

# CITY OF COTTONWOOD

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



Veterans Day Celebration

Bicycle Friendly  
Community Status

MS Society Fundraiser

Verde River

Brian Mickelsen

Marathon



# FY 2014

**CITY OF COTTONWOOD, ARIZONA**

**COTTONWOOD, ARIZONA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Issued by:  
Finance Department

**CITY OF COTTONWOOD, ARIZONA**

**TABLE OF CONTENTS**

<b><u>INTRODUCTORY SECTION</u></b>	<b><u>Page</u></b>
Letters of Transmittal	
Mayor	i
City Management	iii
GFOA Certificate of Excellence	x
Organizational Chart	xi
List of Principal Officials	xii
<b><u>FINANCIAL SECTION</u></b>	
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds	26
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	33
Statement of Net Position - Proprietary Funds	34

**CITY OF COTTONWOOD, ARIZONA**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION (Concl'd)</u></b>	<b><u>Page</u></b>
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	36
Statement of Cash Flows - Proprietary Funds	38
Statement of Net Position – Fiduciary Funds	39
Statement of Changes in Net Position – Fiduciary Funds	40
Notes to Financial Statements	41
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Required Supplementary Information)</b>	
General Fund	70
Transit Fund	71
Grant Fund	72
Note to Required Supplementary Information	73
Schedules of Funding Progress	74
<b>INDIVIDUAL FUND SCHEDULES</b>	
Debt Service Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	76
Capital Projects Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	77

# CITY OF COTTONWOOD, ARIZONA

## TABLE OF CONTENTS (Cont'd)

<u>STATISTICAL SECTION</u>	<u>Page</u>
Financial Trends:	
Net Position by Component	80
Expenses, Program Revenues, and Net (Expense)/Revenue	82
General Revenues and Total Changes in Net Position	84
Governmental Activities Tax Revenues by Source	86
Fund Balances - Governmental Funds	87
Governmental Funds Revenues	88
Governmental Funds Expenditures and Debt Service Ratio	89
Other Financing Sources and Uses and Net Changes in Fund Balances - Governmental Funds	91
Revenue Capacity:	
Taxable Sales by Category	92
Direct and Overlapping Sales Tax Rates	93
Debt Capacity:	
Outstanding Debt by Type	94
Ratios of General Bonded Debt Outstanding	95
Direct and Overlapping Governmental Activities Debt	96
Direct and Overlapping General Bonded Debt Ratios	96
Legal Debt Margin Information	97
Pledged Revenue Coverage	98
Demographic and Economic Information:	
Demographic and Economic Statistics	99

**CITY OF COTTONWOOD, ARIZONA**

**TABLE OF CONTENTS (Concl'd)**

<b><u>STATISTICAL SECTION (Concl'd)</u></b>	<b><u>Page</u></b>
Principal Employers	100
Operating Information:	
Full-Time Equivalent City Government Employees by Function/Program	101
Operating Indicators by Function/Program	103
Capital Assets Statistics by Function	104

(This page intentionally left blank)

## **INTRODUCTORY SECTION**

(This page intentionally left blank)



December 23, 2014

Dear Citizens:

As our local economy recovers, City staff continues its work on many projects during fiscal year 2014. Despite each City project being important, there are a few that highlight the efforts that were made this year by City staff and crews despite the slowly improving economy.



As part of the City's continued effort to boost the economy, the City Council and staff continue work on the Old Jail parking lot to improve parking availability in that section of Old Town. Old Town continues to show increased activities through City supported events such as the Christmas Chocolate Walk and Walkin' on Main. Area wineries are great contributors to the local activities by moving into this section of the community and opening wine tasting rooms. Inclusive, the local winery businesses have been very successful in becoming part of the area's Verde Valley Wine Trail (<http://www.vvwinetrail.com>) which continues to be showcased in national magazines and articles.

