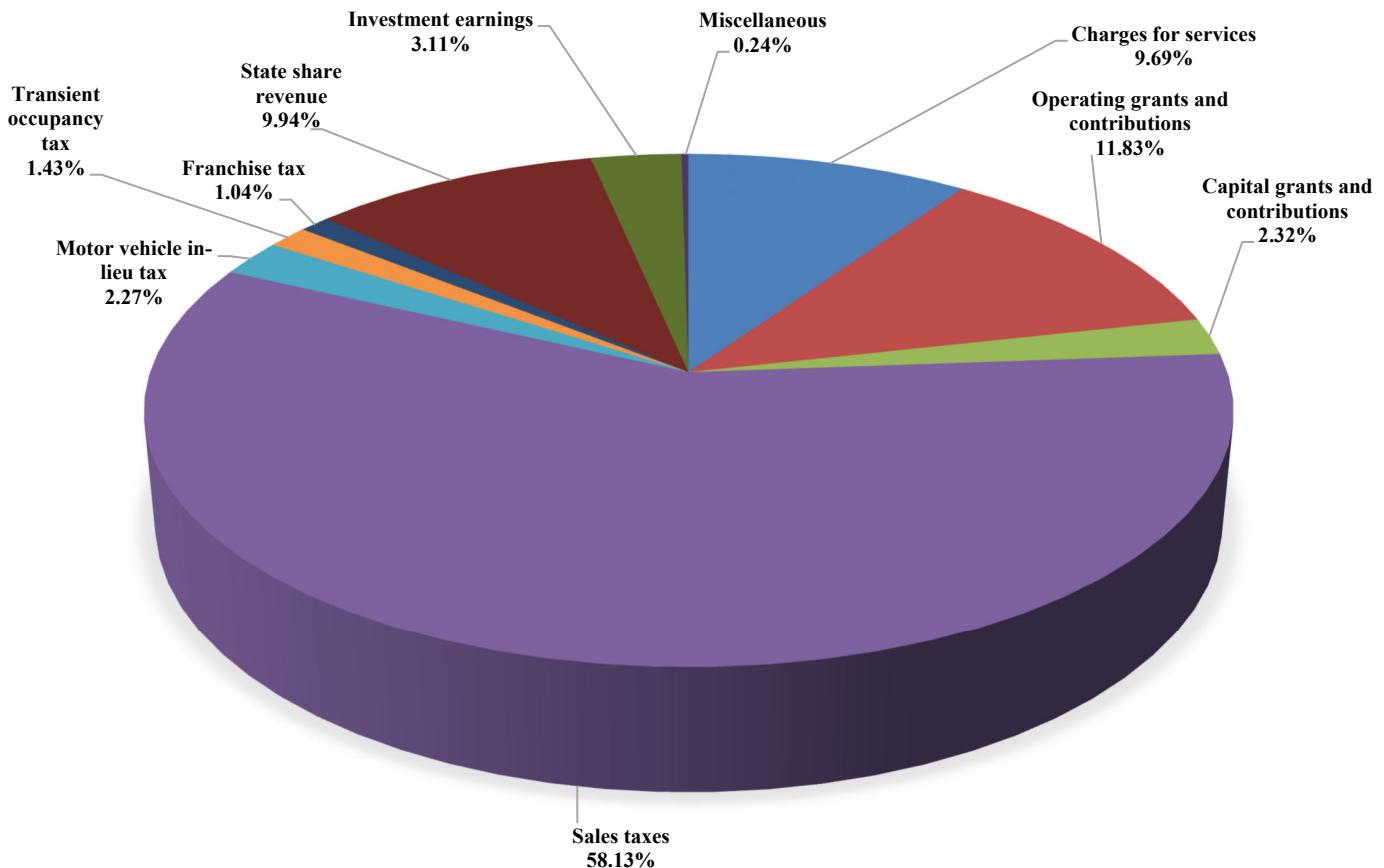
The City's net position was increased by \$13.2 million during the fiscal year, a 10.2% increase. This was due to the sales tax increase that was enacted by the Cottonwood City Council in November 2018 that increased revenues and decreased the need to transfer between funds. This increase and an overall increase in the tax collections, along with fiscally responsible spending and an increase in assets 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, 2025

Governmental Activities

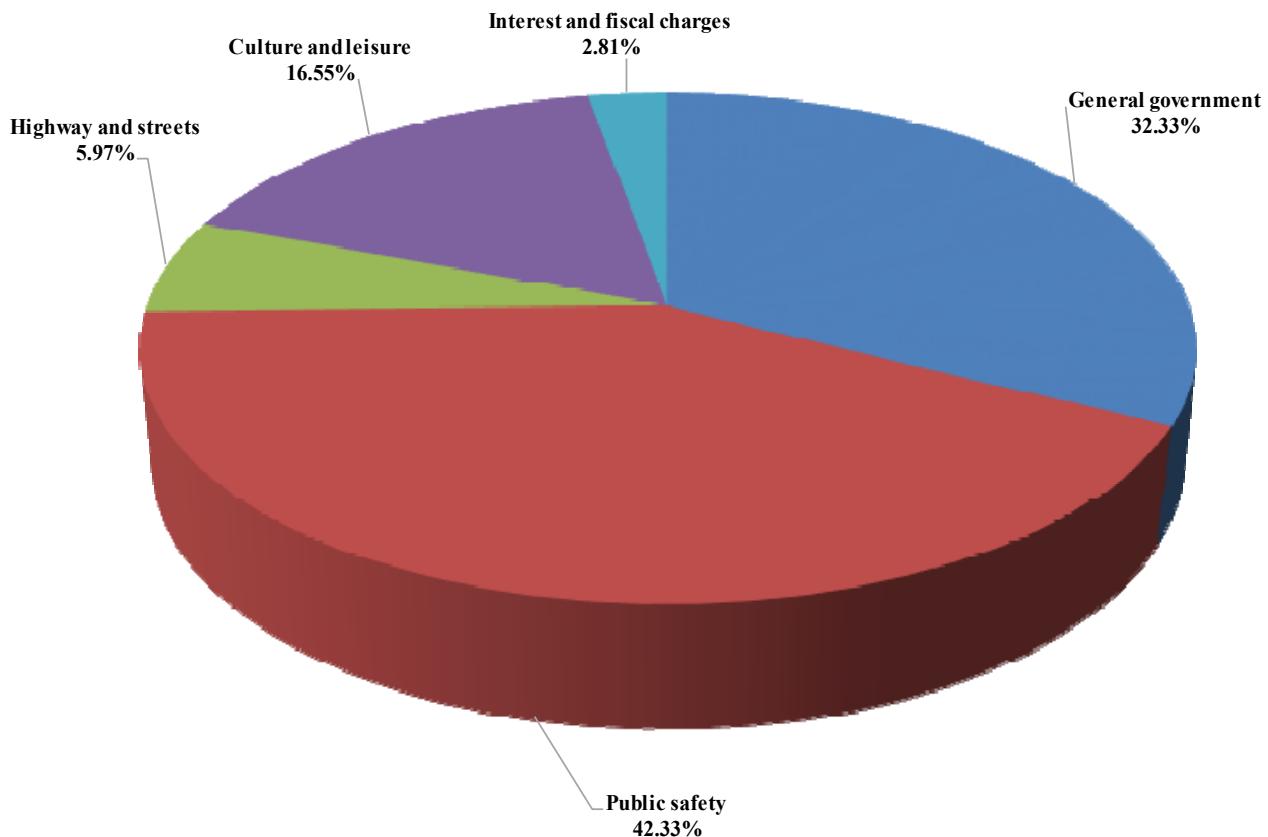
Governmental activities increased the City's net position by \$8.7 million. The increase in the net position for governmental activities is attributed to decreased expenses derived from the general government activities and an increase in capital assets. The charts that follow show the program revenues, 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, 2025

EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

Statement of Activities

The **Statement of Activities** reports increases and decreases in the net position. The following is a condensed Statement of Activities for the fiscal years ending June 30, 2025 and June 30, 2024:

	Governmental Activities		Business Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 4,680,231	\$ 4,841,277	\$ 14,211,803	\$ 13,930,183	\$ 18,892,034	\$ 18,771,460
Operating grants and contributions	5,712,100	5,477,771	-	-	5,712,100	5,477,771
Capital grants and contributions	1,119,477	782,711	-	-	1,119,477	782,711
Total program revenues	11,511,808	11,101,759	14,211,803	13,930,183	25,723,611	25,031,942
General revenues:						
Sales taxes	28,077,272	25,466,711	-	-	28,077,272	25,466,711
Motor vehicle in-lieu tax	1,098,949	1,020,640	-	-	1,098,949	1,020,640
Transient occupancy tax	688,706	661,174	-	-	688,706	661,174
Franchise tax	503,149	450,449	-	-	503,149	450,449
Total taxes	30,368,076	27,598,974	-	-	30,368,076	27,598,974
State share revenue	4,802,543	5,391,255	-	-	4,802,543	5,391,255
Investment earnings	1,501,565	1,536,710	1,968,765	1,967,201	3,470,330	3,503,911
Miscellaneous	115,143	147,122	-	-	115,143	147,122
Gain on sale of assets	-	-	-	-	-	-
Total general revenues and transfers	36,787,327	34,674,061	1,968,765	1,967,201	38,756,092	36,641,262
Total revenues	48,299,135	45,775,820	16,180,568	15,897,384	64,479,703	61,673,204
Expenses:						
General government	11,649,386	11,053,551	-	-	11,649,386	11,053,551
Public safety	15,253,906	14,525,084	-	-	15,253,906	14,525,084
Highway and streets	2,152,766	3,183,557	-	-	2,152,766	3,183,557
Transportation	3,508,519	3,202,822	-	-	3,508,519	3,202,822
Culture and leisure	5,965,209	6,054,053	-	-	5,965,209	6,054,053
Interest and fiscal charges	1,012,627	1,057,369	-	-	1,012,627	1,057,369
Water	-	-	7,549,025	8,246,030	7,549,025	8,246,030
Wastewater	-	-	4,143,291	3,965,113	4,143,291	3,965,113
Total expenses	39,542,413	39,076,436	11,692,316	12,211,143	51,234,729	51,287,579
Change in net position	8,756,722	6,699,384	4,488,252	3,686,241	13,244,974	10,385,625
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	8,756,722	6,699,384	4,488,252	(2,747,119)	13,244,974	3,952,265
Net position - beginning	54,847,595	48,148,211	59,901,797	62,648,916	114,749,392	110,797,127
Prior period adjustment	(1,233,026)	-	(248,764)	-	(1,481,790)	-
Net position - beginning, as restated	53,614,569	48,148,211	59,653,033	62,648,916	113,267,602	110,797,127
Net position - ending	\$ 62,371,291	\$ 54,847,595	\$ 64,141,285	\$ 59,901,797	\$ 126,512,576	\$ 114,749,392

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

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 increased the City's net position by \$4.5 million, compared to a decrease of \$2.7 million in the prior year FY 2023-2024.

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.

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.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

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 \$43.0 million, an increase of \$4.1 million primarily due to an increased focus on retaining and increasing reserves.

The General Fund comprises 78.6 percent of the total fund balance. Approximately \$28.0 million or 82.9 percent of the General Fund's fund balance is unassigned. The fund balance increased \$3.6 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 11.1 percent of the total fund balance. The fund balance decreased slightly due the start of a large capital project to repave Main Street.

The Debt Service Fund comprises 0.8 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.

Proprietary Funds

Net position of the Enterprise Funds and the Internal Service Fund at the end of the fiscal year amounted to \$64.1 million and \$103 thousand, respectively. The increase in net position in the Enterprise Funds of \$4.5 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 and an increase in investment income.

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 \$29.3M or a decrease of over 26%.

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. 98.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

Capital Assets

As of the end of the current fiscal year, the City had invested \$109.9 million in governmental capital assets and \$78.5 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 \$6.2 million for the governmental activities and a decrease prior to depreciation of \$8.4 million for the business-type activities. The increase in the governmental activities was primarily due to various street improvements and other construction projects. Total depreciation and amortization expense for the current fiscal year was \$4.3 million for governmental activities and \$2.0 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	9,186,631	12,921,854	22,108,485
Total non-depreciable assets, net	11,806,516	17,054,095	28,860,611
<i>Depreciable/Amortizable Assets:</i>			
Infrastructure	36,712,844	42,801,315	79,514,159
Buildings and improvements	40,886,033	10,873,815	51,759,848
Vehicles, machinery and equipment	20,382,293	7,806,273	28,188,566
Subscription assets	159,377	-	159,377
	98,140,547	61,481,403	159,621,950
Less accumulated depreciation and amortization	(53,889,177)	(34,696,817)	(88,585,994)
Total depreciable/amortizable assets, net	44,251,370	26,784,586	71,035,956
Total capital assets	\$ 56,057,886	\$ 43,838,681	\$ 99,896,567

Additional information on the capital assets can be found in Note 8 on pages 66-67 of this report.

Debt Administration

At year-end, the City had \$30.2 million in governmental long-term debt outstanding with \$3.3 million due within one year. The City had \$14.9 million in business-type long-term debt outstanding, with \$1.7 million due within one year. Long-term debt decreased by \$3.0 million for governmental activities and decreased by \$1.5 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 \$50 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 \$15 million. The City's outstanding bonds are not considered general obligation bonds subject to statutory limits because the bonds are secured by sales taxes.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2025

Additional information on the City's long-term debt can be found in Note 9 in the notes to the financial statements.

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due within one year	Due in more than one year
Governmental Activities						
Finance purchase agreements	\$ 2,237,164	\$ 206,861	\$ (489,619)	\$ 1,954,406	\$ 543,979	\$ 1,410,427
Subscription liability	56,304	-	(56,304)	-	-	-
2015 Pledged revenue bonds	5,985,218	-	(430,133)	5,555,085	421,496	5,133,589
2016 Pledged revenue bonds	5,544,355	-	(1,313,590)	4,230,765	1,225,000	3,005,765
2021 Pledged revenue bonds	19,390,000	-	(905,000)	18,485,000	1,070,000	17,415,000
Total Government Activities	33,213,041	206,861	(3,194,646)	30,225,256	3,260,475	26,964,781
Business-Type Activities						
Finance purchase agreements	53,022	127,033	(20,694)	159,361	35,353	124,008
2015 WIFA refunding loan	4,996,712	-	(708,205)	4,288,507	723,785	3,564,722
2016 WIFA refunding loan	9,018,618	-	(770,115)	8,248,503	783,238	7,465,265
2015 Pledged revenue bonds	2,407,443	-	(173,291)	2,234,152	168,504	2,065,648
Total Business-Type Activities	16,475,795	127,033	(1,672,305)	14,930,523	1,710,880	13,219,643
Total	\$ 49,688,836	\$ 333,894	\$ (4,866,951)	\$ 45,155,779	\$ 4,971,355	\$ 40,184,424

Economic Factors and Next Year's Budget

Many factors were considered by the City's officials during the process of developing the fiscal year 2025-26 budget. Among them:

- Fiscal year 2023-24 general fund budget balance carry forward (estimated \$31.8 million).
- Employee salaries and benefits (estimated at \$29.9 million).

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Cottonwood's finances for all those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Director, 821 N. Main St., Cottonwood, Arizona 86326.

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	ASSETS		
ASSETS			
Current assets:			
Cash and investments	\$ 40,290,678	\$ 25,185,448	\$ 65,476,126
Receivables:			
Accounts, net	313,729	755,160	1,068,889
Taxes	2,443,098	-	2,443,098
Intergovernmental	1,559,913	-	1,559,913
Lease receivable - due within one year	49,683	9,831	59,514
Inventories and prepaid items	53,926	-	53,926
Total current assets	44,711,027	25,950,439	70,661,466
Noncurrent assets:			
Restricted cash and investments	5,540,487	10,656,990	16,197,477
Lease receivable - due in more than one year	519,473	246,399	765,872
Notes receivable - due in more than one year	237,543	-	237,543
Aggregate net OPEB asset	675,687	106,164	781,851
Aggregate net pension asset	925,446	-	925,446
Capital assets:			
Nondepreciable	11,806,516	17,054,095	28,860,611
Depreciable/amortizable, net	44,251,370	26,784,586	71,035,956
Total capital assets, net	56,057,886	43,838,681	99,896,567
Total noncurrent assets	63,956,522	54,848,234	118,804,756
Total assets	108,667,549	80,798,673	189,466,222
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions	-	3,178,508	3,178,508
Deferred loss on debt refunding	94,180	-	94,180
Pension-related deferred outflows	5,438,733	609,431	6,048,164
OPEB-related deferred outflows	60,068	11,107	71,175
Total deferred outflows of resources	5,592,981	3,799,046	9,392,027

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	2,919,968	1,436,536	4,356,504
Accrued payroll and related liabilities	1,140,316	-	1,140,316
Interest payable	396,064	165,182	561,246
Deposits payable	89,279	170,648	259,927
Unearned revenue	81,051	-	81,051
Compensated absences - due within one year	522,417	74,286	596,703
Long-term debt - due within one year	3,260,475	1,710,880	4,971,355
Total current liabilities	<u>8,409,570</u>	<u>3,557,532</u>	<u>11,967,102</u>
Long-term liabilities:			
Compensated absences - due in more than one year	2,355,710	453,882	2,809,592
Long-term debt - due in more than one year	26,964,781	13,219,643	40,184,424
Aggregate net pension liability	12,010,932	2,757,378	14,768,310
Aggregate net OPEB liability	1,694	454	2,148
Total long-term liabilities	<u>41,333,117</u>	<u>16,431,357</u>	<u>57,764,474</u>
Total liabilities	<u>49,742,687</u>	<u>19,988,889</u>	<u>69,731,576</u>
DEFERRED INFLOWS OF RESOURCES			
Lease-related deferred inflows	529,136	248,065	777,201
Pension-related deferred inflows	1,336,551	176,089	1,512,640
OPEB-related deferred inflows	280,865	43,391	324,256
Total deferred inflows of resources	<u>2,146,552</u>	<u>467,545</u>	<u>2,614,097</u>
NET POSITION			
Net investment in capital assets	44,411,810	30,863,414	75,275,224
Restricted for:			
Debt service	355,640	8,860,619	9,216,259
Pension and OPEB	1,601,133	106,164	1,707,297
Grants	1,446,073	-	1,446,073
Highways and streets	5,516,375	-	5,516,375
Capital projects	1,889,578	-	1,889,578
Total restricted	<u>10,808,799</u>	<u>8,966,783</u>	<u>19,775,582</u>
Unrestricted			
Total net position	<u>\$ 62,371,291</u>	<u>\$ 64,141,285</u>	<u>\$ 126,512,576</u>

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
General government	\$ 11,649,386	\$ 2,127,772	\$ 949,188	\$ 417,821	\$ 3,494,781
Public safety	15,253,906	1,296,451	729,376	1,717	2,027,544
Highways and streets	2,152,766	-	1,275,401	136,006	1,411,407
Transportation	3,508,519	194,071	2,545,719	452,000	3,191,790
Culture and leisure	5,965,209	1,061,937	212,416	111,933	1,386,286
Interest on long-term debt	1,012,627	-	-	-	-
Total governmental activities	39,542,413	4,680,231	5,712,100	1,119,477	11,511,808
Business-Type activities:					
Water	7,549,025	8,567,297	-	-	8,567,297
Wastewater	4,143,291	5,644,506	-	-	5,644,506
Total business-type activities	11,692,316	14,211,803	-	-	14,211,803
Total primary government	\$ 51,234,729	\$ 18,892,034	\$ 5,712,100	\$ 1,119,477	\$ 25,723,611

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2025

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (8,154,605)	\$ -	\$ (8,154,605)
Public safety	(13,226,362)	-	(13,226,362)
Highways and streets	(741,359)	-	(741,359)
Transportation	(316,729)	-	(316,729)
Culture and leisure	(4,578,923)	-	(4,578,923)
Interest on long-term debt	(1,012,627)	-	(1,012,627)
Total governmental activities	<u>(28,030,605)</u>	<u>-</u>	<u>(28,030,605)</u>
Business-Type activities:			
Water	-	1,018,272	1,018,272
Wastewater	<u>-</u>	<u>1,501,215</u>	<u>1,501,215</u>
Total business-type activities	<u>-</u>	<u>2,519,487</u>	<u>2,519,487</u>
Total primary government	<u>(28,030,605)</u>	<u>2,519,487</u>	<u>(25,511,118)</u>
General revenues:			
Taxes:			
Sales tax	28,077,272	-	28,077,272
Motor vehicle in-lieu tax	1,098,949	-	1,098,949
Franchise tax	503,149	-	503,149
Transient occupancy tax	688,706	-	688,706
Total taxes	<u>30,368,076</u>	<u>-</u>	<u>30,368,076</u>
State shared revenue	4,802,543	-	4,802,543
Investment income	1,501,565	1,968,765	3,470,330
Miscellaneous	115,143	-	115,143
Total general revenues	<u>36,787,327</u>	<u>1,968,765</u>	<u>38,756,092</u>
Change in net position	<u>8,756,722</u>	<u>4,488,252</u>	<u>13,244,974</u>
Net position - beginning of year, as restated (Note 16)	<u>53,614,569</u>	<u>59,653,033</u>	<u>113,267,602</u>
Net position - end of year	<u>\$ 62,371,291</u>	<u>\$ 64,141,285</u>	<u>\$ 126,512,576</u>

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For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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, 2025

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Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Governmental Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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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.

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 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, 2025

	Major Funds					Non-Major Governmental Funds	Total Governmental Funds		
	General Fund	HURF		City Debt Service Fund					
		Special Revenue Fund							
ASSETS									
Cash and cash investments	\$ 29,831,430	\$ 5,872,151	\$ 1,513,971	\$ 2,970,430		\$ 40,187,982			
Restricted cash and cash investments	4,749,700	565,523	225,264				5,540,487		
Receivables:									
Accounts	299,873	4,789	-		9,067		313,729		
Taxes	2,068,596	142,333	137,121		95,048		2,443,098		
Intergovernmental	149,641	126,840	-		1,283,432		1,559,913		
Lease receivable	569,156	-	-				569,156		
Notes receivable	237,543	-	-				237,543		
Due from other funds	171,661	-	-				171,661		
Inventories and prepaid items	33,923	13,928	6,075				53,926		
Total assets	\$ 38,111,523	\$ 6,725,564	\$ 1,882,431	\$ 4,357,977		\$ 51,077,495			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 1,195,518	\$ 1,615,666	\$ -	\$ 108,784		\$ 2,919,968			
Accrued payroll and related liabilities	1,140,316	-	-				1,140,316		
Due to other funds	-	-	-		171,661		171,661		
Deposits payable	89,279	-	-				89,279		
Unearned revenue	81,051	-	-				81,051		
Interest payable - current portion	200,369	70,962	124,733				396,064		
Principal payable - current portion	1,069,999	250,514	1,395,983				2,716,496		
Total liabilities	3,776,532	1,937,142	1,520,716	280,445		7,514,835			
Deferred Inflows of Resources:									
Lease-related deferred inflows	529,136	-	-	-			529,136		
Total deferred inflows of resources	529,136	-	-	-		529,136			
Fund Balances:									
Nonspendable	33,923	13,928	6,075	-			53,926		
Restricted	4,749,700	4,774,494	355,640	4,077,532			13,957,366		
Assigned	1,000,000	-	-	-			1,000,000		
Unassigned	28,022,232	-	-	-			28,022,232		
Total fund balances	33,805,855	4,788,422	361,715	4,077,532		43,033,524			
Total liabilities, deferred inflows of resources, and fund balances	\$ 38,111,523	\$ 6,725,564	\$ 1,882,431	\$ 4,357,977		\$ 51,077,495			

City of Cottonwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2025

Total Fund Balances - Total Governmental Funds	\$ 43,033,524
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>56,057,886</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	(522,417)
Compensated absences - due in more than one year	(2,355,710)
Long-term debt - due within one year	(3,260,475)
Long-term debt - due in more than one year	(26,964,781)
less amount reported in governmental fund financial statements for current portion	<u>2,716,496</u>
	<u>(30,386,887)</u>
Aggregate net pension asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>925,446</u>
Aggregate net OPEB asset in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>675,687</u>
Deferred loss on debt refunding in the governmental activities are not financial resources and therefore are not reported in governmental funds.	<u>94,180</u>
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	60,068
Pension-related deferred outflows	<u>5,438,733</u>
	<u>5,498,801</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>(1,694)</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>(12,010,932)</u>
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred inflows	(280,865)
Pension-related deferred inflows	<u>(1,336,551)</u>
	<u>(1,617,416)</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>102,696</u>
Net Position of Governmental Activities	\$ 62,371,291

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds				Non-Major Governmental Funds	Total Governmental Funds
	General Fund	HURF Fund	City Debt Service Fund			
REVENUES:						
Taxes	\$ 24,826,359	\$ 1,665,290	\$ 1,646,042	\$ 1,131,435	\$ 29,269,126	
Intergovernmental	6,632,351	1,275,401	-	3,752,946	11,660,698	
Licenses and permits	700,245	-	-	-	700,245	
Fines and forfeitures	125,419	-	-	-	125,419	
Rents and royalties	234,699	-	-	-	234,699	
Investment income	1,216,145	249,647	2,107	33,667	1,501,566	
Charges for services	2,726,831	-	-	194,071	2,920,902	
Contributions	40,538	-	-	-	40,538	
Miscellaneous	1,836,309	9,633	-	-	1,845,942	
Total revenues	38,338,896	3,199,971	1,648,149	5,112,119	48,299,135	
EXPENDITURES:						
Current:						
General government	9,393,376	-	-	604,625	9,998,001	
Public safety	13,477,332	-	-	-	13,477,332	
Highways and streets	-	1,577,219	-	-	1,577,219	
Transportation	-	-	-	2,932,973	2,932,973	
Culture and leisure	5,144,051	-	-	-	5,144,051	
Capital outlay	1,147,400	4,690,596	-	1,117,979	6,955,975	
Debt service:						
Principal	1,615,923	250,514	1,395,982	-	3,262,419	
Interest and fiscal charges	740,340	155,362	254,191	-	1,149,893	
Total expenditures	31,518,422	6,673,691	1,650,173	4,655,577	44,497,863	
REVENUES OVER (UNDER) EXPENDITURES	6,820,474	(3,473,720)	(2,024)	456,542	3,801,272	
OTHER FINANCING SOURCES (USES):						
Sale of property	60,086	-	-	-	60,086	
Inception of finance purchase agreement	206,861	-	-	-	206,861	
Transfers in	-	3,448,195	-	-	3,448,195	
Transfers out	(3,448,195)	-	-	-	(3,448,195)	
Total other financing sources (uses)	(3,181,248)	3,448,195	-	-	266,947	
Net changes in fund balances	3,639,226	(25,525)	(2,024)	456,542	4,068,219	
FUND BALANCES:						
Beginning of year	30,166,629	-	363,739	8,434,937	38,965,305	
Change with financial reporting entity (non major to major fund)	-	4,813,947	-	(4,813,947)	-	
Beginning of year, as restated (Note 16)	30,166,629	4,813,947	363,739	3,620,990	38,965,305	
End of year	\$ 33,805,855	\$ 4,788,422	\$ 361,715	\$ 4,077,532	\$ 43,033,524	

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, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 4,068,219
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. (\$4,990 of the governmental fund capital outlay balance were for repairs and maintenance expenditures).	7,031,548
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.	(4,276,535)
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	(206,861)
Accrual of long-term liabilities payable on July 1, 2025 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	2,716,496
Repayment of long-term liabilities due on July 1, 2025 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	3,025,988
Less: accrual of long-term liabilities payable on July 1, 2025	<u>(2,480,065)</u>
	Total
	545,923
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.	(1,281,542)
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.	146,837
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	(128,290)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds was reported with governmental activities.	<u>3,661</u>
Change in Net Position of Governmental Activities	<u>\$ 8,756,722</u>

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Proprietary Fund Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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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, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water Fund	Wastewater Fund	Total		
ASSETS					
Current assets:					
Cash and cash investments	\$ 14,272,357	\$ 10,913,091	\$ 25,185,448	\$ 102,696	
Receivables:					
Accounts, net	444,867	310,293	755,160	-	
Lease receivable - due within one year	9,831	-	9,831	-	
Total current assets	14,727,055	11,223,384	25,950,439	102,696	
Noncurrent assets:					
Restricted cash and cash equivalents	10,498,105	158,885	10,656,990	-	
Lease receivable - due in more than one year	246,399	-	246,399	-	
Aggregate net OPEB asset	71,432	34,732	106,164	-	
Capital assets:					
Non-depreciable	5,915,595	11,138,500	17,054,095	-	
Depreciable, net	10,318,265	16,466,321	26,784,586	-	
Total capital assets	16,233,860	27,604,821	43,838,681	-	
Total noncurrent assets	27,049,796	27,798,438	54,848,234	-	
Total assets	41,776,851	39,021,822	80,798,673	102,696	
DEFERRED OUTFLOWS OF RESOURCES					
Excess consideration provided for acquisitions	3,178,508	-	3,178,508	-	
Pension-related deferred outflows	410,055	199,376	609,431	-	
OPEB-related deferred outflows	7,473	3,634	11,107	-	
Total deferred outflows of resources	3,596,036	203,010	3,799,046	-	
LIABILITIES					
Current liabilities:					
Accounts payable	418,750	1,017,786	1,436,536	-	
Accrued payroll and related liabilities	-	-	-	-	
Interest payable	131,105	34,077	165,182	-	
Deposits payable	170,648	-	170,648	-	
Compensated absences - due within one year	52,086	22,200	74,286	-	
Long-term debt - due within one year	1,614,027	96,853	1,710,880	-	
Total current liabilities	2,386,616	1,170,916	3,557,532	-	
Noncurrent liabilities:					
Compensated absences - due in more than one year	304,425	149,457	453,882	-	
Long term debt - due in more than one year	11,721,453	1,498,190	13,219,643	-	
Aggregate net pension liability	1,855,296	902,082	2,757,378	-	
Aggregate net OPEB liability	306	148	454	-	
Total noncurrent liabilities	13,881,480	2,549,877	16,431,357	-	
Total liabilities	16,268,096	3,720,793	19,988,889	-	
DEFERRED INFLOWS OF RESOURCES					
Lease-related deferred inflows	248,065	-	248,065	-	
Pension-related deferred inflows	118,481	57,608	176,089	-	
OPEB-related deferred outflows	29,196	14,195	43,391	-	
Total deferred inflows of resources	395,742	71,803	467,545	-	
NET POSITION					
Net investment in capital assets	4,648,999	26,054,479	30,703,478	-	
Restricted for:					
Debt service	8,701,734	158,885	8,860,619	-	
OPEB	71,432	34,732	106,164	-	
Unrestricted	15,286,884	9,184,140	24,471,024	102,696	
Total net position	\$ 28,709,049	\$ 35,432,236	\$ 64,141,285	\$ 102,696	

City of Cottonwood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water Fund	Wastewater Fund	Total		
OPERATING REVENUES:					
Charges for services	\$ 8,551,225	\$ 5,594,618	\$ 14,145,843	\$	-
Other revenue	16,072	49,888	65,960		-
Total operating revenues	8,567,297	5,644,506	14,211,803		-
OPERATING EXPENSES:					
Salaries and benefits	2,276,204	1,211,792	3,487,996		-
Materials, supplies and operational expenses	3,719,033	1,971,707	5,690,740		-
Depreciation	1,076,261	901,173	1,977,434		-
Amortization	155,545	-	155,545		-
Total operating expenses	7,227,043	4,084,672	11,311,715		-
OPERATING INCOME	1,340,254	1,559,834	2,900,088		-
NONOPERATING REVENUES (EXPENSES):					
Investment income	1,388,581	580,184	1,968,765	3,661	
Interest expense	(260,391)	(58,619)	(319,010)		-
Loss on sale of assets	(61,591)	-	(61,591)		-
Total nonoperating revenues (expenses)	1,066,599	521,565	1,588,164		3,661
Changes in net position	2,406,853	2,081,399	4,488,252		3,661
NET POSITION:					
Beginning of year, as restated (Note 16)	26,302,196	33,350,837	59,653,033	99,035	
End of year	\$ 28,709,049	\$ 35,432,236	\$ 64,141,285	\$ 102,696	

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund	
	Water Fund	Wastewater Fund	Total		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 8,653,250	\$ 5,659,605	\$ 14,312,855	\$ -	-
Cash payments to suppliers for goods and services	(4,783,071)	(1,150,201)	(5,933,272)	-	-
Cash payments to employees for services	(2,415,831)	(1,194,797)	(3,610,628)	-	-
Others	16,072	49,888	65,960	-	-
Net cash provided by operating activities	1,470,420	3,364,495	4,834,915	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(2,374,987)	(6,357,460)	(8,732,447)	-	-
Cash received from sale of capital assets	33,825	-	33,825	-	-
Principal paid on capital-related debt	(1,544,766)	(114,184)	(1,658,950)	-	-
Interest paid on capital-related debt	(124,162)	(71,009)	(195,171)	-	-
Net cash (used in) capital and related financing activities	(4,010,090)	(6,542,653)	(10,552,743)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,388,581	580,184	1,968,765	3,661	
Net cash provided by investing activities	1,388,581	580,184	1,968,765	3,661	
Net increase (decrease) in cash and cash equivalents	(1,151,089)	(2,597,974)	(3,749,063)	3,661	
CASH AND CASH EQUIVALENTS:					
Beginning of year	25,921,551	13,669,950	39,591,501	99,035	
End of year	\$ 24,770,462	\$ 11,071,976	\$ 35,842,438	\$ 102,696	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:					
Cash and cash investments	\$ 14,272,357	\$ 10,913,091	\$ 25,185,448	\$ 102,696	
Restricted cash and investments	10,498,105	158,885	10,656,990	-	-
Total cash and cash equivalents	\$ 24,770,462	\$ 11,071,976	\$ 35,842,438	\$ 102,696	

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	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	\$ 1,340,254	\$ 1,559,834	\$ 2,900,088	\$	-
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,076,261	901,173	1,977,434		-
Amortization	155,545	-	155,545		-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:					
Accounts receivable	99,686	65,387	165,073		-
Lease receivable	9,785	-	9,785		-
Aggregate net OPEB asset	(5,322)	(5,383)	(10,705)		-
Pension-related deferred outflows	(104,189)	(63,592)	(167,781)		-
OPEB-related deferred outflows	2,282	695	2,977		-
Accounts payable	(1,064,038)	821,506	(242,532)		-
Deposits payable	4,337	(400)	3,937		-
Compensated absences	25,914	26,456	52,370		-
Aggregate net pension liability	(89,167)	38,866	(50,301)		-
Aggregate net OPEB liability	(1,280)	(557)	(1,837)		-
Lease-related deferred inflows	(11,783)	-	(11,783)		-
Pension-related deferred inflows	36,536	21,231	57,767		-
OPEB-related deferred outflows	(4,401)	(721)	(5,122)		-
Total adjustments	130,166	1,804,661	1,934,827		-
Net cash provided by operating activities	\$ 1,470,420	\$ 3,364,495	\$ 4,834,915		\$ -

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Notes to the Basic Financial Statements

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
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For the Year Ended June 30, 2025

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City of Cottonwood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

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, 2025

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
- Transfers 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, 2025

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.

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 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.

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, 2025

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.

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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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.

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

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.

L. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences includes salary-related benefits, where applicable.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Compensated Absences (Continued)

Vacation: The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave: The City's policy permits employees to accumulate earned but unused sick leave up to 480 hours up to 1040 hours is paid out at termination and the remaining sick leave lapses. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as a liability when earned and as an expense when paid.

Fund Financial Statements

For governmental funds, compensated absences are recorded as expenditures in the year paid. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. 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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024
<u>PSPRS</u>	
Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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, 2025

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, 2025

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, 2025

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, 2025. 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. 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. Implementation of this Statement had a significant effect on the City's financial statements for the fiscal year ended June 30, 2025. See Note 16.

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. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2025.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Upcoming Government Accounting Standards Implementations

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

GASB Statement No. 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, 2025:

	Primary Government		
	Governmental Activities		Business-type Activities
			Total
Cash and investments	\$ 40,290,678	\$ 25,185,448	\$ 65,476,126
Restricted cash and investments	<u>5,540,487</u>	<u>10,656,990</u>	<u>16,197,477</u>
Total	<u>\$ 45,831,165</u>	<u>\$ 35,842,438</u>	<u>\$ 81,673,603</u>

Cash, cash equivalents, and investments consisted of the following at June 30, 2025:

Cash and cash equivalents:	
Petty cash	\$ 3,355
Demand deposits	24,506,441
Restricted demand deposits	8,817,003
Money market	4,503,877
Investments:	
Local Government Investment Pool	32,199,613
U.S. Treasuries	<u>11,643,314</u>
Total	<u>\$ 81,673,603</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

At June 30, 2025, 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, 2025:

Investments by Fair Value Level	Total Fair Value	Measurement Inputs	Valuation Technique
Investment Type			
Investments:			
U.S. Treasuries	11,643,314	Level 2	Matrix pricing model
Total investments by fair value level	<u>\$ 11,643,314</u>		
Investments not subject to the fair value hierarchy:			
Local Government Investment Pool	<u>\$ 32,199,613</u>		
Total investment pools, measured at fair value	<u>32,199,613</u>		
Total investments	<u>\$ 43,842,927</u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$24,506,441 at June 30, 2025. Bank balances were \$24,979,583 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, 2025

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, 2025, 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	\$ 32,199,613	\$ 32,199,613	\$ -
U.S. Treasuries	11,643,314	4,095,112	7,548,202
Total	\$ 43,842,927	\$ 36,294,725	\$ 7,548,202

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	
		Standard &	Poor's
Investments:			
Local Government Investment Pool	\$ 32,199,613	Not Rated	Not Rated
U.S. Treasuries	11,643,314	Not Rated	AA+
Total	\$ 43,842,927		

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, 2025, 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, 2025

Note 3 – Intergovernmental Receivables

Receivable balances 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:

	HURF		Non-Major		Total	
	General Fund	Special Revenue Fund	Governmental Funds	Total		
	Fund	Fund	Funds			
Due from state government	\$ 143,878	\$ 126,840	\$ 1,283,432	\$ 1,554,150		
Due from local government	5,763	-	-	5,763		
Total	\$ 149,641	\$ 126,840	\$ 1,283,432	\$ 1,559,913		

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, 2025, the City recognized \$52,814 in lease revenue and \$5,517 in interest revenue. At June 30, 2025, the City reported a deferred inflow of resources related to leases of \$529,136.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows:

	Classification				
	Balance		Balance		Due within One Year
	July 1, 2024	Additions	Deletions	June 30, 2025	
Leases receivable	\$ 617,439	\$ -	\$ (48,283)	\$ 569,156	\$ 49,683
					\$ 519,473

As of June 30, 2025, the required payments for these leases, including interest, are:

Year Ending				
	June 30,	Principal	Interest	Total
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	48,591	3,400	51,991	
2031-2035	189,418	10,959	200,377	
2036-2040	65,133	5,734	70,867	
2041-2045	64,120	2,312	66,432	
2046-2047	3,452	11	3,463	
Total	\$ 569,156	\$ 40,278	\$ 609,434	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Lease Receivable (Continued)

B. Business-Type Activities

The portion of the City's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the City. The terms of the arrangement is for 30 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2025, the City recognized \$11,783 in lease revenue and \$1,219 in interest revenue. At June 30, 2025, the City reported a deferred inflow of resources related to leases of \$248,065.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows:

				Balance June 30, 2025	Classification	
	Balance July 1, 2024	Additions	Deletions		Due within One Year	Due in More Than One Year
Leases receivable	\$ 266,015	\$ -	\$ (9,785)	\$ 256,230	\$ 9,831	\$ 246,399

As of June 30, 2025, the required payments for these leases, including interest, are:

Year Ending June 30,	Principal	Interest	Total
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	11,127	977	12,104
2031-2035	59,771	4,079	63,850
2036-2040	63,953	2,621	66,574
2041-2045	65,460	1,114	66,574
2046-2047	14,385	39	14,424
Total	\$ 256,229	\$ 13,239	\$ 269,468

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 2025, the balance of the loan was \$237,543.