The overall local economy enjoys support from signature events such as Thunder Valley Rally (TVR), Rhythm and Ribs, and the MS 150 Bike Ride. TVR brings bikers from all walks of life and from all over the southwest for a long weekend of riding, music and fun. The Rhythm and Ribs event attracts individuals with a taste for ribs, wine, fun and music to what has been named Arizona's Original Ribs Cook-Off and Concert event. The MS 150 Bike Ride, known as "MS Ride the Vortex," brings cyclists from all over the southwest for a weekend of beautiful scenery, outstanding people and of course, a great cause. The City also held the Third Annual Cottonwood Fall Veterans Day Classic co-sponsored by the Verde Valley Disc Golf Club. This Professional Disc Golf Association (PDGA) event not only brought regional disc golfers to play, it also raised over \$1,600 for area veterans. We are so proud of the sponsors and City staff for sponsoring this event.

The City's public safety departments have been very busy working on projects this year. Work began on a Regional Emergency Communication Center project that may someday meet all the communications needs of our Verde Valley emergency responders. Construction of the Emergency Operations Center was completed in the Public Safety Multi-Purpose Room. The Police Department also coordinated a Regional Active Shooter Training for all the Verde Valley law enforcement agencies. The Fire Department expanded its "SHARE CPR" program providing no cost CPR training for employees of local businesses. They also completed its "Rules & Regulations" Manual.

There were a number of public works projects going on as well. The City continued construction of the south end of 12<sup>th</sup> street to be completed next fiscal year. The 10<sup>th</sup> street rehabilitation project was also completed, improving traffic flow to that area of the community. The municipal utilities were busy completing the construction of a reclaimed water line to Yavapai College to help irrigate their viticulture program. The water utility continued its Old Town waterline replacement program which improves water delivery service and fire protection to the historic section of town.

During the past year, Cottonwood received some prestigious awards. The Finance Department received its 15th Distinguished Budget Presentation Award as well as its 23rd consecutive Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report from the Government Finance Officers Association.

These projects and accomplishments are a small portion of the time and commitment provided by City staff and crews during this and every fiscal year. I would like to extend my appreciation to the City Council for its dedication and personally thank each member for the support they have given me in our collaborative effort to serve the residents of Cottonwood. To the members of the various boards and commissions, I extend my sincerest gratitude for your valuable service to the community. Finally, I sincerely thank the City Manager, Doug Bartosh, the General Managers, Department Heads, and their staff. They are without a doubt among the finest, most professional and dedicated individuals with whom I have had the privilege of working. I ardently look forward to the challenges that lie ahead. With the collaboration of our highly esteemed citizens, City Council, excellent staff, and dedicated volunteers, we will continue to accomplish great things together in the coming year.

Respectfully,



Diane Joens  
Mayor, City of Cottonwood



December 23, 2014

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Cottonwood:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Cottonwood (City) for the fiscal year ended June 30, 2014.

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

The City's financial statements have been audited by Heinfeld, Meech & Co., P.C., 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 ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.



The independent audit of the financial statements of the City was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City'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.

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

## **PROFILE OF THE GOVERNMENT**

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

The City of Cottonwood, Arizona is situated in central Arizona bordering the Verde River to its north. The total geographic area is 15.75 square miles. Cottonwood is near the geographic center of Arizona adjacent to Interstate 17 on State Highways 89A and 260. The 2010 Census places the population at 11,265. Cottonwood is the retail and services center for the Verde Valley area. The main industries are tourism, government services, medical and health services, retail and education.

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

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

## **FACTORS AFFECTING FINANCIAL CONDITION**

**Internal Controls.** As earlier noted, the management of the City of Cottonwood, Arizona is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance 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 assurance 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 assurance 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 year's 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 Spending 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 Other Than MD&A and all other funds are presented in Other Information – Fund Schedules.

**Local Economy.** The City of Cottonwood, Arizona continues to face many growth issues during these slow growth economic times. 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 2014 a successful year, and will provide for future success. The City of Cottonwood continues to research programs that have been postponed in the recent years. Additionally, the City hopes to correct any deficiencies that may have occurred during the recent economic recession.

In order to correct these deficiencies, the City has proposed a baseline budget with the hiring for all vacancies needing to be filled to be delayed by three to six months. Some non-essential vacancies will continue to be frozen indefinitely or eliminated. The City will be closely monitoring its revenue sources and make adjustments accordingly.