Note 6 – Interfund Balances

A. Due To and From Other Funds

Due from and to other funds as of June 30, 2025, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Transit Fund	\$ 171,661	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.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Interfund Balances (Continued)

B. Transfers

Interfund transfers during the year ended June 30, 2025, consisted of the following:

Transfers In	Transfers Out	Amount	Purpose
HURF Special Revenue Fund	General Fund	<u>\$ 3,448,195</u>	Capital projects

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 \$155,545.

	Business-Type		
	2005		2006
	Purchase	Purchase	Activities
Excess Consideration Provided for Acquisition	<u>\$ 1,474,221</u>	<u>\$ 4,851,022</u>	<u>\$ 6,325,243</u>
Less: Accumulated amortization	<u>(758,555)</u>	<u>(2,388,180)</u>	<u>(3,146,735)</u>
Total	<u><u>\$ 715,666</u></u>	<u><u>\$ 2,462,842</u></u>	<u><u>\$ 3,178,508</u></u>

Note 8 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2025 is as follows:

	Balance	Transfers/			Balance
	July 1, 2024	Additions	Deletions	Reclassifications	June 30, 2025
Nondepreciable assets:					
Land	\$ 2,619,885	\$ -	\$ -	\$ -	\$ 2,619,885
Construction in progress	5,208,672	5,764,085	-	(1,786,126)	9,186,631
Total nondepreciable assets	<u>7,828,557</u>	<u>5,764,085</u>	<u>-</u>	<u>(1,786,126)</u>	<u>11,806,516</u>
Depreciable/amortizable assets:					
Infrastructure	36,133,570	-	(129,038)	708,312	36,712,844
Building and improvements	40,553,580	311,091	-	21,362	40,886,033
Vehicles, machinery and equipment	19,000,579	956,372	(631,110)	1,056,452	20,382,293
Subscription assets	265,311	-	(105,934)	-	159,377
Subtotal	<u>95,953,040</u>	<u>1,267,463</u>	<u>(866,082)</u>	<u>1,786,126</u>	<u>98,140,547</u>
Less accumulated depreciation/amortization					
Infrastructure	(19,302,730)	(1,103,948)	129,038	-	(20,277,640)
Building and improvements	(18,892,155)	(1,071,970)	-	-	(19,964,125)
Vehicles, machinery and equipment	(12,138,318)	(2,010,194)	631,110	-	(13,517,402)
Subscription assets	(145,521)	(90,423)	105,934	-	(130,010)
Subtotal	<u>(50,478,724)</u>	<u>(4,276,535)</u>	<u>866,082</u>	<u>-</u>	<u>(53,889,177)</u>
Total depreciable/amortizable assets, net	<u>45,474,316</u>	<u>(3,009,072)</u>	<u>-</u>	<u>1,786,126</u>	<u>44,251,370</u>
Total	<u><u>\$ 53,302,873</u></u>	<u><u>\$ 2,755,013</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 56,057,886</u></u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Governmental activities depreciation and amortization expenses for capital assets for the year ended June 30, 2025 are as follows:

General government	\$ 1,568,021
Public safety	741,755
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation and amortization expense	<u>\$ 4,276,535</u>

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2025
Nondepreciable assets:					
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	4,918,790	8,003,064	-	-	12,921,854
Total nondepreciable assets	9,051,031	8,003,064	-	-	17,054,095
Depreciable assets					
Water distribution system	21,090,723	200,019	(127,772)	-	21,162,970
Wastewater systems	21,638,345	-	-	-	21,638,345
Building and improvements	10,873,815	-	-	-	10,873,815
Vehicles, machinery and equipment	7,423,065	500,852	(117,644)	-	7,806,273
Subtotal	61,025,948	700,871	(245,416)	-	61,481,403
Less accumulated depreciation					
Water distribution system	(12,154,258)	(759,469)	32,356	-	(12,881,371)
Wastewater systems	(10,938,430)	(413,033)	-	-	(11,351,463)
Building and improvements	(4,383,277)	(244,508)	-	-	(4,627,785)
Vehicles, machinery and equipment	(5,393,418)	(560,424)	117,644	-	(5,836,198)
Subtotal	(32,869,383)	(1,977,434)	150,000	-	(34,696,817)
Total depreciable assets, net	28,156,565	(1,276,563)	(95,416)	-	26,784,586
Total	\$ 37,207,596	\$ 6,726,501	\$ (95,416)	-	\$ 43,838,681

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2025 are as follows:

Water	\$ 1,076,261
Wastewater	901,173
Total depreciation expense	<u>\$ 1,977,434</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 is as follows:

	Balance July 1, 2024	Debt Issued	Debt Retired	Balance June 30, 2025	Classification	
					Due within One Year	Due in More Than One Year
Revenue bonds:						
2015 Pledged revenue bonds	\$ 5,654,476	\$ -	\$ (400,065)	\$ 5,254,411	\$ 421,496	\$ 4,832,915
Plus: unamortized premium	330,742	-	(30,068)	300,674	-	300,674
2016 Pledged revenue bonds	4,990,000	-	(1,175,000)	3,815,000	1,225,000	2,590,000
Plus: unamortized premium	554,355	-	(138,590)	415,765	-	415,765
2021 Pledged revenue bonds	19,390,000	-	(905,000)	18,485,000	1,070,000	17,415,000
Total revenue bonds	30,919,573	-	(2,648,723)	28,270,850	2,716,496	25,554,354
Finance purchase agreements	2,237,164	206,861	(489,619)	1,954,406	543,979	1,410,427
Subscription liability	56,304	-	(56,304)	-	-	-
Total	\$ 33,213,041	\$ 206,861	\$ (3,194,646)	\$ 30,225,256	\$ 3,260,475	\$ 26,964,781

Finance Purchase Agreements

The City has entered into several finance purchase agreements for the financing of vehicles. The calculated interest rate used was between 1.30% to 16.41%, depending on the length of the finance purchase agreement and date of the agreement. 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, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 543,979	\$ 176,142	\$ 720,121
2027	581,058	121,315	702,373
2028	569,953	61,230	631,183
2029	248,787	11,418	260,205
2029	10,629	152	10,781
Total	\$ 1,954,406	\$ 370,257	\$ 2,324,663

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	\$ 2,827,273
Less: accumulated depreciation	(1,010,008)
Total	\$ 1,817,265

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

Subscription Liabilities

The City has entered into subscription-based information technology arrangements (SBITAs) for cloud-based software applications, data storage, and related technology services. Under the terms of these arrangements, the City does not take possession of the underlying software and the vendors provide ongoing access and support throughout the subscription periods. Initial noncancelable terms ranged from 30 to 36 months, and the City used discount rates ranging from 2.18% to 2.66% in determining the present value of subscription payments.

As of June 30, 2025, all of the City's SBITAs had reached the end of their subscription terms, and no remaining subscription payments were due. The capitalized subscription right-to-use assets totaled \$159,377, and the related subscription liabilities were \$0 at year-end. The City recognized subscription expense during the fiscal year related solely to the amortization of the subscription right-to-use assets; no variable payments or termination penalties were incurred.

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 \$6.5 million. The total principal and interest remaining to be paid on the business type portion of the bonds is \$2.6 million (Note 9B).

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 421,496	\$ 228,251	\$ 649,747
2027	442,928	206,640	649,568
2028	464,360	183,958	648,318
2029	485,792	160,204	645,996
2030	510,796	135,290	646,086
2031-2035	2,929,039	305,156	3,234,195
Total	\$ 5,254,411	\$ 1,219,499	\$ 6,473,910

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 were \$3,815,000.

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

The annual debt service requirements are as follows:

Year Ending					
June 30,		Principal	Interest	Total	
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	\$ 3,815,000	\$ 232,700	\$ 4,047,700		

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, 2025 were \$18,485,000. Amounts due before July 1, 2031 cannot be prepaid prior to those due dates.

The 2021 bonds requires that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

The annual debt service requirements are as follows:

Year Ending					
June 30,		Principal	Interest	Total	
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		
2029	1,240,000	326,475	1,566,475		
2030-2035	6,590,000	1,216,234	7,806,234		
2036-2039	5,885,000	337,028	6,222,028		
Total	\$ 18,485,000	\$ 3,373,863	\$ 21,858,863		

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025 is as follows:

	Balance July 1, 2024	Debt Issued	Debt Retired	Balance June 30, 2025	Classification	
					Due within One Year	Due in More Than One Year
Loans payable:						
2015 WIFA refunding loan	\$ 4,996,712	\$ -	\$ (708,205)	\$ 4,288,507	\$ 723,785	\$ 3,564,722
2016 WIFA refunding loan	9,018,618	-	(770,115)	8,248,503	783,238	7,465,265
Total loans payable	<u>14,015,330</u>	<u>-</u>	<u>(1,478,320)</u>	<u>12,537,010</u>	<u>1,507,023</u>	<u>11,029,987</u>
Revenue bonds:						
2015 Pledged revenue bonds	2,260,524	-	(159,936)	2,100,588	168,504	1,932,084
Plus: unamortized premium	146,919	-	(13,355)	133,564	-	133,564
Total revenue bonds	<u>2,407,443</u>	<u>-</u>	<u>(173,291)</u>	<u>2,234,152</u>	<u>168,504</u>	<u>2,065,648</u>
Finance purchase agreements	53,022	127,033	(20,694)	159,361	35,353	124,008
Total	\$ 16,475,795	\$ 127,033	\$ (1,672,305)	\$ 14,930,523	\$ 1,710,880	\$ 13,219,643

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. The calculated interest rate used was between 1.30% to 16.41%, depending on the length of the finance purchase agreement and date of the agreement. 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, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 35,353	\$ 16,009	\$ 51,362
2027	39,552	11,810	51,362
2028	35,658	7,259	42,917
2029	29,017	3,888	32,905
2030	19,781	768	20,549
Total	\$ 159,361	\$ 39,734	\$ 199,095

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	\$ 197,183
Less: accumulated depreciation	(45,868)
Total	\$ 151,315

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 \$4.4 million. The debt principal and interest paid on this debt during fiscal year 2025 was \$740,703 (approximately 19.5% percent of pledged revenues).

The annual requirements to amortize the bonds outstanding at June 30, 2025, are as follows:

Year Ending				Total
June 30,	Principal	Interest	Total	
2026	\$ 723,785	\$ 27,486	\$ 751,271	
2027	739,709	22,364	762,073	
2028	755,982	17,129	773,111	
2029	772,614	11,779	784,393	
2030	789,612	6,311	795,923	
2031	506,805	1,774	508,579	
Total	\$ 4,288,507	\$ 86,843	\$ 4,375,350	

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, 2025. 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 \$8.3 million. The debt principal and interest paid on this debt during fiscal year 2025 was \$787,727 (approximately 20.7% 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, 2025

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, 2025, are as follows:

Year Ending				Total
June 30,	Principal	Interest	Total	
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	
2030	838,004	9,416	847,420	
2031-2035	4,196,556	20,839	4,217,395	
Total	\$ 8,248,503	\$ 84,589	\$ 8,333,092	

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 \$6.5 million (Note 9A). The total principal and interest remaining to be paid on the business type portion of the bonds is \$2.6 million.

The annual debt service requirements are as follows:

Year Ending				Total
June 30,	Principal	Interest	Total	
2026	\$ 168,504	\$ 91,249	\$ 259,753	
2027	177,072	82,610	259,682	
2028	185,640	73,542	259,182	
2029	194,208	64,046	258,254	
2030	204,204	54,085	258,289	
2031-2035	1,170,960	121,994	1,292,954	
Total	\$ 2,100,588	\$ 487,526	\$ 2,588,114	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 \$3,406,295 at June 30, 2025. Summary of changes in compensated absences for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024, as restated	Increases (Decreases)	Balance June 30, 2025	Classification	
				Due within One Year	Due in More Than One Year
Governmental Activities	\$ 2,749,837	\$ 128,290	\$ 2,878,127	\$ 522,417	\$ 2,355,710
Business-Type Activities	475,798	52,370	528,168	74,286	453,882
Total	\$ 3,225,635	\$ 180,660	\$ 3,406,295	\$ 596,703	\$ 2,809,592

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 reinsure through commercial companies for claims in excess of specified amounts for each insured event.

The City joined the Arizona Municipal Workers' Compensation Pool (Pool) together with other governments in the state for risks of loss related to workers' compensation claims. The Pool is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among members.

The City continues to carry commercial airport insurance for risk of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 - Pension Plan	\$ 1,090,131	\$ 292,203	\$ 1,382,334
PSPRS - Police Plan - Tier 1 & 2	223,382	-	223,382
PSPRS - Fire Plan - Tier 1 & 2	142,608	-	142,608
PSPRS - Police Plan - Tier 3	85,336	-	85,336
PSPRS - Fire Plan - Tier 3	62,196	-	62,196
Total pension contributions made after measurement date	<u>1,603,653</u>	<u>292,203</u>	<u>1,895,856</u>

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

	Governmental Activities	Business-Type Activities	Total
PSPRS - Police Plan - Tier 1 & 2	157,480	-	157,480
Total projected earnings on pension plan investments in excess of actual earnings	<u>157,480</u>	<u>-</u>	<u>157,480</u>

Change in assumptions:

	Governmental Activities	Business-Type Activities	Total
PSPRS - Police Plan - Tier 1 & 2	134,246	-	134,246
PSPRS - Fire Plan - Tier 1 & 2	280,385	-	280,385
PSPRS - Police Plan - Tier 3	134	-	134
PSPRS - Fire Plan - Tier 3	102	-	102
Total change in assumption	<u>414,867</u>	<u>-</u>	<u>414,867</u>

Difference between expected and actual experience

	Governmental Activities	Business-Type Activities	Total
ASRS - Pension Plan	574,214	153,914	728,128
PSPRS - Police Plan - Tier 1 & 2	1,367,280	-	1,367,280
PSPRS - Fire Plan - Tier 1 & 2	537,497	-	537,497
PSPRS - Police Plan - Tier 3	86,889	-	86,889
PSPRS - Fire Plan - Tier 3	66,100	-	66,100
Total difference between expected and actual experience	<u>2,631,980</u>	<u>153,914</u>	<u>2,785,894</u>

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

	Governmental Activities	Business-Type Activities	Total
ASRS - Pension Plan	609,282	163,314	772,596
PSPRS - Police Plan - Tier 3	8,142	-	8,142
PSPRS - Fire Plan - Tier 3	13,329	-	13,329
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>630,753</u>	<u>163,314</u>	<u>794,067</u>

Total pension-related deferred outflows of resources

	Governmental Activities	Business-Type Activities	Total
ASRS - Pension Plan	2,273,627	609,431	2,883,058
PSPRS - Police Plan - Tier 1 & 2	1,882,388	-	1,882,388
PSPRS - Fire Plan - Tier 1 & 2	960,490	-	960,490
PSPRS - Police Plan - Tier 3	180,501	-	180,501
PSPRS - Fire Plan - Tier 3	141,727	-	141,727
Total pension-related deferred outflows of resources	<u>\$ 5,438,733</u>	<u>\$ 609,431</u>	<u>\$ 6,048,164</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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	\$ 6,333	\$ 1,697	\$ 8,030
ASRS - Long-Term Disability Plan	13,570	3,637	17,207
PSPRS - Fire Plan - Tier 1 & 2	5,306	-	5,306
PSPRS - Police Plan - Tier 3	1,187	-	1,187
PSPRS - Fire Plan - Tier 3	865	-	865
Total OPEB contributions made after measurement date	27,261	5,334	32,595
Change in assumptions:			
ASRS - Long-Term Disability Plan	1,226	328	1,554
PSPRS - Police Plan - Tier 1 & 2	876	-	876
PSPRS - Fire Plan - Tier 1 & 2	3,624	-	3,624
PSPRS - Police Plan - Tier 3	68	-	68
PSPRS - Fire Plan - Tier 3	52	-	52
Total change in assumption	5,846	328	6,174
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	11,462	3,072	14,534
ASRS - Long-Term Disability Plan	6,229	1,670	7,899
PSPRS - Fire Plan - Tier 1 & 2	4,611	-	4,611
PSPRS - Police Plan - Tier 3	455	-	455
PSPRS - Fire Plan - Tier 3	346	-	346
Total difference between expected and actual experience	23,103	4,742	27,845
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	947	254	1,201
ASRS - Long-Term Disability Plan	1,673	449	2,122
PSPRS - Police Plan - Tier 3	253	-	253
PSPRS - Fire Plan - Tier 3	985	-	985
Total change in proportion and differences between employer contributions and proportionate share of contributions	3,858	703	4,561
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	18,742	5,023	23,765
ASRS - Long-Term Disability Plan	22,698	6,084	28,782
PSPRS - Police Plan - Tier 1 & 2	876	-	876
PSPRS - Fire Plan - Tier 1 & 2	13,541	-	13,541
PSPRS - Police Plan - Tier 3	1,963	-	1,963
PSPRS - Fire Plan - Tier 3	2,248	-	2,248
Total OPEB-related deferred outflows of resources	\$ 60,068	\$ 11,107	\$ 71,175