**Economic Outlook. Retail Sales** - The City of Cottonwood, Arizona relies heavily on city sales tax. Overall, city sales tax revenues provide over 50% of the General Fund revenues. The city's sales tax rate is currently at 3.0%, and the City also has a 3.0% Bed Tax (occupancy) which is transferred to the local Chamber of Commerce.

The construction TPT has two parts to it. A 3% construction TPT is collected for the General Fund. An additional 1% construction TPT is collected specifically for street maintenance and goes into the Highway User Revenue Fund (HURF).

**State Shared Revenues** - The City of Cottonwood, Arizona receives significant revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, fuel tax and motor vehicle-in-lieu taxes. All but the fuel tax is placed in the City's General Fund, where it is used to sustain a large portion of the City's day-to-day activities. These revenue sources have improved recently with the economy showing signs of recovery.

**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. The Cottonwood Area Transit (CAT)/ LYNX systems are also in this fund, however, the General Fund supports transit through matching contributions. 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 2010).

**Long-term Financial Planning.** The City's Budget Policy has helped it weather the economic downturn. 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 fund balance. This is also estimated to be about 60 days of expenditures coverage.

Additionally, an accumulating reserve of 2.67% of the previous year's general fund operating revenues is set aside for capital projects. This year represents the fourteenth 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 until the economy improves.

Regular reporting to the City Manager and General Managers, allows for prompt shift of priorities in order to counter downward economic pressure. This year the General Fund alone was able to heavily reduce its budget downward and still accomplish its overall goals.

## **MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS**

**For the Year.** The following depicts the continued commitment of the City of Cottonwood, Arizona to make the community a better place to live. Fiscal year 2014 goals obtained are summarized within this list of accomplishments:

### **Physical Development -**

-  Began construction of new Regional Emergency Communications Center
-  Started construction on the 12<sup>th</sup> Street to 89A project
-  Completed the 10<sup>th</sup> Street rehabilitation project
-  Completed Construction of reclaimed line to Yavapai College
-  Continued Old Town waterline replacement project
-  Developed Arsenic media replacement and solids handling research and pilot testing project
-  Completed Construction of Old Town Jail Parking and Old Town Arch

## **Community and Economic Development -**

-  Installed Children's Water Feature play apparatus in the Aquatics Center
-  Hosted Thunder Valley Rally, Rhythm and Ribs and Walkin On Main Street
-  Completed year 5 of 5 year Economic Development Plan
-  Started developing City Wide Branding plan
-  Developed "Annual Authors Forum" with 28 local authors
-  Received 3 LSTA grants for software, furniture and equipment to help with Digital Learning and Community Education Opportunities

## **Public Safety -**

-  Completed construction of EOC in the Multi-purpose room
-  Facilitated and coordinated a Regional Active Shooter Training for all Verde Law Enforcement
-  Obtained and equipped military surplus MRAP for SWAT
-  Expanded "SHARE CPR" program providing "no cost" CPR training for employees of local businesses
-  Completed Cottonwood Fire Department "Rules and Regulations" Manual
-  Assisted Wal-Mart with an aggressive Shoplifter Identification and apprehension detail

## **General -**

-  Began renovations on the Old Town Civic Center
-  Completed feasibility study for the recharge of reclaimed water
-  Completed Verde River Base flow studies

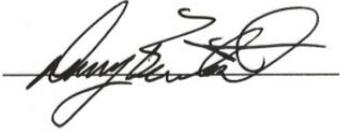
## **AWARDS AND ACKNOWLEDGEMENTS**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded this certificate, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

This certificate is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the program's requirements and we are submitting it to GFOA to determine its eligibility for the fiscal year ended 2014 certificate.

**Acknowledgments.** The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedication of the City Manager, 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,



Doug Bartosh,  
City Manager



Jesus R. Rodriguez, CGFM  
Administrative Services General Manager





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

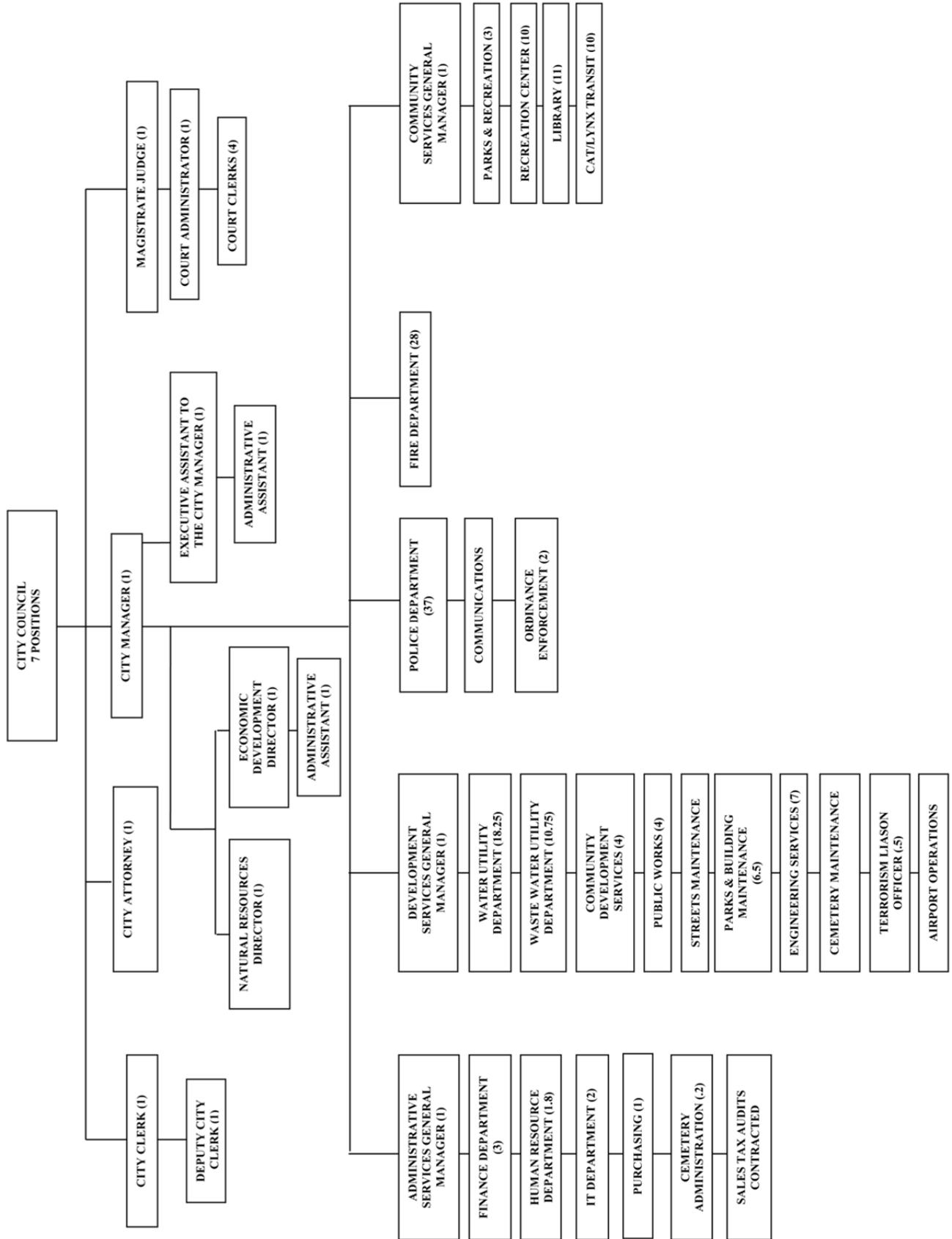
Presented to

**City of Cottonwood  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



**CITY OF COTTONWOOD, ARIZONA**

**LIST OF PRINCIPAL OFFICIALS**

**CITY COUNCIL**

Diane Joens  
Mayor

Karen Pfeifer  
Vice Mayor

Tim Elinski  
Member

Randy Garrison  
Member

Jesse Dowling  
Member

Terence Pratt  
Member

Ruben Jaurequi  
Member

**ADMINISTRATIVE STAFF**

Doug Bartosh  
City Manager

Jesus R. Rodriguez, CGFM  
Administrative Services General Manager

## **FINANCIAL SECTION**

(This page intentionally left blank)

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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 City of Cottonwood, Arizona (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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 of Cottonwood, Arizona, as of June 30, 2014, 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.