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 - Fire Plan - Tier 1 & 2	\$ 848,276	\$ -	\$ 848,276
PSPRS - Police Plan - Tier 3	43,828	-	43,828
PSPRS - Fire Plan - Tier 3	33,342	-	33,342
Total net pension asset	<u>\$ 925,446</u>	<u>\$ -</u>	<u>\$ 925,446</u>
Net pension liability			
ASRS - Pension Plan	\$ 10,287,049	\$ 2,757,378	\$ 13,044,427
PSPRS - Police Plan - Tier 1 & 2	1,723,883	-	1,723,883
Total net pension liability	<u>\$ 12,010,932</u>	<u>\$ 2,757,378</u>	<u>\$ 14,768,310</u>
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 396,071	\$ 106,164	\$ 502,235
PSPRS - Police Plan - Tier 1 & 2	195,749	-	195,749
PSPRS - Fire Plan - Tier 1 & 2	70,559	-	70,559
PSPRS - Police Plan - Tier 3	7,558	-	7,558
PSPRS - Fire Plan - Tier 3	5,750	-	5,750
Total Net OPEB asset	<u>\$ 675,687</u>	<u>\$ 106,164</u>	<u>\$ 781,851</u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 1,694	\$ 454	\$ 2,148
Total Net OPEB liability	<u>\$ 1,694</u>	<u>\$ 454</u>	<u>\$ 2,148</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 - Pension Plan	\$ 656,940	\$ 176,089	\$ 833,029
PSPRS - Fire Plan - Tier 1 & 2	51,409	-	51,409
PSPRS - Police Plan - Tier 3	14,322	-	14,322
PSPRS - Fire Plan - Tier 3	10,895	-	10,895
Total projected earnings on pension plan investments in excess of actual earnings	<u>733,566</u>	<u>176,089</u>	<u>909,655</u>
Change in assumptions:			
PSPRS - Police Plan - Tier 3	2,825	-	2,825
PSPRS - Fire Plan - Tier 3	2,149	-	2,149
Total change in assumption	<u>4,974</u>	<u>-</u>	<u>4,974</u>
Difference between expected and actual experience			
PSPRS - Police Plan - Tier 1 & 2	33,166	-	33,166
PSPRS - Fire Plan - Tier 1 & 2	509,052	-	509,052
Total difference between expected and actual experience	<u>542,218</u>	<u>-</u>	<u>542,218</u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
PSPRS - Police Plan - Tier 3	23,180	-	23,180
PSPRS - Fire Plan - Tier 3	32,613	-	32,613
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u>55,793</u>	<u>-</u>	<u>55,793</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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 - Pension Plan	656,940	176,089	833,029
PSPRS - Police Plan - Tier 1 & 2	33,166	-	33,166
PSPRS - Fire Plan - Tier 1 & 2	560,461	-	560,461
PSPRS - Police Plan - Tier 3	40,327	-	40,327
PSPRS - Fire Plan - Tier 3	45,657	-	45,657
Total pension-related deferred inflows of resources	<u><u>\$ 1,336,551</u></u>	<u><u>\$ 176,089</u></u>	<u><u>\$ 1,512,640</u></u>
OPEB-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS - Health Benefit Supplement Plan	\$ 27,226	\$ 7,298	\$ 34,524
ASRS - Long-Term Disability Plan	1,850	496	2,346
PSPRS - Police Plan - Tier 1 & 2	6,045	-	6,045
PSPRS - Fire Plan - Tier 1 & 2	2,393	-	2,393
PSPRS - Police Plan - Tier 3	436	-	436
PSPRS - Fire Plan - Tier 3	332	-	332
Total projected earnings on pension plan investments in excess of actual earnings	<u><u>38,282</u></u>	<u><u>7,794</u></u>	<u><u>46,076</u></u>
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	4,109	1,101	5,210
ASRS - Long-Term Disability Plan	10,142	2,719	12,861
PSPRS - Fire Plan - Tier 1 & 2	1,079	-	1,079
PSPRS - Police Plan - Tier 3	1	-	1
Total change in assumption	<u><u>15,331</u></u>	<u><u>3,820</u></u>	<u><u>19,151</u></u>
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	95,636	25,634	121,270
ASRS - Long-Term Disability Plan	4,512	1,209	5,721
PSPRS - Police Plan - Tier 1 & 2	17,779	-	17,779
PSPRS - Fire Plan - Tier 1 & 2	87,879	-	87,879
PSPRS - Police Plan - Tier 3	220	-	220
PSPRS - Fire Plan - Tier 3	168	-	168
Total difference between expected and actual experience	<u><u>206,194</u></u>	<u><u>26,843</u></u>	<u><u>233,037</u></u>
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	16,971	4,549	21,520
ASRS - Long-Term Disability Plan	1,437	385	1,822
PSPRS - Police Plan - Tier 3	966	-	966
PSPRS - Fire Plan - Tier 3	1,684	-	1,684
Total change in proportion and differences between employer contributions and proportionate share of contributions	<u><u>21,058</u></u>	<u><u>4,934</u></u>	<u><u>25,992</u></u>
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	143,942	38,582	182,524
ASRS - Long-Term Disability Plan	17,941	4,809	22,750
PSPRS - Police Plan - Tier 1 & 2	23,824	-	23,824
PSPRS - Fire Plan - Tier 1 & 2	91,351	-	91,351
PSPRS - Police Plan - Tier 3	1,623	-	1,623
PSPRS - Fire Plan - Tier 3	2,184	-	2,184
Total OPEB-related deferred inflows of resources	<u><u>\$ 280,865</u></u>	<u><u>\$ 43,391</u></u>	<u><u>\$ 324,256</u></u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Expense/(Income)

	Governmental Activities	Business-Type Activities	Total
Pension expense:			
ASRS - Pension Plan	\$ 1,244,006	\$ 333,448	\$ 1,577,454
PSPRS - Police Plan - Tier 1 & 2	1,409,327	-	1,409,327
PSPRS - Fire Plan - Tier 1 & 2	411,766	-	411,766
PSPRS - Police Plan - Tier 3	40,873	-	40,873
PSPRS - Fire Plan - Tier 3	30,444	-	30,444
Total net pension (income) expense	<u><u>\$ 3,136,416</u></u>	<u><u>\$ 333,448</u></u>	<u><u>\$ 3,469,864</u></u>
OPEB expense/(income):			
ASRS - Health Benefit Supplement Plan	\$ (60,116)	\$ (16,114)	\$ (76,230)
ASRS - Long-Term Disability Plan	7,633	2,046	9,679
PSPRS - Police Plan - Tier 1 & 2	(29,503)	-	(29,503)
PSPRS - Fire Plan - Tier 1 & 2	(18,594)	-	(18,594)
PSPRS - Police Plan - Tier 3	812	-	812
PSPRS - Fire Plan - Tier 3	(624)	-	(624)
Total net OPEB (income) expense	<u><u>\$ (100,392)</u></u>	<u><u>\$ (14,068)</u></u>	<u><u>\$ (114,460)</u></u>

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

Plan Description

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

Benefits Provided

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of credited service and age required to receive benefit	Sum of years and age equals	
Years of credited service and age required to receive benefit	80 or more	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on		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, 2025

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, 2025 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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27 percent (12.12 percent for retirement and 0.15 percent for long-term disability) of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.27 percent (12.05 percent for retirement, 0.07 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members’ annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 10.19 percent (10.14 percent for retirement and 0.05 percent for long-term disability) of annual covered payroll of retired members who worked for the County 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, 2025, were:

	Contributions - employer
Pension Plan	\$ 1,382,334
Health Benefit Supplement Plan	8,030
Long-Term Disability Plan	17,207
Total	\$ 1,407,571

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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

During fiscal year 2025, the City paid for ASRS pension and OPEB contributions as follows: 79 percent from the Governmental Funds, 14 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, 2025, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

	<u>Net pension/OPEB</u>
Pension Plan	\$ 13,044,427
Health Benefit Supplement Plan	(502,235)
Long-Term Disability Plan	2,148
Total	\$ 12,544,340

The net asset and net liabilities were measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

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, 2024. The City’s proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2024, were:

	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Proportion June 30, 2023	0.0754800%	0.0769100%	0.0760500%
Proportion June 30, 2024	0.0815200%	0.0831200%	0.0824100%
Change - Increase (Decrease)	<u>0.0060400%</u>	<u>0.0062100%</u>	<u>0.0063600%</u>

As of June 30, 2025, the City reported net pension and OPEB (asset)/liability for its proportionate shares of the net pension and OPEB (asset)/liability of the Arizona State Retirement System Plans as follows:

	Plan's Net Pension and OPEB Liability/(Asset)		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Balance at: 6/30/23 (Valuation date)	\$ 12,213,755	\$ (415,258)	\$ 9,965
Balance at: 6/30/24 (Measurement date)	<u>13,044,427</u>	<u>(502,235)</u>	<u>2,148</u>
Net Changes during 2024-2025	<u>\$ (830,672)</u>	<u>\$ 86,977</u>	<u>\$ 7,817</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, 2025:

	<u>Pension/OPEB expenses/(credits)</u>
Pension Plan	\$ 1,577,454
Health Benefit Supplement Plan	(76,230)
Long-Term Disability Plan	9,679
Total	\$ 1,510,903

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025, 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	\$ 1,382,334	\$ -	\$ 8,030	\$ -	\$ 17,207	\$ -
Difference between projected and actual earning on pension plan investments	-	(833,029)	-	(34,524)	-	(2,346)
Changes in assumptions	-	-	-	(5,210)	1,554	(12,861)
Difference between actual and expected experience	728,128	-	14,534	(121,270)	7,899	(5,721)
Changes in proportion and differences between employer contributions and proportionate share of contributions	772,596	-	1,201	(21,520)	2,122	(1,822)
Total	<u>\$ 2,883,058</u>	<u>\$ (833,029)</u>	<u>\$ 23,765</u>	<u>\$ (182,524)</u>	<u>\$ 28,782</u>	<u>\$ (22,750)</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, 2026. 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:

Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
2025	\$ 86,741	\$ (97,774)	\$ (3,775)
2026	944,692	(26,060)	(515)
2027	(210,867)	(26,167)	(3,612)
2028	(152,871)	(13,556)	(3,315)
2029	-	(3,232)	(1,263)
Thereafter	-	-	1,305
	<u>\$ 667,695</u>	<u>\$ (166,789)</u>	<u>\$ (11,175)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023 total pension liability. Both the June 30, 2023 and the June 30, 2024 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, 2023
Actuarial roll forward date	June 30, 2024
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, 2023, 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	Long-Term Expected
		Geometric Real Rate of Return
Public equity	44.00%	4.48%
Credit	23.00%	4.40%
Real estate	17.00%	6.05%
Private equity	10.00%	6.11%
Interest rate sensitive	6.00%	-0.45%
Total	100.00%	

Discount Rate

At June 30, 2024, 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, 2025

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% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Pension Plan	\$ 24,501,577	\$ 13,044,427	\$ 8,917,438
Health Benefit Supplement Plan	\$ (439,270)	\$ (502,235)	\$ (744,476)
Long-Term Disability Plan	\$ 8,969	\$ 2,148	\$ (3,652)
Total	<u><u>\$ 24,071,276</u></u>	<u><u>\$ 12,544,340</u></u>	<u><u>\$ 8,169,310</u></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, 2025, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

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

Plan Description

The City’s public safety employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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

Benefits Provided

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

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

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

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

Employees Covered

At June 30, 2024, 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	25	25	16	16	8	8	6	6
Transferred and terminated employees	5	5	4	4	6	6	3	3
Retired employees and beneficiaries	24	24	8	8	0	0	0	0
Total	54	54	28	28	14	14	9	9

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

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

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2025, are indicated below. Rates are a percentage of active members’ annual covered payroll.

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 11.85%, 8.75%, 13.38%, and 8.75%, respectively, of annual covered payroll for Police Plan and Fire Plan retired members, respectively who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

	Police Plan (Tier 1 & 2)	Fire Plan (Tier 1 & 2)	Police Plan (Tier 3)	Fire Plan (Tier 3)
		(Tier 1) 7.65%		
Active members - pension		(Tier 2 - hired after 7/2011) 11.65%		10.41%
City of Cottonwood, Arizona:				
Pension	11.85%	12.90%	8.63%	8.63%
Health Insurance	0.00%	0.48%	0.12%	0.12%

For the year ended June 30, 2025, 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	\$ 223,382	\$ -	\$ 142,608	\$ 5,306	\$ 85,336	\$ 1,187	\$ 62,196	\$ 865

During fiscal year 2025, 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, 2024, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

The City’s proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2023	0.2560650%	0.2561980%	0.1044670%	0.1045210%
Proportion June 30, 2024	0.2568500%	0.2568500%	0.1953990%	0.1953990%
Change - Increase (Decrease)	0.0007850%	0.0006520%	0.0909320%	0.0908780%

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2024 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Investment rate of return	7.20%
Wage inflation	3.00% to 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

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	Long-Term Expected
		Geometric Real Rate of Return
U.S. public equity	24.00%	3.62%
International public equity	16.00%	4.47%
Global private equity	27.00%	7.05%
Core bonds	6.00%	2.44%
Private credit	20.00%	6.24%
Diversifying strategies	5.00%	3.15%
Cash - Mellon	2.00%	0.89%
	100.00%	

Discount Rate

At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2023	\$ 24,820,799	\$ 23,962,785	\$ 858,014	\$ 277,240	\$ 445,569	\$ (168,329)
Changes in the year:						
Service cost	329,789	-	329,789	7,795	-	7,795
Interest on the total pension liabilities	1,760,026	-	1,760,026	20,080	-	20,080
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	1,585,687	-	1,585,687	(10,858)	-	(10,858)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(1,411,570)	(1,411,570)	-	(12,303)	(12,303)	-
Contributions - employer	-	248,787	(248,787)	-	-	-
Contributions - employee	-	159,766	(159,766)	-	-	-
Net investment income	-	2,414,078	(2,414,078)	-	44,653	(44,653)
Administrative expenses	-	(12,998)	12,998	-	(216)	216
Other changes	-	-	-	-	-	-
Net changes	2,263,932	1,398,063	865,869	4,714	32,134	(27,420)
Balance at June 30, 2024 (Measurement Date)	<u>\$ 27,084,731</u>	<u>\$ 25,360,848</u>	<u>\$ 1,723,883</u>	<u>\$ 281,954</u>	<u>\$ 477,703</u>	<u>\$ (195,749)</u>

Fire Plan - Tier 1 & 2						
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2023	\$ 14,675,926	\$ 14,603,864	\$ 72,062	\$ 266,131	\$ 264,010	\$ 2,121
Changes in the year:						
Service cost	292,775	-	292,775	6,839	-	6,839
Interest on the total pension liabilities	1,064,842	-	1,064,842	19,378	-	19,378
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(175,717)	-	(175,717)	(51,652)	-	(51,652)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(358,452)	(358,452)	-	(7,670)	(7,670)	-
Contributions - employer	-	602,172	(602,172)	-	20,971	(20,971)
Contributions - employee	-	104,704	(104,704)	-	-	-
Net investment income	-	1,491,446	(1,491,446)	-	26,391	(26,391)
Administrative expenses	-	(7,409)	7,409	-	(117)	117
Other changes	-	(88,675)	88,675	-	-	-
Net changes	823,448	1,743,786	(920,338)	(33,105)	39,575	(72,680)
Balance at June 30, 2024 (Measurement Date)	<u>\$ 15,499,374</u>	<u>\$ 16,347,650</u>	<u>\$ (848,276)</u>	<u>\$ 233,026</u>	<u>\$ 303,585</u>	<u>\$ (70,559)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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)	\$ 5,692,032	\$ 1,723,883	\$ (1,481,656)
Police OPEB Plan (Tier 1 & 2)	\$ (162,463)	\$ (195,749)	\$ (223,721)
Fire Pension Plan (Tier 1 & 2)	\$ 1,402,639	\$ -	\$ (2,675,893)
Fire OPEB Plan (Tier 1 & 2)	\$ (43,169)	\$ (70,559)	\$ (93,694)
Aggregate Total	\$ 6,889,039	\$ 1,457,575	\$ (4,474,964)

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

	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)	\$ 69,258	\$ (43,828)	\$ (128,391)
Police OPEB Plan (Tier 3)	\$ (6,170)	\$ (7,558)	\$ (8,556)
Fire Pension Plan (Tier 3)	\$ 52,688	\$ (33,342)	\$ 97,673
Fire OPEB Plan (Tier 3)	\$ (4,694)	\$ (5,750)	\$ (6,592)
Aggregate Total	\$ 111,082	\$ (90,478)	\$ (45,866)

Pension Plan Fiduciary Net Position

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

For the year ended June 30, 2025, the City recognized the following pension and OPEB expense (credit):

Pension/OPEB expense/(credit)			
Pension Plan - Police (Tier 1 & 2)		\$ 1,409,327	
Pension Plan - Fire (Tier 1 & 2)		411,766	
Pension Plan - Police (Tier 3)		40,873	
Pension Plan - Fire (Tier 3)		30,444	
OPEB Plan - Police (Tier 1 & 2)		(29,503)	
OPEB Plan - Fire (Tier 1 & 2)		(18,594)	
OPEB Plan - Police (Tier 3)		812	
OPEB Plan - Fire (Tier 3)		(624)	
Total		\$ 1,844,501	

At June 30, 2025 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	\$ 223,382	\$ -	\$ -	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	157,480	-	-	-	(6,045)
Changes in assumptions	134,246	-	876	-	-
Difference between actual and expected experience	1,367,280	(33,166)	-	-	(17,779)
Total	\$ 1,882,388	\$ (33,166)	\$ 876	\$ 876	\$ (23,824)
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	\$ 142,608	\$ -	\$ 5,306	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	-	(51,409)	-	-	(2,393)
Changes in assumptions	280,385	-	3,624	-	(1,079)
Difference between actual and expected experience	537,497	(509,052)	4,611	-	(87,879)
Total	\$ 960,490	\$ (560,461)	\$ 13,541	\$ 13,541	\$ (91,351)
Police Plan (Tier 3)					
Pension Plan		OPEB Plan			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Pension contributions made subsequent to measurement date	\$ 85,336	\$ -	\$ 1,187	\$ -	\$ -
Difference between projected and actual earning on pension plan investments	-	(14,322)	-	-	(436)
Changes in assumptions	134	(2,825)	68	-	(1)
Difference between actual and expected experience	86,889	-	455	-	(220)
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,142	(23,180)	253	-	(966)
Total	\$ 180,501	\$ (40,327)	\$ 1,963	\$ 1,963	\$ (1,623)

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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)

	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	\$ 62,196	\$ -	\$ 865	\$ -		
Difference between projected and actual earning on pension plan investments	-	(10,895)	-	-	(332)	
Changes in assumptions	102	(2,149)	52	-	-	
Difference between actual and expected experience	66,100	-	346	-	(168)	
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,329	(32,613)	985	-	(1,684)	
Total	<u>\$ 141,727</u>	<u>\$ (45,657)</u>	<u>\$ 2,248</u>	<u>\$ (2,184)</u>		

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2026. 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)	
2026	\$ 823,163	\$ 12,023	\$ (16,240)	\$ -	(27,701)
2027	1,116,765	317,850	1,594	-	(20,116)
2028	(169,021)	(4,555)	(5,697)	-	(24,432)
2029	(145,067)	(67,897)	(2,605)	-	(10,867)
2030	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ 1,625,840</u>	<u>\$ 257,421</u>	<u>\$ (22,948)</u>	<u>\$ (83,116)</u>	

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources				
	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)	
2026	\$ 2,579	\$ (206)	\$ 1,312	\$ -	(150)
2027	6,823	(55)	4,540	-	(35)
2028	2,998	(176)	1,631	-	(127)
2029	4,062	(145)	2,441	-	(103)
2030	7,696	(36)	5,205	-	(21)
Thereafter	30,680	(229)	18,745	-	(365)
	<u>\$ 54,838</u>	<u>\$ (847)</u>	<u>\$ 33,874</u>	<u>\$ (801)</u>	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 13 – Other Required Disclosures

A. Expenditures Exceeding Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following function(s) by fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Debt service: Principal	\$ 31,173
	Interest and fiscal charges	15,205
HURF Special Revenue Fund	Capital outlay	413,261
	Debt service: Interest and fiscal charges	347
Debt Service Fund	Debt service: Interest and fiscal charges	2,026
Grants Special Revenue Fund	Capital outlay	24,449
Transit Special Revenue Fund	Capital outlay	13,502
Capital Projects Fund	General government	344,802
	Capital outlay	5,208

Note 14 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2025 as follows:

	Major Funds				Non-Major Governmental Funds	Total
	General Fund	HURF Special Revenue Fund	City Debt Service Fund			
Nonspendable:						
Inventories and prepaid items	\$ 33,923	\$ 13,928	\$ 6,075	\$ -	\$ 53,926	
Total nonspendable	33,923	13,928	6,075	-	53,926	
Restricted:						
Debt service	-	-	355,640	-	355,640	
Pension and OPEB	4,749,700	-	-	-	4,749,700	
Grants	-	-	-	1,446,073	1,446,073	
Highways and streets	-	4,774,494	-	741,881	5,516,375	
Capital projects	-	-	-	1,889,578	1,889,578	
Total restricted	4,749,700	4,774,494	355,640	4,077,532	13,957,366	
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	28,022,232	-	-	-	28,022,232	
Total Fund Balances	\$ 33,805,855	\$ 4,788,422	\$ 361,715	\$ 4,077,532	\$ 43,033,524	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 15 – Net Investment in Capital Assets

Net Investment in Capital Assets at June 30, 2025 consisted of the following:

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Capital assets, nondepreciable	\$ 11,806,516	\$ 17,054,095
Capital assets, depreciable/amortizable, net	44,251,370	26,784,586
Unspent bond proceeds of capital borrowings	-	1,955,256
Deferred loss on refunding	94,180	-
Long-term debt:		
Finance purchase agreements	(1,954,406)	(159,361)
2015 Pledged revenue bonds	(5,555,085)	(2,234,152)
2016 Pledged revenue bonds	(4,230,765)	-
2015 WIFA refunding loan	-	(4,288,507)
2016 WIFA refunding loan	-	(8,248,503)
Total net investment in capital assets	<u><u>\$ 44,411,810</u></u>	<u><u>\$ 30,863,414</u></u>

Note 16 – Adjustments and Restatements of Beginning Balances

During the current year, the City implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the City now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized below in the “Restatement – GASB 101 implementation” column in the following table.