### ***Change in Accounting Principle***

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, budgetary comparison information on pages 70 through 73, and schedules of funding progress on page 74 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.

***Other 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 introductory section, individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of City of Cottonwood, Arizona'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 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 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 of Cottonwood, Arizona's internal control over financial reporting and compliance.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
CPAs and Business Consultants

December 23, 2014

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

(This page intentionally left blank)

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

As management of the City of Cottonwood, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information we have furnished in our letters of transmittal, which can be found in the introductory section of this report.

**FINANCIAL HIGHLIGHTS**

- The City's total net position of governmental activities decreased \$380,750 to \$43.2 million and the business-type activities increased \$1.0 million to \$23.4 million, representing a 1 percent decrease and 5 percent increase, respectively, of the total net position of \$66.5 million.
- General revenues from governmental activities accounted for \$15.7 million in revenue, or 75 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.3 million or 25 percent of total governmental activities revenues. The City had \$9.2 million of program specific revenues and \$360,695 in general revenues related to business-type activities.
- The City had \$21.5 million in expenses related to governmental activities, an increase of 7 percent from the prior fiscal year primarily due to increases in public safety and compensation study salaries and the expansion of transportation services. The City had \$8.6 million in expenses related to business-type activities, a decrease of 5 percent from the prior fiscal year, primarily due to decreases in water line and maintenance needs.
- Among major governmental funds, the General Fund had \$16.6 million in current fiscal year revenues, which primarily consisted of taxes, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$17.0 million. The General Fund's fund balance increased \$93,624 to \$6.0 million at the end of the current fiscal year.
- The Enterprise Funds' net position at the end of the year amounted to \$23.4 million. The increase in net position of \$1.0 million was primarily due to an increase in charges for services resulting from water and sewer rate increases.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 themselves.

**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 a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources with the difference 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.

The statement of activities presents information showing how the City's net position changed during the most recent 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 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., earned but unused compensated absences).

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, highways and streets, culture and recreation, and redevelopment and housing. The business-type activities include the operations of the sewer plant and the water system.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)**

**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 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.

**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 use the modified accrual basis of accounting and focus on near-term inflows 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 the City's near-term financing requirements.

Because 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 City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Transit, Grant, Debt Service and Capital Projects Funds, all of which are considered to be major funds. The City does not have non-major governmental funds.

**Proprietary funds.** The City maintains two different types of proprietary funds: enterprise funds and an internal service fund. 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 its operations of the sewer plant and water system. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for supplemental employee benefits.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)**

Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water fund and sewer fund, which are considered to be major funds of the City.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

**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 immediately following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances - budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, governmental activities assets and deferred outflows exceeded liabilities by \$43.2 million at the current fiscal year end.

The largest portion of the City's governmental activities net position reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, vehicles, machinery and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related outstanding 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. In addition, a portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

The following tables present a summary of the City's net position for the fiscal years ended June 30, 2014 and June 30, 2013.

	Governmental Activities		Business-Type Activities		Total	
	As of	As of	As of	As of	As of	As of
	June 30, 2014	June 30, 2013, as restated	June 30, 2014	June 30, 2013, as restated	June 30, 2014	June 30, 2013 as restated
Current and other assets	\$ 18,153,764	\$ 21,080,824	\$ 18,827,960	\$ 18,094,369	\$ 36,981,724	\$ 39,175,193
Capital assets, net	46,215,943	44,313,105	39,019,805	37,470,346	85,235,748	81,783,451
<b>Total assets</b>	<u>64,369,707</u>	<u>65,393,929</u>	<u>57,847,765</u>	<u>55,564,715</u>	<u>122,217,472</u>	<u>120,958,644</u>
Deferred outflows			1,114,680	1,151,535	1,114,680	1,151,535
Current and other Liabilities	2,177,652	2,326,872	1,317,575	1,132,480	3,495,227	3,459,352
Long-term liabilities	19,014,996	19,509,248	34,294,517	33,244,490	53,309,513	52,753,738
<b>Total liabilities</b>	<u>21,192,648</u>	<u>21,836,120</u>	<u>35,612,092</u>	<u>34,376,970</u>	<u>56,804,740</u>	<u>56,213,090</u>
Net position						
Net investment in capital assets	29,811,017	26,606,032	4,851,385	4,306,570	34,662,402	30,912,602
Restricted	1,210,126	1,371,766	2,557,755	2,557,755	3,767,881	3,929,521
Unrestricted	12,155,916	15,580,011	15,941,213	15,474,955	28,097,129	31,054,966
<b>Total net position</b>	<u>\$ 43,177,059</u>	<u>\$ 43,557,809</u>	<u>\$ 23,350,353</u>	<u>\$ 22,339,280</u>	<u>\$ 66,527,412</u>	<u>\$ 65,897,089</u>

At the end of the current fiscal year the City reported positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The principal retirement of \$1,125,000 of bonds and \$1,165,000 of loans.
- The addition of \$4.5 million of governmental capital assets primarily through construction projects, infrastructure improvements and purchases of vehicles, machinery, and equipment.
- The addition of \$3.1 million of business-type capital assets through construction projects, infrastructure improvements and purchases of vehicles, machinery, and equipment.
- New capital lease agreements of \$2.9 million for the purchase of vehicles, machinery, and equipment.
- An increase in accumulated depreciation due to depreciation expense of \$2.5 million and \$1.5 million for governmental and business-type activities, respectively.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

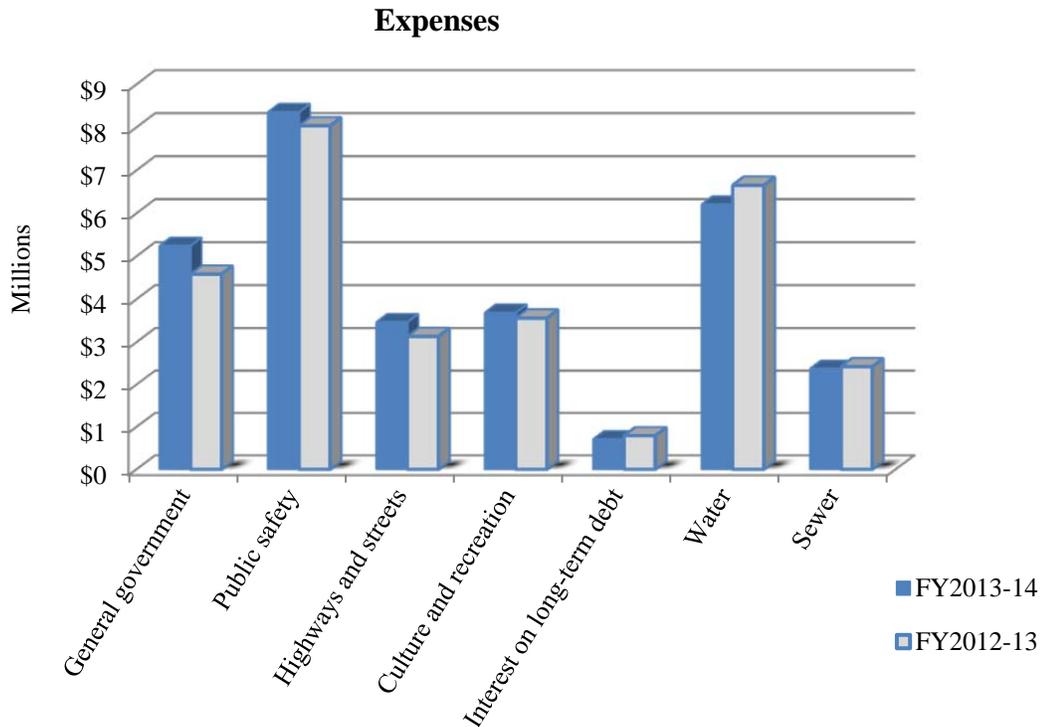
**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net position.** The City's total revenues for the current fiscal year were \$30.7 million. The total cost of all programs and services was \$30.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