Due to a transfer from the General Fund for capital project fund, the HURF Special Revenue Fund (HURF Fund) should be reported as a major governmental fund due to it meeting the quantitative threshold that requires it to be reported as a major fund. The HURF Special Revenue Fund was previously reported as a nonmajor governmental fund. The effect of the change within the financial reporting entity is summarized below in the “Adjustment – HURF Fund as major fund” column in the following table.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 16 – Adjustments and Restatements of Beginning Balances (Continued)

	June 30, 2024, As Previously Reported	Adjustment - HURF Fund as major fund	Restatement - GASB 101 implementation	June 30, 2024, As Restated
Government-wide				
Governmental activities	\$ 54,847,595	\$ -	\$ (1,233,026)	\$ 53,614,569
Business-type activities	59,901,797	-	(248,764)	59,653,033
Total government-wide	\$ 114,749,392	\$ -	\$ (1,481,790)	\$ 113,267,602
Governmental funds				
Major funds:				
General Fund	\$ 30,166,629	\$ -	\$ -	\$ 30,166,629
HURF Special Revenue Fund	-	4,813,947	-	4,813,947
Debt Service Fund	363,739	-	-	363,739
Nonmajor funds	8,434,937	(4,813,947)	-	3,620,990
Total governmental funds	\$ 38,965,305	\$ -	\$ -	\$ 38,965,305
Proprietary funds				
Enterprise funds				
Major funds:				
Water Fund	\$ 26,479,002	\$ -	\$ (176,806)	\$ 26,302,196
Wastewater Fund	33,422,795	-	(71,958)	33,350,837
Total enterprise funds	\$ 59,901,797	\$ -	\$ (248,764)	\$ 59,653,033
Internal service funds	\$ 99,035	\$ -	\$ -	\$ 99,035

Note 17 – Commitments and Contingencies

A. Litigation

The City is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, City management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or Single Audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Required Supplementary Information (Unaudited)

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2025

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, 2025, and therefore are properly authorized. The City's total expenditure limit was \$77,547,502.

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, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 22,844,845	\$ 22,686,490	\$ 24,826,359	\$ 2,139,869
Intergovernmental	8,720,025	6,782,200	6,632,351	(149,849)
Licenses and permits	577,600	675,710	700,245	24,535
Fines and forfeitures	146,100	130,100	125,419	(4,681)
Rents and royalties	257,995	254,960	234,699	(20,261)
Investment income	910,000	1,101,000	1,216,145	115,145
Charges for services	3,253,240	2,731,395	2,726,831	(4,564)
Contributions	24,000	33,310	40,538	7,228
Miscellaneous	1,460,450	1,728,720	1,836,309	107,589
Total revenues	38,194,255	36,123,885	38,338,896	2,215,011
EXPENDITURES:				
Current:				
General government	26,962,510	10,010,732	9,393,376	617,356
Public safety	15,503,058	13,586,362	13,477,332	109,030
Culture and leisure	6,080,719	5,160,935	5,144,051	16,884
Capital outlay	2,436,755	1,466,870	1,147,400	319,470
Debt service:				
Principal	1,635,000	1,584,750	1,615,923	(31,173)
Interest and fiscal charges	768,190	725,135	740,340	(15,205)
Total expenditures	53,386,232	32,534,784	31,518,422	1,016,362
REVENUES OVER (UNDER) EXPENDITURES	(15,191,977)	3,589,101	6,820,474	3,231,373
OTHER FINANCING SOURCES (USES):				
Sale of property	300,000	60,000	60,086	86
Inception of finance purchase agreement	720,000	215,600	206,861	(8,739)
Transfers out	(6,058,556)	-	(3,448,195)	(3,448,195)
Total other financing sources (uses)	(5,038,556)	275,600	(3,181,248)	(3,456,848)
Net change in fund balances	\$ (20,230,533)	\$ 3,864,701	3,639,226	\$ (225,475)
FUND BALANCE:				
Beginning of year			30,166,629	
End of year			\$ 33,805,855	

City of Cottonwood
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – HURF Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 1,805,425	\$ 1,781,645	\$ 1,665,290	\$ (116,355)
Intergovernmental	1,323,650	1,266,435	1,275,401	8,966
Investment income	100,000	254,460	249,647	(4,813)
Miscellaneous	1,488,460	199	9,633	9,434
Total revenues	4,717,535	3,302,739	3,199,971	(102,768)
EXPENDITURES:				
Current:				
Highways and streets	1,641,555	3,433,819	1,577,219	1,856,600
Capital outlay	12,525,145	4,277,335	4,690,596	(413,261)
Debt service:				
Principal	250,515	250,515	250,514	1
Interest and fiscal charges	157,175	155,015	155,362	(347)
Total expenditures	14,574,390	8,116,684	6,673,691	1,442,993
REVENUES OVER (UNDER) EXPENDITURES	(9,856,855)	(4,813,945)	(3,473,720)	1,340,225
OTHER FINANCING SOURCES (USES):				
Transfers in	5,759,411	-	3,448,195	3,448,195
Total other financing sources (uses)	5,759,411	-	3,448,195	3,448,195
Net change in fund balances	\$ (4,097,444)	\$ (4,813,945)	(25,525)	\$ 4,788,420
FUND BALANCE:				
Beginning of year			4,813,947	
End of year			\$ 4,788,422	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability
Last Ten Years
For the Year Ended June 30, 2025

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	0.08152%	0.07548%	0.07270%	0.07442%	0.07657%
City's Proportionate Share of the Net Pension Liability	\$ 13,044,427	\$ 12,213,755	\$ 11,866,255	\$ 9,778,458	\$ 13,266,916
City's Covered Payroll	\$ 9,073,972	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	143.76%	138.64%	138.74%	117.76%	164.56%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	75.47%	74.26%	78.58%	69.33%
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	0.07858%	0.08049%	0.07980%	0.07865%	0.07549%
City's Proportionate Share of the Net Pension Liability	\$ 11,434,304	\$ 11,225,522	\$ 12,431,284	\$ 12,694,900	\$ 11,759,105
City's Covered Payroll	\$ 7,827,288	\$ 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	146.08%	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	73.24%	73.40%	69.92%	67.06%	68.35%

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, 2025

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	0.08312%	0.07691%	0.07370%	0.07520%	0.07756%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (502,235)	\$ (415,258)	\$ (411,318)	\$ (366,381)	\$ (54,912)
City's Covered Payroll	\$ 9,073,972	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	<u>-5.53%</u>	<u>-4.71%</u>	<u>-4.81%</u>	<u>-4.41%</u>	<u>-0.68%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>137.51%</u>	<u>134.37%</u>	<u>137.79%</u>	<u>130.24%</u>	<u>104.33%</u>
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	<u>-0.28%</u>	<u>-0.39%</u>	<u>-0.59%</u>	<u>0.33%</u>	
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>101.62%</u>	<u>102.20%</u>	<u>103.57%</u>	<u>103.57%</u>	

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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	0.08241%	0.07605%	0.07311%	0.07472%	0.07708%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ 2,148	\$ 9,965	\$ 6,752	\$ 15,424	\$ 58,474
City's Covered Payroll	\$ 9,073,972	\$ 8,809,682	\$ 8,553,089	\$ 8,303,970	\$ 8,062,107
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	0.02%	0.11%	0.08%	0.19%	0.73%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	98.77%	93.70%	95.40%	90.38%	68.01%
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, 2025

Arizona Public Safety Public Retirement System ("PSPRS") 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	0.25685%	0.25607%	0.25170%	0.18890%	0.02124%
City's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ (64)
City's Covered Payroll	\$ 119,818	\$ 116,328	\$ 112,940	\$ 109,650	\$ 106,456
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	-0.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	106.80%	106.80%	109.20%	121.67%	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 the plan is in effect.

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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	0.19540%	0.10447%	0.25198%	0.16057%	0.20217%
City's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ (606)
City's Covered Payroll	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.00%	0.00%	0.00%	0.00%	-0.76%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	106.80%	106.80%	109.20%	121.67%	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 the plan is in effect.

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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	0.25685%	0.25620%	0.11000%	0.16364%	0.01849%
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (7,558)	\$ (4,804)	\$ (2,992)	\$ (1,588)	\$ (65)
City's Covered Payroll	\$ 119,818	\$ 116,328	\$ 112,940	\$ 109,650	\$ 106,456
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-6.31%	-4.13%	-2.65%	-1.45%	-0.06%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>217.50%</u>	<u>217.50%</u>	<u>223.50%</u>	<u>242.50%</u>	<u>198.86%</u>
Measurement Period	June 30, 2020	June 30, 2019 ¹			
City's Proportion of the Net OPEB (Asset)/Liability	0.19159%	0.47333%			
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (281)	\$ (20)			
City's Covered Payroll	\$ 103,355	\$ 100,345			
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-0.27%	-0.02%			
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>198.86%</u>	<u>110.51%</u>			

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB (Asset) Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2025

Arizona Public Safety Public Retirement System ("PS PRS") 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	0.19540%	0.10452%	0.11012%	0.22579%	0.28389%	
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (5,750)	\$ (1,960)	\$ (1,308)	\$ (2,191)	\$ (992)	
City's Covered Payroll	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641	\$ 80,234	
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-6.37%	-2.24%	-1.54%	-2.65%	-1.24%	
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	217.50%	217.50%	223.50%	242.50%	198.86%	
Measurement Period	June 30, 2020	June 30, 2019 ¹				
City's Proportion of the Net OPEB (Asset)/Liability	0.37354%	0.04223%				
City's Proportionate Share of the Net OPEB (Asset)/Liability	\$ (549)	\$ (2)				
City's Covered Payroll	\$ 77,897	\$ 75,628				
City's Proportionate Share of the Net OPEB (Asset)/Liability as a Percentage of its Covered Payroll	-0.70%	0.00%				
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	198.86%	110.51%				

Notes to Schedule:

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

City of Cottonwood
Schedules of Changes in the Net Pension/OPEB (Asset) Liability and Related Ratios
Last Ten Years
For the Year Ended June 30, 2025

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

Total Pension Liability	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Service cost	\$ 329,789	\$ 329,791	\$ 316,203	\$ 321,632	\$ 389,109	\$ 414,083	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471
Interest on total pension liability	1,760,026	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
Changes in assumptions	-	-	335,616	-	-	665,480	-	297,828	604,633	-
Differences between expected and actual experience	1,585,687	620,310	(82,917)	325,520	762,140	301,392	208,299	52,873	358,438	186,411
Changes in benefit terms	-	-	-	-	-	-	-	355,721	367,613	-
Benefit payments, including refunds of employee contributions	(1,411,570)	(1,227,269)	(1,088,765)	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)
Net change in total pension liability	2,263,932	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
Total pension liability - beginning	23,431,347	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
Total pension liability - ending (a)	\$ 25,695,279	\$ 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
Plan fiduciary net position										
Contributions - employer	\$ 248,787	\$ 201,373	\$ 223,183	\$ 14,562,496	\$ 1,058,404	\$ 1,072,824	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731
Contributions - employee	159,766	136,606	149,543	141,473	172,672	166,941	171,124	217,925	235,544	227,682
Investment income (net of administrative expenses)	2,414,078	1,751,377	(973,114)	2,587,690	111,874	430,937	487,040	666,184	31,475	167,936
Benefit payments	(1,411,570)	(1,227,269)	(1,088,765)	(908,001)	(993,151)	(802,098)	(703,893)	(679,447)	(869,625)	(552,428)
Administrative expenses	(12,998)	(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)
Net change in plan fiduciary net position	1,398,063	851,800	(1,706,734)	16,371,632	312,167	854,454	985,922	1,109,706	295,537	427,963
Plan fiduciary net position - beginning	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
Plan fiduciary net position - ending (b)	\$ 25,360,848	\$ 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
Net pension liability - ending (a)-(b)	\$ 334,431	\$ (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
Plan fiduciary net position as a percentage of the total pension liability	98.70%	101.00%	98.63%	111.10%	40.09%	41.72%	41.33%	38.12%	34.78%	37.43%
Covered payroll	\$ 1,846,824	\$ 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
Net pension liability as a percentage of covered payroll	18.11%	-13.17%	18.40%	746.91%	769.32%	608.00%	498.00%	507.04%	497.03%	401.59%

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, 2025

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

Total Pension Liability	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15
Service cost	\$ 292,775	\$ 302,173	\$ 331,677	\$ 307,497	\$ 355,804	\$ 383,528	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663
Interest on total pension liability	1,064,842	986,324	961,024	895,928	792,524	727,986	666,698	596,244	511,500	477,670
Changes in assumptions	-	-	138,697	-	-	187,461	-	133,242	326,086	-
Differences between expected and actual experience	(175,717)	299,997	(431,791)	141,129	755,614	(70,820)	(223,813)	(178,835)	(118,267)	(191,635)
Changes in benefit terms	-	-	-	-	-	-	-	309,205	556,936	-
Benefit payments, including refunds of employee contributions	(358,452)	(618,683)	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)
Net change in total pension liability	823,448	969,811	746,549	643,607	1,726,595	1,042,344	632,281	1,069,791	1,381,797	470,323
Total pension liability - beginning	13,706,115	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
Total pension liability - ending (a)	\$ 14,529,563	\$ 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
Plan fiduciary net position										
Contributions - employer	\$ 602,172	\$ 248,474	\$ 241,352	\$ 4,440,091	\$ 430,262	\$ 487,369	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248
Contributions - employee	104,704	110,230	130,026	130,811	132,611	141,988	145,107	183,748	195,245	187,916
Investment income (net of administrative expenses)	1,491,446	1,061,985	(579,527)	2,307,264	102,955	389,112	446,127	651,916	29,391	167,246
Benefit payments	(358,452)	(618,683)	(253,058)	(700,947)	(177,347)	(185,811)	(179,128)	(174,457)	(205,399)	(127,375)
Administrative expenses	(7,409)	(5,432)	(10,319)	(10,787)	(8,395)	(7,759)	(7,490)	(6,168)	(4,629)	(4,470)
Other	(88,675)	430	-	-	-	(5,161)	(383,143)	64	(88,820)	(78,930)
Net change in plan fiduciary net position	1,743,786	797,004	(471,526)	6,166,432	480,086	819,738	726,274	1,010,109	270,316	391,635
Plan fiduciary net position - beginning	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
Plan fiduciary net position - ending (b)	\$ 16,367,643	\$ 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
Net pension liability - ending (a)-(b)	\$ (1,838,080)	\$ (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
Plan fiduciary net position as a percentage of the total pension liability	112.65%	104.99%	100.88%	110.33%	66.03%	72.26%	71.56%	68.49%	64.96%	74.66%
Covered payroll	\$ 1,585,007	\$ 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
Net pension liability as a percentage of covered payroll	-115.97%	-45.13%	-8.08%	-92.30%	297.11%	180.62%	140.72%	149.96%	166.38%	102.09%

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, 2025

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

Total OPEB Liability	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 7,795	\$ 7,707	\$ 7,619	\$ 7,589	\$ 9,013	\$ 6,658	\$ 6,462	\$ 8,171
Interest on total OPEB liability	20,080	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	(10,858)	(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	(12,303)	(9,332)	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Net change in total OPEB liability	4,714	8,285	15,814	1,124	8,506	(49,996)	8,212	3,652
Total OPEB liability - beginning	268,955	253,141	253,141	252,017	243,511	293,507	285,295	281,643
Total OPEB liability - ending (a)	\$ 273,669	\$ 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)	44,653	32,007	(17,648)	98,762	4,516	18,162	21,981	33,569
Benefit payments	(12,303)	(9,332)	(8,905)	(8,720)	(8,651)	(6,661)	(6,760)	(6,868)
Administrative expenses	(216)	(199)	(314)	(406)	(367)	(314)	(335)	(297)
Other	-	-	-	-	5,668	1	-	-
Net change in plan fiduciary net position	32,134	22,476	(26,867)	89,636	1,971	23,484	17,475	32,016
Plan fiduciary net position - beginning	445,569	423,093	449,960	360,324	358,353	334,869	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 477,703	\$ 445,569	\$ 423,093	\$ 449,960	\$ 360,324	\$ 358,353	\$ 334,869	\$ 317,394
Net OPEB asset - ending (a)-(b)	\$ (204,034)	\$ (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	174.56%	170.44%	123.98%	177.75%	142.98%	147.16%	114.09%	111.25%
Covered payroll	\$ 1,846,824	\$ 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	-11.05%	-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, 2025