	Governmental Activities		Business-Type Activities		Total	
	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013, as restated	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013, as restated	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013, as restated
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 2,500,967	\$ 2,554,769	\$ 9,225,429	\$ 7,528,381	\$ 11,726,396	\$ 10,083,150
Operating grants and contributions	2,330,406	2,824,452			2,330,406	2,824,452
Capital grants and contributions	509,917	19,699			509,917	19,699
General revenues						
Sales taxes	12,276,616	11,329,353			12,276,616	11,329,353
Auto lieu taxes	647,250	563,851			647,250	563,851
Franchise taxes	371,886	363,653			371,886	363,653
Unrestricted state shared revenue	2,236,164	2,088,713			2,236,164	2,088,713
Investment income	212,572	(71,463)	369,695	328,570	582,267	257,107
<b>Total revenues</b>	<b>21,085,778</b>	<b>19,673,027</b>	<b>9,595,124</b>	<b>7,856,951</b>	<b>30,680,902</b>	<b>27,529,978</b>
<b>Expenses</b>						
General government	5,245,413	4,584,034			5,245,413	4,584,034
Public safety	8,354,188	8,035,427			8,354,188	8,035,427
Highways and streets	3,468,654	3,134,571			3,468,654	3,134,571
Culture and recreation	3,687,518	3,561,035			3,687,518	3,561,035
Interest on long-term debt	710,755	790,903			710,755	790,903
Water			6,206,940	6,650,327	6,206,940	6,650,327
Sewer			2,377,111	2,423,868	2,377,111	2,423,868
<b>Total expenses</b>	<b>21,466,528</b>	<b>20,105,970</b>	<b>8,584,051</b>	<b>9,074,195</b>	<b>30,050,579</b>	<b>29,180,165</b>
<b>Transfers</b>		(398,256)		398,256		
<b>Changes in net position</b>	<b>(380,750)</b>	<b>(831,199)</b>	<b>1,011,073</b>	<b>(818,988)</b>	<b>630,323</b>	<b>(1,650,187)</b>
<b>Net position, beginning, as restated</b>	<b>43,557,809</b>	<b>44,389,008</b>	<b>22,339,280</b>	<b>23,158,268</b>	<b>65,897,089</b>	<b>67,547,276</b>
<b>Net position, ending</b>	<b>\$ 43,177,059</b>	<b>\$ 43,557,809</b>	<b>\$ 23,350,353</b>	<b>\$ 22,339,280</b>	<b>\$ 66,527,412</b>	<b>\$ 65,897,089</b>

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**



The following are significant current year transactions that have had an impact on the change of net position.

- Sales taxes increased \$947,263 due to an increase in taxable sales.
- General government expenses increased \$661,379 primarily due to increases in planning and zoning, general maintenance, and other non-departmental needs met by the City.
- Capital grants and contributions increased \$490,218 primarily due to a federal grant passed through Northern Arizona Council of Governments for the 10<sup>th</sup> Street construction project. Additionally, the City received funding from Yavapai County for flood control improvements.
- Operating grants and contributions decreased \$494,046 primarily due to a one-time transfer of vehicles from the previous operator of the transit systems in the prior year.
- Business type charges for services increased \$1.7 million due to increases in water and sewer rates.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)**