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

Total OPEB Liability	2023-24	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17¹
Service cost	\$ 6,839	\$ 7,359	\$ 7,721	\$ 7,452	\$ 8,671	\$ 6,215	\$ 6,551	\$ 6,493
Interest on total OPEB liability	19,378	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	(51,652)	(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	(7,670)	(6,362)	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Net change in total OPEB liability	(33,105)	(10,880)	19,402	25,120	11,310	(25,119)	(6,275)	16,289
Total OPEB liability - beginning	277,011	257,609	257,609	232,489	221,179	246,298	252,573	236,284
Total OPEB liability - ending (a)	\$ 243,906	\$ 246,729	\$ 277,011	\$ 257,609	\$ 232,489	\$ 221,179	\$ 246,298	\$ 252,573
Plan fiduciary net position								
Contributions - employer	\$ 20,971	\$ 16,231	\$ 7,352	\$ 9,945	\$ 10,538	\$ 12,994	\$ 7,543	\$ 9,935
Contributions - employee	-	-	-	-	-	-	-	-
Investment income (net of administrative expenses)	26,391	17,891	(9,618)	51,980	2,288	8,985	10,605	16,231
Benefit payments	(7,670)	(6,362)	(7,412)	(6,374)	(4,896)	(6,957)	(8,901)	(9,522)
Administrative expenses	(117)	(96)	(171)	(214)	(186)	(155)	(161)	(143)
Other	-	-	-	-	-	5,161	(1)	-
Net change in plan fiduciary net position	39,575	27,664	(9,849)	55,337	7,744	20,028	9,085	16,501
Plan fiduciary net position - beginning	264,010	236,346	246,195	190,858	183,114	163,086	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 303,585	\$ 264,010	\$ 236,346	\$ 246,195	\$ 190,858	\$ 183,114	\$ 163,086	\$ 154,001
Net OPEB liability - ending (a)-(b)	\$ (59,679)	\$ (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	124.47%	107.00%	65.34%	95.57%	82.09%	82.79%	66.21%	60.97%
Covered payroll	\$ 1,585,007	\$ 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	-3.77%	-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, 2025

Arizona State Retirement System ("ASRS") Pension Plan

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 1,382,334	\$ 1,168,634	\$ 1,028,299	\$ 959,894	\$ 966,830
Contributions in relation to the statutorily required contributions	(1,382,334)	(1,168,634)	(1,028,299)	(959,894)	(966,830)
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	30.68%	26.72%	24.21%	23.28%	24.15%
	2019-20	2018-19	2017-18	2016-17	2015-16
Statutorily required contribution	\$ 914,919	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845
Contributions in relation to the statutorily required contributions	(914,919)	(882,838)	(810,358)	(815,999)	(271,845)
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: 6/30/2023

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 8,030	\$ 12,465	\$ 10,784	\$ 17,980	\$ 32,134
Contributions in relation to the statutorily required contributions	(8,030)	(12,465)	(10,784)	(17,980)	(32,134)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,640,541	\$ 4,505,379	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060
Contributions as a percentage of covered payroll	0.17%	0.28%	0.25%	0.42%	0.78%
	2019-20	2018-19	2017-18	2016-17¹	
Statutorily required contribution	\$ 32,019	\$ 37,644	\$ 34,932	\$ 43,396	
Contributions in relation to the statutorily required contributions	(32,019)	(37,644)	(34,932)	(43,396)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286	
Contributions as a percentage of covered payroll	0.80%	0.97%	0.93%	1.18%	

Notes to Schedule:

Valuation date: 6/30/2023

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 17,207	\$ 16,998.00	\$ 13,725	\$ 16,268	\$ 14,934
Contributions in relation to the statutorily required contributions	<u>(17,207)</u>	<u>(16,998.00)</u>	<u>(13,725)</u>	<u>(16,268)</u>	<u>(14,934)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,640,541	\$ 4,505,379.20	\$ 4,374,155	\$ 4,246,752	\$ 4,123,060
Contributions as a percentage of covered payroll	0.37%	0.38%	0.31%	0.38%	0.36%
	2019-20	2018-19	2017-18	2016-17¹	
Statutorily required contribution	\$ 14,131	\$ 13,094	\$ 12,706	\$ 10,882	
Contributions in relation to the statutorily required contributions	<u>(14,131)</u>	<u>(13,094)</u>	<u>(12,706)</u>	<u>(10,882)</u>	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 4,002,971	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286	
Contributions as a percentage of covered payroll	0.35%	0.34%	0.34%	0.30%	

Notes to Schedule:

Valuation date: 6/30/2023

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution	\$ 223,382	\$ 226,940	\$ 165,343	\$ 183,981	\$ 13,975,602
Contributions in relation to the actuarially determined contributions	(223,382)	(226,940)	(165,343)	(183,981)	(13,975,602)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 2,552,022	\$ 2,477,692	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439
Contributions as a percentage of covered payroll	8.75%	9.16%	6.87%	7.88%	616.36%
	2019-20	2018-19	2017-18	2016-17	2015-16
Actuarially determined contribution	\$ 878,499	\$ 940,547	\$ 974,192	\$ 879,100	\$ 910,441
Contributions in relation to the actuarially determined contributions	(878,499)	(940,547)	(974,192)	(879,100)	(910,441)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 2,201,397	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913
Contributions as a percentage of covered payroll	39.91%	44.01%	46.95%	43.64%	46.55%

Notes to Schedule:

Valuation date: 6/30/2024

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution	\$ 142,608	\$ 172,821	\$ 185,789	\$ 202,312	\$ 4,198,944
Contributions in relation to the actuarially determined contributions	(142,608)	(172,821)	(185,789)	(202,312)	(4,198,944)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 2,372,792	\$ 2,303,682	\$ 2,236,584	\$ 2,171,441	\$ 2,108,196
Contributions as a percentage of covered payroll	6.01%	7.50%	8.31%	9.32%	199.17%
	2019-20	2018-19	2017-18	2016-17	2015-16
Actuarially determined contribution	\$ 392,866	\$ 442,193	\$ 430,827	\$ 324,450	\$ 323,156
Contributions in relation to the actuarially determined contributions	(392,866)	(442,193)	(430,827)	(324,450)	(323,156)
Contribution deficiency (excess)	\$ -				
Covered payroll	\$ 2,046,792	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,818,548
Contributions as a percentage of covered payroll	19.19%	22.25%	22.33%	17.32%	17.77%

Notes to Schedule:

Valuation date: 6/30/2024

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 7,057	\$ -
Contributions in relation to the actuarially determined contributions	- -	- -	- -	(7,057)	- -
Contribution deficiency (excess)	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
Covered payroll	\$ 2,552,022	\$ 2,477,692	\$ 2,405,526	\$ 2,335,462	\$ 2,267,439
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.30%	0.00%
	2019-20	2018-19	2017-18	2016-17¹	
Actuarially determined contribution	\$ 6,146	\$ 6,482	\$ 8,256	\$ 5,612	
Contributions in relation to the actuarially determined contributions	(6,146)	(6,482)	(8,256)	(5,612)	
Contribution deficiency (excess)	\$ - -	\$ - -	\$ - -	\$ - -	
Covered payroll	\$ 2,201,397	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590	
Contributions as a percentage of covered payroll	0.28%	0.30%	0.40%	0.28%	

Notes to Schedule:

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

Valuation date: 6/30/2024

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution	\$ 5,306	\$ 9,840	\$ 270	\$ 2,906	\$ 9,941
Contributions in relation to the actuarially determined contributions	(5,306)	(9,840)	(270)	(2,906)	(9,941)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,303,683	\$ 2,236,585	\$ 2,171,442	\$ 2,108,196	\$ 2,046,792
Contributions as a percentage of covered payroll	0.23%	0.01%	0.01%	0.14%	0.49%
	2019-20	2018-19	2017-18	2016-17¹	
Actuarially determined contribution	\$ 3,179	\$ 12,495	\$ 9,935	\$ 9,935	
Contributions in relation to the actuarially determined contributions	(3,179)	(12,495)	(9,935)	(9,935)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,873,104	
Contributions as a percentage of covered payroll	0.16%	0.65%	0.53%	0.53%	

Notes to Schedule:

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

Valuation date: 6/30/2024

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, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 85,336	\$ 63,139	\$ 49,424	\$ 27,080	\$ 85,625
Contributions in relation to the statutorily required contributions	(85,336)	(63,139)	(49,424)	(27,080)	(85,625)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 123,411	\$ 119,817	\$ 116,327	\$ 112,939	\$ 109,650
Contributions as a percentage of covered payroll	69.15%	52.70%	42.49%	23.98%	78.09%
	2019-20	2018-19	2017-18¹		
Statutorily required contribution	\$ 4,933	\$ 8,220	\$ 3,731		
Contributions in relation to the statutorily required contributions	(4,933)	(8,220)	(3,731)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 106,456	\$ 103,355	\$ 100,345		
Contributions as a percentage of covered payroll	4.63%	7.95%	3.72%		

Notes to Schedule:

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

Valuation date: 6/30/2024

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 62,196	\$ 49,203	\$ 20,238	\$ 21,244	\$ 43,657
Contributions in relation to the statutorily required contributions	(62,196)	(49,203)	(20,238)	(21,244)	(43,657)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 93,013	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641
Contributions as a percentage of covered payroll	66.87%	54.49%	23.08%	24.96%	52.83%
	2019-20	2018-19	2017-18¹		
Statutorily required contribution	\$ 28,740	\$ 9,090	\$ 333		
Contributions in relation to the statutorily required contributions	(28,740)	(9,090)	(333)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 80,234	\$ 77,897	\$ 75,628		
Contributions as a percentage of covered payroll	35.82%	11.67%	0.44%		

Notes to Schedule:

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

Valuation date: 6/30/2024

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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

	2024-25	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 1,187	\$ 872	\$ 8,469	\$ 359	\$ 1,302
Contributions in relation to the statutorily required contributions	<u>(1,187)</u>	<u>(872)</u>	<u>(8,469)</u>	<u>(359)</u>	<u>(1,302)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 123,411	\$ 119,817	\$ 116,327	\$ 112,939	\$ 109,650
Contributions as a percentage of covered payroll	0.96%	0.73%	7.28%	0.32%	1.19%
	2019-20	2018-19	2017-18¹		
Statutorily required contribution	\$ 106	\$ 47	\$ 100		
Contributions in relation to the statutorily required contributions	<u>(106)</u>	<u>(47)</u>	<u>(100)</u>		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 106,456	\$ 103,355	\$ 100,345		
Contributions as a percentage of covered payroll	0.10%	0.05%	0.10%		

Notes to Schedule:

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

Valuation date: 6/30/2024

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2025

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

	2023-24	2023-24	2022-23	2021-22	2020-21
Statutorily required contribution	\$ 865	\$ 679	\$ 2,477	\$ 282	\$ 664
Contributions in relation to the statutorily required contributions	<u>(865)</u>	<u>(679)</u>	<u>(2,477)</u>	<u>(282)</u>	<u>(664)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 93,013	\$ 90,304	\$ 87,674	\$ 85,120	\$ 82,641
Contributions as a percentage of covered payroll	0.93%	0.75%	2.83%	0.33%	0.80%
	2019-20	2018-19	2017-18¹		
Statutorily required contribution	\$ 616	\$ 93	\$ 9		
Contributions in relation to the statutorily required contributions	<u>(616)</u>	<u>(93)</u>	<u>(9)</u>		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 80,234	\$ 77,897	\$ 75,628		
Contributions as a percentage of covered payroll	0.77%	0.12%	0.01%		

Notes to Schedule:

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

Valuation date: 6/30/2024

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Supplementary Information

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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Non-Major Governmental Funds

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

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

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

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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City of Cottonwood
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds			Capital Project Fund		Total Non-major Governmental Funds
	Grants Fund	Transit Fund	City Capital Projects Fund			
ASSETS						
Cash and cash investments	\$ 1,461,959	\$ -	\$ 1,508,471	\$ 2,970,430		
Receivables:						
Accounts	8,400	667	-	9,067		
Taxes	-	63,365	31,683	95,048		
Intergovernmental	-	932,650	350,782	1,283,432		
Total assets	\$ 1,470,359	\$ 996,682	\$ 1,890,936	\$ 4,357,977		
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 24,286	\$ 83,140	\$ 1,358	\$ 108,784		
Due to other funds	-	171,661	-	171,661		
Total liabilities	\$ 24,286	\$ 254,801	\$ 1,358	\$ 280,445		
Fund Balances:						
Restricted	1,446,073	741,881	1,889,578	4,077,532		
Total fund balances	1,446,073	741,881	1,889,578	4,077,532		
Total liabilities and fund balances	\$ 1,470,359	\$ 996,682	\$ 1,890,936	\$ 4,357,977		

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		Previously Nonmajor Fund	Capital Project Fund	Total Non-major Governmental Funds
	Grants Fund	Transit Fund	HURF Fund	City Capital Projects Fund	
REVENUES:					
Taxes	\$ -	\$ 754,290		\$ 377,145	\$ 1,131,435
Intergovernmental	346,064	2,997,719		409,163	3,752,946
Investment income	-	-		33,667	33,667
Charges for services	-	194,071		-	194,071
Total revenues	346,064	3,946,080		819,975	5,112,119
EXPENDITURES:					
Current:					
General government	189,323	-		415,302	604,625
Transportation	-	2,932,973		-	2,932,973
Capital outlay	134,774	977,997		5,208	1,117,979
Total expenditures	324,097	3,910,970		420,510	4,655,577
Net changes in fund balances	21,967	35,110		399,465	456,542
FUND BALANCES:					
Beginning of year	1,424,106	706,771	4,813,947	1,490,113	8,434,937
Change with financial reporting entity (nonmajor to major fund)	-	-	(4,813,947)	-	(4,813,947)
Beginning of year, as restated (Note 16)	1,424,106	706,771	-	1,490,113	3,620,990
End of year	\$ 1,446,073	\$ 741,881	\$ -	\$ 1,889,578	\$ 4,077,532

City of Cottonwood
Budgetary Comparison Schedule
City Debt Service Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES:				Favorable
Taxes	\$ 1,648,450	\$ 1,648,450	\$ 1,646,042	\$ (2,408)
Investment income	1,000	1,950	2,107	157
Total revenues	1,649,450	1,650,400	1,648,149	(2,251)
EXPENDITURES:				(Unfavorable)
Debt service:				
Principal	1,395,985	1,395,985	1,395,982	3
Interest and fiscal charges	252,465	252,165	254,191	(2,026)
Total expenditures	1,648,450	1,648,150	1,650,173	(2,023)
Net change in fund balances	\$ 1,000	\$ 2,250	(2,024)	\$ (4,274)
FUND BALANCE:				
Beginning of year			363,739	
End of year			\$ 361,715	

City of Cottonwood
Budgetary Comparison Schedule
Grant Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES:				Favorable
Intergovernmental	\$ 3,045,855	\$ 349,540	\$ 346,064	\$ (3,476)
Total revenues	<u>3,045,855</u>	<u>349,540</u>	<u>346,064</u>	<u>(3,476)</u>
EXPENDITURES:				(Unfavorable)
Current:				
General government	802,000	213,530	189,323	24,207
Highways and streets	200,000	1,449,790	-	1,449,790
Capital outlay	2,343,000	110,325	134,774	(24,449)
Total expenditures	<u>3,345,000</u>	<u>1,773,645</u>	<u>324,097</u>	<u>1,449,548</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,424,105)</u>	<u>21,967</u>	<u>\$ 1,446,072</u>
FUND BALANCE:				
Beginning of year			1,424,106	
End of year			<u>\$ 1,446,073</u>	

City of Cottonwood
Budgetary Comparison Schedule
Transit Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 581,540	\$ 568,090	\$ 754,290	\$ 186,200
Intergovernmental	2,353,350	3,632,870	2,997,719	(635,151)
Charges for services	190,520	185,900	194,071	8,171
Total revenues	3,125,410	4,386,860	3,946,080	(440,780)
EXPENDITURES:				
Current:				
Transportation	3,143,335	3,422,365	2,932,973	489,392
Capital outlay	459,400	964,495	977,997	(13,502)
Total expenditures	3,602,735	4,386,860	3,910,970	475,890
Net change in fund balances	\$ (477,325)	\$ -	35,110	\$ 35,110
FUND BALANCE:				
Beginning of year			706,771	
End of year			\$ 741,881	

City of Cottonwood
Budgetary Comparison Schedule
City Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes	\$ 387,700	\$ 387,700	\$ 377,145	\$ (10,555)
Intergovernmental	400,000	65,000	409,163	344,163
Investment income	5,000	26,000	33,667	7,667
Total revenues	792,700	478,700	819,975	341,275
EXPENDITURES:				
Current:				
General government	404,000	70,500	415,302	(344,802)
Capital outlay	850,000	-	5,208	(5,208)
Total expenditures	1,254,000	70,500	420,510	(350,010)
Net change in fund balances	\$ (461,300)	\$ 408,200	399,465	\$ (8,735)
FUND BALANCE:				
Beginning of year			1,490,113	
End of year			\$ 1,889,578	

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

Statistical Section

City of Cottonwood
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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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				
	2025	2024	2023	2022	2021
Governmental activities					
Net investment in capital assets	\$ 44,411,810	\$ 40,376,926	\$ 37,611,329	\$ 36,108,156	\$ 28,377,288
Restricted	10,808,799	13,764,587	13,833,136	12,628,846	9,151,977
Unrestricted (deficit)	7,150,682	706,082	(3,296,254)	(9,690,274)	(9,008,315)
Total governmental activities net position	<u>\$ 62,371,291</u>	<u>\$ 54,847,595</u>	<u>\$ 48,148,211</u>	<u>\$ 39,046,728</u>	<u>\$ 28,520,950</u>
Business-type activities					
Net investment in capital assets	\$ 30,863,414	\$ 25,983,239	\$ 26,141,300	\$ 24,331,532	\$ 26,397,745
Restricted	8,966,783	8,661,491	8,281,148	8,158,869	9,501,748
Unrestricted	24,311,088	25,257,067	28,226,468	26,552,317	14,952,181
Total business-type activities net position	<u>\$ 64,141,285</u>	<u>\$ 59,901,797</u>	<u>\$ 62,648,916</u>	<u>\$ 59,042,718</u>	<u>\$ 50,851,674</u>
Primary government					
Net investment in capital assets	\$ 75,275,224	\$ 66,360,165	\$ 63,752,629	\$ 60,439,688	\$ 54,775,033
Restricted	19,775,582	22,426,078	22,114,284	20,787,715	18,653,725
Unrestricted (deficit)	31,461,770	25,963,149	24,930,214	16,862,043	5,943,866
Total primary government net position	<u>\$ 126,512,576</u>	<u>\$ 114,749,392</u>	<u>\$ 110,797,127</u>	<u>\$ 98,089,446</u>	<u>\$ 79,372,624</u>

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Governmental activities					
Net investment in capital assets	\$ 27,118,419	\$ 27,277,629	\$ 27,332,884	\$ 24,457,732	\$ 26,266,479
Restricted	4,127,464	3,010,461	2,612,991	4,287,185	3,059,882
Unrestricted (deficit)	<u>(11,650,963)</u>	<u>(13,832,151)</u>	<u>(15,403,566)</u>	<u>(7,801,463)</u>	<u>(5,612,279)</u>
Total governmental activities net position	<u><u>\$ 19,594,920</u></u>	<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>
Business-type activities					
Net investment in capital assets	\$ 27,364,275	\$ 27,089,493	\$ 24,493,779	\$ 18,333,192	\$ 13,642,806
Restricted	7,674,983	12,252,785	7,536,216	-	1,802,675
Unrestricted	<u>12,015,527</u>	<u>4,198,028</u>	<u>8,424,140</u>	<u>10,483,581</u>	<u>9,576,508</u>
Total business-type activities net position	<u><u>\$ 47,054,785</u></u>	<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>
Primary government					
Net investment in capital assets	\$ 54,482,694	\$ 54,367,122	\$ 51,826,663	\$ 42,790,924	\$ 39,909,285
Restricted	11,802,447	15,263,246	10,149,207	4,287,185	4,862,557
Unrestricted (deficit)	<u>364,564</u>	<u>(9,634,123)</u>	<u>(6,979,426)</u>	<u>2,682,118</u>	<u>3,964,229</u>
Total primary government net position	<u><u>\$ 66,649,705</u></u>	<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>

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

	Fiscal Year				
	2025	2024	2023	2022	2021
Expenses					
Governmental Activities					
General government	\$ 11,649,386	\$ 11,053,551	\$ 8,480,068	\$ 7,004,688	\$ 6,927,542
Public Safety	15,253,906	14,525,084	12,916,839	11,109,091	12,859,366
Highway and streets	2,152,766	3,183,557	1,813,369	1,852,918	1,949,637
Transportation	3,508,519	3,202,822	2,917,050	2,618,607	2,620,605
Culture and recreation	5,965,209	6,054,053	5,388,632	5,043,553	4,215,599
Interest on long-term debt	1,012,627	1,057,369	885,435	881,345	597,696
Total governmental activities expenses	<u>39,542,413</u>	<u>39,076,436</u>	<u>32,401,393</u>	<u>28,510,202</u>	<u>29,170,445</u>
Business-Type Activities					
Water	7,549,025	8,246,030	7,223,858	5,949,754	5,265,348
Sewer	4,143,291	3,965,113	3,470,097	3,067,447	3,384,098
Total business-type activities expenses	<u>11,692,316</u>	<u>12,211,143</u>	<u>10,693,955</u>	<u>9,017,201</u>	<u>8,649,446</u>
Total primary government expenses	<u>\$ 51,234,729</u>	<u>\$ 51,287,579</u>	<u>\$ 43,095,348</u>	<u>\$ 37,527,403</u>	<u>\$ 37,819,891</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 2,127,772	\$ 2,371,546	\$ 1,952,907	\$ 1,790,437	\$ 1,506,871
Public safety	1,296,451	1,228,147	1,179,341	1,110,216	949,274
Highways and streets	-	-	-	-	-
Transportation	194,071	174,930	156,949	122,608	415
Culture and leisure	1,061,937	1,066,654	1,012,868	876,284	367,259
Operating grants and contributions	5,712,100	5,477,771	4,206,989	5,120,000	6,480,841
Capital grants and contributions	1,119,477	782,711	669,448	844,323	567,018
Total governmental activities program revenues	<u>11,511,808</u>	<u>11,101,759</u>	<u>9,178,502</u>	<u>9,863,868</u>	<u>9,871,678</u>
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,567,297	8,371,038	8,411,092	8,716,680	8,649,599
Sewer	5,644,506	5,559,145	5,041,548	4,580,092	4,035,452
Operating grants and contributions	-	-	-	4,092,258	-
Total business-type activities program revenues	<u>14,211,803</u>	<u>13,930,183</u>	<u>13,452,640</u>	<u>17,389,030</u>	<u>12,685,051</u>
Total primary government program revenues	<u>\$ 25,723,611</u>	<u>\$ 25,031,942</u>	<u>\$ 22,631,142</u>	<u>\$ 27,252,898</u>	<u>\$ 22,556,729</u>
Net (Expense) Revenue					
Governmental activities	\$ (28,030,605)	\$ (27,974,677)	\$ (23,222,891)	\$ (18,646,334)	\$ (19,298,767)
Business-type activities	2,519,487	1,719,040	2,758,685	8,371,829	4,035,605
Total primary government	<u>\$ (25,511,118)</u>	<u>\$ (26,255,637)</u>	<u>\$ (20,464,206)</u>	<u>\$ (10,274,505)</u>	<u>\$ (15,263,162)</u>

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Expenses					
Governmental Activities					
General government	\$ 6,651,834	\$ 5,947,814	\$ 5,357,347	\$ 9,016,421	\$ 5,653,593
Public Safety	11,945,539	12,099,647	12,214,453	12,252,315	10,567,676
Highway and streets	1,809,652	1,419,997	1,634,741	3,817,500	3,999,492
Transportation	2,147,294	2,300,410	2,174,021	-	-
Culture and recreation	4,455,091	4,107,450	4,144,697	3,767,245	4,239,038
Interest on long-term debt	650,224	691,681	614,906	1,208,866	938,399
Total governmental activities expenses	<u>27,659,634</u>	<u>26,566,999</u>	<u>26,140,165</u>	<u>30,062,347</u>	<u>25,398,198</u>
Business-Type Activities					
Water	5,348,996	5,273,405	5,409,263	4,667,663	6,667,587
Sewer	2,830,268	2,876,534	2,386,840	2,750,544	2,339,933
Total business-type activities expenses	<u>8,179,264</u>	<u>8,149,939</u>	<u>7,796,103</u>	<u>7,418,207</u>	<u>9,007,520</u>
Total primary government expenses	<u>\$ 35,838,898</u>	<u>\$ 34,716,938</u>	<u>\$ 33,936,268</u>	<u>\$ 37,480,554</u>	<u>\$ 34,405,718</u>
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	\$ 1,267,587	\$ 1,469,608	\$ 1,886,679	\$ 1,745,730	\$ 1,252,512
Public safety	905,165	888,666	835,855	800,601	626,941
Highways and streets	-	-	-	207,002	358,991
Transportation	154,367	211,490	207,920	-	-
Culture and leisure	775,578	1,029,563	1,093,849	1,023,178	984,529
Operating grants and contributions	3,772,457	3,358,972	3,292,725	2,971,986	2,434,617
Capital grants and contributions	770,600	601,461	2,494,456	2,220,427	348,290
Total governmental activities program revenues	<u>7,645,754</u>	<u>7,559,760</u>	<u>9,811,484</u>	<u>8,968,924</u>	<u>6,005,880</u>
Program Revenues					
Business-type activities					
Charges for services:					
Water	8,073,195	7,744,901	8,011,771	7,608,838	7,496,231
Sewer	3,266,899	3,076,218	2,620,736	2,486,514	2,438,088
Operating grants and contributions	-	-	-	-	-
Total business-type activities program revenues	<u>11,340,094</u>	<u>10,821,119</u>	<u>10,632,507</u>	<u>10,095,352</u>	<u>9,934,319</u>
Total primary government program revenues	<u>\$ 18,985,848</u>	<u>\$ 18,380,879</u>	<u>\$ 20,443,991</u>	<u>\$ 19,064,276</u>	<u>\$ 15,940,199</u>
Net (Expense) Revenue					
Governmental activities	\$ (20,013,880)	\$ (19,007,239)	\$ (16,328,681)	\$ (21,093,423)	\$ (19,392,318)
Business-type activities	3,160,830	2,671,180	2,836,404	2,677,145	926,799
Total primary government	<u>\$ (16,853,050)</u>	<u>\$ (16,336,059)</u>	<u>\$ (13,492,277)</u>	<u>\$ (18,416,278)</u>	<u>\$ (18,465,519)</u>

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

	Fiscal Year				
	2025	2024	2023	2022	2021
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	\$ (25,511,118)	\$ (26,255,637)	\$ (20,464,206)	\$ (10,274,505)	\$ (15,263,162)
Governmental Activities					
Taxes:					
Sales taxes	\$ 28,077,272	\$ 25,466,711	\$ 24,970,136	\$ 23,598,985	\$ 21,441,099
Motor vehicle in-lieu tax	1,098,949	1,020,640	1,013,079	1,006,423	1,039,271
Franchise taxes	503,149	450,449	442,258	657,223	465,588
Transit occupancy tax	688,706	661,174	632,036	418,731	405,373
State shared revenue	4,802,543	5,391,255	4,198,780	3,292,506	3,204,737
Investment Income	1,501,565	1,536,710	921,808	(42,572)	10,635
Miscellaneous	115,143	147,122	98,259	221,534	827,590
Gain (loss) on sale of assets	-	-	-	19,282	830,504
Transfers	-	-	-	-	-
Total governmental activities	<u>\$ 36,787,327</u>	<u>\$ 34,674,061</u>	<u>\$ 32,276,356</u>	<u>\$ 29,172,112</u>	<u>\$ 28,224,797</u>
Business-type activities:					
Investment income	\$ 1,968,765	\$ 1,967,201	\$ 847,513	\$ (92,372)	\$ 16,978
Miscellaneous	-	-	-	-	-
Gain (loss) on sale of assets	-	-	-	(88,413)	(255,694)
Transfers	-	-	-	(19,282)	(830,504)
Special item	-	<u>(6,433,360)</u>	-	-	-
Total business activities	<u>\$ 1,968,765</u>	<u>\$ (4,466,159)</u>	<u>\$ 847,513</u>	<u>\$ (200,067)</u>	<u>\$ (1,069,220)</u>
Total primary government	<u>\$ 38,756,092</u>	<u>\$ 30,207,902</u>	<u>\$ 33,123,869</u>	<u>\$ 28,972,045</u>	<u>\$ 27,155,577</u>
Change in Net Position	<u>\$ 13,244,974</u>	<u>\$ 3,952,265</u>	<u>\$ 12,659,663</u>	<u>\$ 18,697,540</u>	<u>\$ 11,892,415</u>

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

	Fiscal Year				
	2020	2019	2018	2017	2016
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	\$ (16,853,050)	\$ (16,336,059)	\$ (13,492,277)	\$ (18,416,278)	\$ (18,465,519)
Governmental Activities					
Taxes:					
Sales taxes	\$ 18,588,547	\$ 16,453,665	\$ 14,275,812	\$ 13,982,967	\$ 13,385,256
Motor vehicle in-lieu tax	866,283	848,579	781,103	758,271	710,155
Franchise taxes	303,659	404,620	416,542	370,646	349,537
Transit occupancy tax	386,302	288,333	243,347	214,976	-
State shared revenue	2,838,005	2,666,814	2,637,072	2,528,894	2,422,844
Investment Income	129,036	135,426	75,947	17,668	175,351
Miscellaneous	41,029	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>\$ 23,152,861</u>	<u>\$ 20,920,869</u>	<u>\$ 10,005,226</u>	<u>\$ 18,322,795</u>	<u>\$ 16,343,143</u>
Business-type activities:					
Investment income	\$ 353,649	\$ 364,451	\$ 119,643	\$ 374,976	\$ 327,656
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>\$ 353,649</u>	<u>\$ 340,055</u>	<u>\$ 8,800,555</u>	<u>\$ 408,239</u>	<u>\$ 1,027,656</u>
Total primary government	<u>\$ 23,506,510</u>	<u>\$ 21,260,924</u>	<u>\$ 18,805,781</u>	<u>\$ 18,731,034</u>	<u>\$ 17,370,799</u>
Change in Net Position	<u>\$ 6,653,460</u>	<u>\$ 4,924,865</u>	<u>\$ 5,313,504</u>	<u>\$ 314,756</u>	<u>\$ (1,094,720)</u>

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

	Fiscal Year				
	2025	2024	2023	2022	2021
General Fund					
Nonspendable	\$ 33,923	\$ 49,995	\$ 25,580	\$ 71,616	\$ 22,085
Restricted	4,749,700	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	28,022,232	24,653,789	18,776,505	12,742,721	14,081,384
Total general fund	<u>\$ 33,805,855</u>	<u>\$ 30,166,629</u>	<u>\$ 25,398,829</u>	<u>\$ 18,158,160</u>	<u>\$ 18,251,424</u>
All Other Governmental Funds					
Nonspendable	\$ 20,003	\$ 22,028	\$ 28,103	\$ 28,103	\$ 28,103
Restricted	9,207,666	8,776,648	8,236,392	8,285,023	6,004,022
Assigned	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-
Total all other governmental funds	<u>\$ 9,227,669</u>	<u>\$ 8,798,676</u>	<u>\$ 8,264,495</u>	<u>\$ 8,313,126</u>	<u>\$ 6,032,125</u>

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

	Fiscal Year				
	2020	2019	2018	2017	2016
General Fund					
Nonspendable	\$ 86,988	\$ 21,568	\$ 29,225	\$ 21,397	\$ 40,249
Restricted	-	-	-	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Unassigned	6,955,514	3,772,894	2,154,755	4,206,786	4,187,934
Total general fund	\$ 8,042,502	\$ 4,794,462	\$ 3,183,980	\$ 5,228,183	\$ 5,228,183
All Other Governmental Funds					
Nonspendable	\$ 30,129	\$ 40,510	\$ 50,131	\$ 22,275	\$ 15,311
Restricted	4,127,464	3,010,461	2,622,474	4,287,185	5,708,599
Assigned	-	-	-	5,674,582	5,592,044
Unassigned (Deficit)	-	(418)	-	-	-
Total all other governmental funds	\$ 4,157,593	\$ 3,050,553	\$ 2,672,605	\$ 9,984,042	\$ 11,315,954

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

	Fiscal Year				
	2025	2024	2023	2022	2021
Revenues:					
Taxes	\$ 29,269,126	\$ 26,578,335	\$ 26,044,430	\$ 24,674,939	\$ 22,312,060
Intergovernmental revenues	11,660,698	11,461,571	9,234,382	9,193,830	10,508,801
Licenses and permits	700,245	823,038	417,188	642,420	371,819
Fines and forfeits	125,419	116,293	179,265	203,217	237,701
Rents and royalties	234,699	273,162	256,633	243,970	123,500
Investment income (loss)	1,501,566	1,536,710	921,808	(42,571)	10,635
Charges for services	2,920,902	2,948,759	2,894,106	2,580,702	1,530,513
Contributions	40,538	25,748	28,200	26,954	25,678
Miscellaneous	1,845,942	2,012,204	1,478,846	1,493,237	2,145,264
Total revenues	48,299,135	45,775,820	41,454,858	39,016,698	37,265,971
Expenditures:					
Current:					
General government	9,998,001	9,930,844	8,104,828	7,168,804	6,561,810
Public safety	13,477,332	12,491,691	11,381,138	10,258,750	27,833,695
Highways and street	1,577,219	2,608,010	1,288,918	1,274,499	1,395,849
Transportation	2,932,973	2,627,276	2,367,600	2,048,879	2,066,818
Culture and recreation	5,144,051	5,232,895	4,595,774	4,216,965	3,402,156
Redevelopment and housing	-	-	-	-	-
Capital outlay	6,955,975	5,780,870	3,871,462	8,780,448	2,242,878
Debt service:					
Principal retirement	3,262,419	2,961,666	2,622,678	2,327,366	1,900,875
Interest on long-term debt	1,149,893	1,194,635	1,022,701	1,018,611	734,961
Bond issuance costs	-	-	-	-	-
Total expenditures	44,497,863	42,827,887	35,255,099	37,094,322	46,139,042
Excess of revenues over (under) expenditures	3,801,272	2,947,933	6,199,759	1,922,376	(8,873,071)
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	60,086	472,585	275,072	64,376	985,538
Inception of lease	206,861	1,881,463	717,207	200,985	-
Transfers in	3,448,195	825,584	-	7,457,735	137,518
Transfers out	(3,448,195)	(825,584)	-	(7,457,735)	(137,518)
Total other financing sources (uses)	266,947	2,354,048	992,279	265,361	20,956,525
Net change in fund balances	\$ 4,068,219	\$ 5,301,981	\$ 7,192,038	\$ 2,187,737	\$ 12,083,454
Debt service as a percentage of noncapital expenditures	11.8%	11.1%	11.6%	11.8%	6.0%

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

	Fiscal Year				
	2020	2019	2018	2017	2016
Revenues:					
Taxes	\$ 19,278,508	\$ 17,146,618	\$ 14,935,701	\$ 14,568,589	\$ 13,734,793
Intergovernmental revenues	7,629,598	6,518,230	8,704,128	7,862,119	5,742,590
Licenses and permits	281,099	568,297	327,452	279,814	279,698
Fines and forfeits	172,572	213,450	178,504	147,698	149,459
Rents and royalties	129,751	159,879	118,756	257,931	181,608
Investment income (loss)	129,036	134,119	75,947	17,668	174,473
Charges for services	1,956,531	2,333,342	2,547,571	2,481,394	2,454,952
Contributions	34,050	30,935	36,419	31,725	73,607
Miscellaneous	1,187,470	1,300,823	1,595,475	1,740,887	157,256
Total revenues	30,798,615	28,405,693	28,519,953	27,387,825	22,948,436
Expenditures:					
Current:					
General government	6,317,896	6,139,003	6,103,437	5,705,624	4,665,822
Public safety	10,277,695	11,071,615	10,801,786	10,657,958	9,251,574
Highways and street	1,085,263	908,747	1,059,037	2,429,760	2,816,635
Transportation	2,036,416	1,789,161	1,598,318	-	-
Culture and recreation	3,609,900	3,303,096	3,401,603	3,222,539	3,198,799
Redevelopment and housing	-	-	-	-	-
Capital outlay	592,442	2,200,382	3,672,088	5,157,047	2,341,365
Debt service:					
Principal retirement	1,842,083	1,544,610	1,783,911	1,776,500	1,322,010
Interest on long-term debt	787,489	828,946	752,170	999,972	985,873
Bond issuance costs	-	-	-	-	-
Total expenditures	26,549,184	27,785,560	29,172,350	29,949,400	24,582,078
Excess of revenues over (under) expenditures	4,249,431	620,133	(652,397)	(2,561,575)	(1,633,642)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	-	13,544,732	-
Premium on issuance of long-term debt	-	-	-	1,524,485	-
Deposit to escrow for bond refunding	-	-	-	(13,613,249)	-
Cost of issuance	-	-	-	(238,961)	-
Sale of Property	105,649	82,369	12,466	12,656	-
Inception of lease	-	1,285,928	-	-	-
Transfers in	230,361	25,512	5,146,961	1,112,808	4,216
Transfers out	(230,361)	(25,512)	(13,862,670)	(1,112,808)	(704,216)
Total other financing sources (uses)	105,649	1,368,297	(8,703,243)	1,229,663	(700,000)
Net change in fund balances	\$ 4,355,080	\$ 1,988,430	\$ (9,355,640)	\$ (1,331,912)	\$ (2,333,642)
Debt service as a percentage of noncapital expenditures	10.1%	9.3%	9.9%	10.7%	9.8%

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

Fiscal Year	Overlapping Rates		
	City of Cottonwood	Yavapai County	State of Arizona
2025	3.50	0.75	5.60
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

Source: The source of this information is the Property Tax Rates and Assessed Values, Arizona Tax Research Foundation

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

Fiscal Year	Motor Vehicle			Transient Occupancy		Total
	Sales Tax	In-lieu Tax	Franchise Tax	Tax	Tax	
2025	\$ 28,077,272	\$ 1,098,949	\$ 503,149	\$ 688,706	\$ 30,368,076	
2024	24,702,790	1,020,640	450,449	661,174	26,835,053	
2023	24,544,855	1,013,079	442,258	632,036	26,632,228	
2022	23,598,985	1,006,423	418,731	657,223	25,681,362	
2021	21,056,079	1,039,271	405,383	465,589	22,966,322	
2020	21,075,962	866,283	465,588	405,373	22,813,206	
2019	16,136,973	848,579	404,620	288,333	17,678,505	
2018	14,023,394	781,103	416,542	243,347	15,464,387	
2017	13,758,577	758,271	370,646	214,976	15,102,470	
2016	12,967,957	710,155	349,537	187,211	14,214,860	

City of Cottonwood
Taxable Sales by Category
Last Ten Calendar Years (10,000)

	2025	2024	2023	2022	2021
Construction	\$ 46,317	\$ 50,587	\$ 49,450	\$ 47,460	\$ 24,344
Manufacturing	-	1,386	1,597	3,834	705
Communications and utilities	15,943	15,805	15,402	13,955	14,502
Wholesale trade	-	-	-	-	-
Retail trade	540,291	527,568	526,751	478,154	474,798
Restaurants and bars	73,331	73,811	69,664	64,077	61,235
Real estate, rental and lease	50,195	49,986	49,986	30,525	43,858
Hotels and other lodging	18,525	18,801	18,162	18,898	14,499
Services	-	-	-	-	-
All Others Not Specified	7,235	11,844	3,264	33,604	26,178
Total	\$ 751,837	\$ 749,788	\$ 734,276	\$ 690,507	\$ 660,119

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)

	2020	2019	2018	2017	2016
Construction	\$ 23,321	\$ 29,985	\$ 27,795	\$ 28,548	\$ 12,131
Manufacturing	2,486	2,512	3,998	754	8,210
Communications and utilities	14,558	16,041	12,647	12,647	6,642
Wholesale trade	-	-	-	-	-
Retail trade	420,086	331,672	343,540	343,540	307,992
Restaurants and bars	49,864	46,149	43,296	43,296	38,022
Real estate, rental and lease	41,403	40,220	38,158	38,159	35,800
Hotels and other lodging	16,477	21,596	15,023	15,023	6,509
Services	-	-	-	-	-
All Others Not Specified	1,269	1,048	483	2,973	57,943
Total	\$ 569,464	\$ 489,223	\$ 484,940	\$ 484,940	\$ 473,249

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	2025	2024	2023	2022	2021
City Sales Tax ^a	\$ 26,221,677	\$ 26,119,077	\$ 25,593,109	\$ 24,496,631	\$ 21,435,371
State Shared Sales Taxes	2,010,701	1,961,470	1,838,893	1,704,031	1,453,612
State Shared Income Taxes	2,791,841	342,785	2,359,887	1,588,475	1,751,125
Fines and Forfeitures	125,419	116,293	207,263	203,217	259,423
Licenses & Permits	700,245	823,038	576,434	642,420	573,515
Total	\$ 31,849,883	\$ 29,362,663	\$ 30,575,586	\$ 28,634,774	\$ 25,473,046

(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	2020	2019	2018	2017	2016
City Sales Tax ^a	\$ 18,385,925	\$ 16,474,873	\$ 14,703,470	\$ 13,516,835	\$ 13,198,045
State Shared Sales Taxes	1,260,498	1,210,830	1,151,996	1,083,047	1,066,539
State Shared Income Taxes	1,577,507	1,455,983	1,485,076	1,445,847	1,356,305
Fines and Forfeitures	172,572	213,450	178,504	147,698	149,459
Licenses & Permits	281,099	568,297	327,452	279,814	279,698
Total	<u>\$ 21,677,601</u>	<u>\$ 19,923,433</u>	<u>\$ 17,846,498</u>	<u>\$ 16,473,241</u>	<u>\$ 16,050,046</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>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Retail trade	\$ 18,910,199	\$ 18,464,884	\$ 18,436,288	\$ 17,406,134	\$ 15,963,435
Contracting	1,621,092	1,798,351	1,730,769	1,287,374	834,667
Real estate, rental and lease	1,664,196	1,648,719	1,648,719	1,529,148	1,377,587
Communications and utilities	558,027	553,185	539,077	506,723	498,298
Restaurants and bars	2,566,578	2,583,368	2,438,234	2,294,337	2,003,950
All Others Not Specified	901,585	1,070,610	800,022	1,472,915	776,496
Total	\$ 26,221,677	\$ 26,119,117	\$ 25,593,109	\$ 24,496,631	\$ 21,454,433

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

<u>Industry Classification</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Retail trade	\$ 13,280,014	\$ 11,751,602	\$ 10,487,520	\$ 10,098,671	\$ 9,239,760
Contracting	1,052,796	776,728	858,037	681,940	363,930
Real estate, rental and lease	1,327,528	1,354,733	1,195,647	1,101,019	1,074,000
Communications and utilities	510,615	465,369	385,296	414,051	199,260
Restaurants and bars	1,736,839	1,572,599	1,356,197	1,238,284	1,140,660
All Others Not Specified	808,435	815,439	664,120	197,846	1,367,646
Total	\$ 18,716,227	\$ 16,736,470	\$ 14,946,817	\$ 13,731,811	\$ 13,385,256

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
2025	\$ 28,270,850	\$ -	\$ 1,954,406	\$ -	\$ 30,225,256
2024	30,919,573	-	2,237,164	56,304	35,744,535
2023	33,315,435	-	756,635	136,971	37,708,858
2022	35,230,581	-	513,954	-	19,359,106
2021	36,815,011	-	893,847	-	22,119,446
2020	17,980,153	-	1,378,953	-	24,201,770
2019	19,498,151	-	1,844,552	-	23,760,075
2018	20,979,005	-	1,140,441	-	25,094,559
2017	22,531,286	-	1,670,484	-	17,464,937
2016	8,686,868	14,177,929	895,278	-	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		
						Percentage of Personal Income		
	Revenue Bonds	Loans Payable	Finance Purchase Agreements	Total	Total Debt	Per Capita		
2025	\$ 2,234,152	\$ 12,537,010	\$ 159,631	\$ 14,930,793	\$ 45,156,049	N/A	3,441	
2024	2,407,443	14,015,330	53,022	19,623,531	55,368,066	N/A	3,916	
2023	2,573,592	15,492,574	64,454	21,176,613	58,885,471	N/A	4,603	
2022	2,735,459	16,888,072	-	22,697,437	42,056,543	N/A	4,895	
2021	2,893,043	18,283,570	-	26,097,092	48,216,538	28.3%	3,496	
2020	3,044,915	19,652,522	-	26,483,280	50,685,050	22.2%	3,935	
2019	3,193,930	21,011,061	-	48,888,699	72,648,774	19.1%	4,138	
2018	3,340,090	22,343,732	413,270	35,862,267	60,956,826	12.8%	5,988	
2017	3,244,416	22,418,796	820,068	33,750,000	51,214,937	14.4%	5,091	
2016	23,911,915	23,756,290	1,220,494	32,725,000	51,056,417	16.0%	4,334	

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
2025	\$ 28,270,850	\$ 751,837,000	3.76%	13,124	2,154
2024	30,919,573	749,788,193	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

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, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Amount Overlapping Debt
Overlapping Debt:			
Yavapai County	\$ 248,094,155	3.77%	\$ 9,353,150
Yavapai Community College	2,360,000	3.77%	88,972
Mingus Union High School District	3,946,530	35.03%	1,382,469
Cottonwood Oak Creek School District	8,965,669	41.43%	3,714,477
Total Overlapping Debt			5,096,946
Direct:			
City of Cottonwood		100.000%	30,225,256
Total Direct and Overlapping Debt			\$ 35,322,202

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	\$	2,154.13
Per Capita		
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 2025:

Net full cash assessed valuation	\$ 250,147,334
Debt limit (6%)	15,008,840
Debt applicable to limit	-
Legal debt margin	<u>\$ 265,156,174</u>

	2025	2024	2023	2022	2021
Total 20% Debt Limit	\$ 50,029,467	\$ 48,052,159	\$ 37,708,508	\$ 32,582,995	\$ 29,121,355
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u>\$ 50,029,467</u>	<u>\$ 48,052,159</u>	<u>\$ 37,708,508</u>	<u>\$ 32,582,995</u>	<u>\$ 29,121,355</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%
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	2025	2024	2023	2022	2021
Total 6% Debt Limit	\$ 15,008,840	\$ 14,415,648	\$ 11,312,552	\$ 9,774,899	\$ 8,736,406
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u>\$ 15,008,840</u>	<u>\$ 14,415,648</u>	<u>\$ 11,312,552</u>	<u>\$ 9,774,899</u>	<u>\$ 8,736,406</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%
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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 2025:

Net full cash assessed valuation	\$ 250,147,334
Debt limit (20%)	50,029,467
Debt application to limit	-
Legal debt margin	<u>\$ 300,176,801</u>

	2020	2019	2018	2017	2016
Total 20% Debt Limit	\$ 28,978,987	\$ 25,587,171	\$ 24,009,228	\$ 19,767,803	\$ 18,658,140
Total net debt applicable to 20% limit	-	-	-	-	-
Legal 20% debt margin	<u>\$ 28,978,987</u>	<u>\$ 25,587,171</u>	<u>\$ 24,009,228</u>	<u>\$ 19,767,803</u>	<u>\$ 18,658,140</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%
	2020	2019	2018	2017	2016
Total 6% Debt Limit	\$ 8,693,696	\$ 7,676,151	\$ 7,202,768	\$ 5,930,341	\$ 5,597,442
Total net debt applicable to 6% limit	-	-	-	-	-
Legal 6% debt margin	<u>\$ 8,693,696</u>	<u>\$ 7,676,151</u>	<u>\$ 7,202,768</u>	<u>\$ 5,930,341</u>	<u>\$ 5,597,442</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				
	2025	2024	2023	2022	2021
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 9,955,878	\$ 9,818,277	\$ 9,089,759	\$ 8,702,992	\$ 8,664,939
Less: Operating expenses (2)	5,995,237	6,848,215	5,810,035	5,592,631	4,756,733
Net available revenue	3,960,641	2,970,062	3,279,724	3,110,361	3,908,206
Debt Service					
Principal	1,478,320	1,536,204	1,422,569	1,422,569	1,374,916
Interest	50,110	279,477	338,611	319,357	359,525
Total Annual Requirement	1,528,430	1,815,681	1,761,180	1,741,925	1,734,441
Estimated Coverage	2.59	1.64	1.86	1.79	2.25
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	31,849,883	29,362,663	30,575,586	28,634,774	25,473,045
Debt Service					
Principal	2,640,000	2,920,164	1,746,488	1,605,000	1,515,001
Interest	949,563	935,652	968,783	1,089,494	758,363
Total Annual Requirement	3,589,563	3,855,816	2,715,271	2,694,494	2,273,364
Estimated Coverage	8.87	7.62	11.26	10.63	11.21
General Arizona Development Authority Loan					
Pledged revenues	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Annual Requirement	-	-	-	-	-
Estimated Coverage	N/A	N/A	N/A	N/A	N/A

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

Notes: 1) Water charges and other includes charges for services, investment income, and miscellaneous revenues.

2) Operating expenses do not include depreciation and amortization.

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

	Fiscal Year Ending				
	2020	2019	2018	2017	2016
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 8,386,920	\$ 8,120,944	\$ 8,174,427	\$ 7,608,838	\$ 7,819,312
Less: Operating expenses (2)	5,331,836	5,273,405	4,859,357	4,489,731	3,591,176
Net available revenue	3,055,084	2,847,539	3,315,070	3,119,107	4,228,136
Debt Service					
Principal	1,358,539	1,332,671	1,307,304	709,004	610,000
Interest	386,162	398,108	410,792	613,923	1,205,635
Total Annual Requirement	1,744,701	1,730,779	1,718,096	1,322,927	1,815,635
Estimated Coverage	1.75	1.65	1.93	2.36	2.33
Excise Tax Revenue/General Obligation Bonds					
Pledged revenues	18,803,787	16,736,469	14,949,167	14,070,668	15,808,100
Debt Service					
Principal	1,485,001	1,445,000	-	-	-
Interest	797,024	853,100	-	-	465,916
Total Annual Requirement	2,282,025	2,298,100	-	-	465,916
Estimated Coverage	8.24	7.282741869	N/A	N/A	33.93
General Arizona Development Authority Loan					
Pledged revenues	-	-	-	-	15,808,100
Debt Service					
Principal	-	-	-	-	875,000
Interest	-	-	-	-	631,276
Total Annual Requirement	-	-	-	-	1,506,276
Estimated Coverage	N/A	N/A	N/A	N/A	10.49

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

Notes: 1) Water charges and other includes charges for services, investment income, and miscellaneous revenues.

2) Operating expenses do not include depreciation and amortization.

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)
2025	13,124	N/A	N/A	3,093	4.40 ²
2024	12,688	N/A	N/A	2,945	3.60 ²
2023	12,296	N/A	N/A	3,058	4.60 ²
2022	12,029	12,739,608	51,747	3,156	3.40 ²
2021	12,029	11,884,929	49,060	2,850	6.10 ²
2020	12,253	10,687,662	44,490	3,049	9.20 ²
2019	12,249	9,696,469	41,076	3,283	4.60 ²
2018	12,133	9,321,549	40,312	3,487	4.40 ²
2017	11,974	8,753,027	38,381	3,331	4.60 ²
2016	11,818	8,199,948	36,353	3,060	5.40 ²

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

Employer	2025		2016	
	Employees	Percentage	Employees	Percentage
		of Total Area Employment		%
Verde Valley Medical Center	1,000	0.009 %	1,000	0.009 %
Wal-Mart	365	0.003	365	0.003
Cottonwood Oak Creek Schools	262	0.002	220	0.002
City of Cottonwood	245	0.002	208	0.002
Mingus Union High School	143	0.001	137	0.001
Fry's	133	0.001	120	0.001
Spectrum Healthcare	109	0.001	170	0.002
Home Depot	150	0.001	135	0.001
Safeway	140	0.001	96	0.001
Food City	49	0.000	-	0.000
Total	<u>2,596</u>	<u>0.024 %</u>	<u>2,451</u>	<u>0.023 %</u>
Total employment	<u><u>107,425</u></u>		<u><u>95,325</u></u>	

Source: This information was taken from <https://fred.stlouisfed.org/series>.

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,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Management Services	28.00	20.50	19.50	16.75	20.50	21.50	20.50	14.00	14.00	18.50
Finance	5.50	5.50	4.50	3.50	3.50	3.50	2.50	2.50	2.50	2.50
Planning	10.00	10.00	10.00	10.00	9.00	10.00	8.00	7.00	7.00	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
Court	4.80	4.80	4.80	4.80	4.80	4.60	5.00	5.00	5.00	5.00
Total general government	48.30	41.80	39.80	36.05	38.80	40.60	42.50	35.00	35.00	38.50
Public Safety										
Police	69.00	68.00	67.00	64.00	60.00	60.00	62.00	61.00	64.00	63.50
Firefighters	30.00	29.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00
Total public safety	99.00	97.00	95.00	92.00	88.00	88.00	90.00	89.00	92.00	91.50
Public Works										
Engineering	4.00	4.00	4.00	3.00	1.00	3.00	3.00	3.00	3.00	5.00
Others	10.00	10.50	10.00	9.00	8.50	8.50	4.00	4.00	4.00	4.00
Streets	6.50	6.50	6.00	5.75	4.50	4.50	4.50	4.50	4.50	4.50
Total public works	20.50	21.00	20.00	17.75	14.00	16.00	11.50	11.50	11.50	13.50
Parks and Recreation	10.00	11.00	11.00	11.00	11.00	12.00	12.00	17.50	17.50	12.00
Library	6.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Water	26.60	25.60	24.60	24.60	23.60	19.60	19.60	18.60	18.60	18.80
Sewer	13.40	11.40	11.40	11.40	11.40	10.40	10.40	10.40	10.40	10.80
Transit	21.00	21.00	21.00	19.00	18.00	18.00	14.00	14.00	17.00	14.00
	77.00	78.00	77.00	75.00	73.00	69.00	65.00	69.50	72.50	64.60
Total	244.80	237.80	231.80	220.80	213.80	213.60	209.00	205.00	211.00	208.10

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,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	36	36	36	33	26	26	30	34	32	32
Non-Patrol Units	28	28	22	21	13	8				
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	156	156	145.9	70	70	67	67	52	52	62
Highways (Miles)	N/A	N/A	N/A	12	12	12	12	12	12	12
Streetlights	651	644	644	644	644	644	644	644	644	644
Traffic Signals	1	1	1	1	1	1	1	10	10	10
Recreation and culture										
Acreage	39	39	39	39	39	39	39	39	39	39
Playgrounds	3	3	3	3	3	2	2	2	2	2
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	2	2	2	2	2	1	1	1	1	1
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (Miles)	157	170	170	170	190	189	189	187	186	186
Fire Hydrants	742	730	730	730	235	231	514	512	496	496
Storage Capacity (Thousands of gallons)	3,760	3760	3760	3760	4450	4450	4450	4450	4450	4450
Wastewater										
Sanitary Sewers (Miles)	60	60	60	60	60	60	60	60	60	60
Treatment Capacity (Millions of Gallons)	2	1.8	1.8	1.8	1.8	1.8	1.8	1.5	1.5	1.5
Transportation										
Buses	23	23	20	20	20	20	20	19	19	19

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>	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General Government					
Building Permits Issued	557.00	545	543	599	498
Police					
Physical Arrests	851.00	1600	830	1437	1938
Parking Violations	N/A	N/A	N/A	N/A	N/A
Traffic Violations	1,295.00	1043	1589	2960	2056
Calls for Service	14,387.00	11316	13642	13266	13162
Fire					
Emergency Responses	2,978.00	3,729	3,633	2,696	3,361
Fires Extinguished	50.00	50	52	288	300
Inspections	1,752.00	1,830	1,455	1,556	1,558
Public Works					
Street Resurfacing (Miles)	1.85	9.87	4.27	3.25	6.54
Library					
Volumes in Collection	84,700.00	84,700	86,000	97,030	97,311
*Ebooks in Collection	57,742.00	57,742	57,000	30,000	28,647
Volumes Borrowed	209,995.00	209,995	174,132	179,000	159,074
*Ebooks in Borrowed	36,296.00	36,296	25,000	25,000	24,807
Water					
New Connections	50.00	40	N/A	77	67
Water Main Breaks	157.00	153	N/A	180	189
Average Daily Consumption (Thousands of Gallons)	1,931.00	1643	1887	2079	1938
Peak Daily Consumption (Thousands of Gallons)	3,143.00	2182	N/A	2614	2419
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	.840 MGD	.912 MGD	1.07MGD	1014	876
Transit					
Total Route Miles	485,648.00	469,425	468,065	469,539	460,351
Passengers	174,974.00	165,929	140,749	121,000	146,981

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,				
	2020	2019	2018	2017	2016
General Government					
Building Permits Issued	590	479	373	379	304
Police					
Physical Arrests	1776	1,921	756	1,703	1,390
Parking Violations	N/A	N/A	N/A	87	177
Traffic Violations	2694	2,037	1,248	2,199	1,450
Calls for Service	14468				
Fire					
Emergency Responses	3,448	3,655	3,626	3,455	3,080
Fires Extinguished	304	305	315	291	245
Inspections	1,398	1,306	1,543	1,649	1,591
Public Works					
Street Resurfacing (Miles)	0.74	1	N/A	0.8	0.8
Library					
Volumes in Collection	110,034	109,308	133,668	110,385	137,444
*Ebooks in Collection					
Volumes Borrowed	197,357	208,580	241,679	264,135	283,432
*Ebooks in Borrowed					
Water					
New Connections	86	91	N/A	74	29
Water Main Breaks	188	156	N/A	131	120
Average Daily Consumption (Thousands of Gallons)	1821	1,880	N/A	2,800	2,083
Peak Daily Consumption (Thousands of Gallons)	2326	2,470	N/A	3,200	2,625
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	1012	1,000	949	949	949
Transit					
Total Route Miles	455,476	451,022	435,228	416,116	266,688
Passengers	164,930	165,099	150,354	153,889	149,492

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, 2025

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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 Auditor's 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, 2025, 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 15, 2025.

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
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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 Riu Group, LLP

Phoenix, Arizona
December 15, 2025



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