The following table presents the cost of the City's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	<u>Year Ended June 30, 2014</u>		<u>Year Ended June 30, 2013</u>	
	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>	<u>Total Expenses, as restated</u>	<u>Net (Expense)/ Revenue, as restated</u>
<b>Governmental Activities</b>				
General government	\$ 5,245,413	\$ (3,974,861)	\$ 4,584,034	\$ (3,284,190)
Public safety	8,354,188	(7,882,713)	8,035,427	(7,584,228)
Highways and streets	3,468,654	(945,120)	3,134,571	(478,372)
Culture and recreation	3,687,518	(2,611,789)	3,561,035	(2,568,997)
Interest on long-term debt	710,755	(710,755)	790,903	(790,903)
<b>Total expenses</b>	<u>21,466,528</u>	<u>(16,125,238)</u>	<u>20,105,970</u>	<u>(14,706,690)</u>
<b>Business-Type Activities</b>				
Water	6,206,940	611,947	6,650,327	(764,806)
Sewer	2,377,111	29,431	2,423,868	(781,008)
<b>Total expenses</b>	<u>\$ 8,584,051</u>	<u>\$ 641,378</u>	<u>\$ 9,074,195</u>	<u>\$ (1,545,814)</u>

- The cost of all governmental activities this year was \$21.5 million. The cost of all business-type activities this year was \$8.6 million.
- Federal, State, and county governments and charges for services subsidized certain governmental programs with grants and contributions and other local revenues of \$5.3 million.
- Net cost of governmental activities of \$16.1 million was financed by general revenues, which are made up of primarily sales taxes of \$12.3 million and state shared revenues of \$2.2 million.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$15.0 million, a decrease of \$2.3 million due primarily to increased public safety expenditures for increased contributions to the Public Safety Personnel Retirement System and increases in capital outlay expenditures related to construction of an emergency communications center and the completion of new parking lots.

The General Fund comprises 40 percent of the total fund balance. Approximately \$3.7 million or 61 percent of the General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the City. The fund balance increased by \$93,624 to \$6.0 million as of fiscal year end. General Fund revenues increased \$1.6 million primarily due to an increase in sales tax revenues. General Fund expenditures increased \$1.6 million. This was a result of an increase in public safety expenditures for contributions to the Public Safety Personnel Retirement System.

The Grant Fund comprises less than 1 percent of the total fund balance, all of which is unassigned. The fund balance decreased \$186,868 to a deficit amount of \$25,228 due to increased capital outlay expenditures for the completion of new parking lots.

The Capital Projects Fund comprises 55 percent of the total fund balance, which is assigned for capital projects. The fund balance decreased \$2.2 million to \$8.3 million due to increased capital outlay expenditures for construction of an emergency communications center.

**Proprietary funds.** Net position of the Enterprise Funds and the Internal Service Fund at the end of the fiscal year amounted to \$23.4 million and \$94,588, respectively. The increase in net position in the Enterprise Funds of \$1.0 million from the prior fiscal year was primarily due to an increase in charges for services resulting from water and sewer rate increases.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**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. The difference between the original budget and the final amended budget was a \$4.0 million decrease, or 17 percent.

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. The significant variances are summarized as follows:

- The favorable variance of \$497,757 in total revenues is primarily due to increases in various tax revenues. In addition, the favorable variance of \$1,024,802 in other financing sources is due to the receipt of capital lease proceeds not included in the budget.
- The favorable variances of \$760,787 and \$464,489 in general government and public safety and the unfavorable variance of \$346,338 in capital outlay are primarily due to capital expenditures budgeted on the departmental level.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of the end of the current fiscal year, the City had invested \$73.2 million in governmental capital assets and \$58.4 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent net increases prior to depreciation of \$4.4 million and \$3.1 million from the prior fiscal year for governmental and business-type activities, respectively. The increases were primarily due to the construction of an emergency communication center, infrastructure improvements and purchases of vehicles, machinery, and equipment. Total depreciation expense for the current fiscal year was \$2.5 million for governmental activities and \$1.5 million for business-type activities.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2014 and June 30, 2013.

	Governmental Activities		Business-Type Activities		Total	
	As of June 30, 2014	As of June 30, 2013	As of June 30, 2014	As of June 30, 2013	As of June 30, 2014	As of June 30, 2013
Capital assets – non-depreciable	\$ 5,721,788	\$ 4,977,818	\$ 5,685,983	\$ 5,477,609	\$ 11,407,771	\$ 10,455,427
Capital assets – depreciable, net	40,494,155	39,335,287	33,333,822	31,992,737	73,827,977	71,328,024
<b>Total</b>	<b>\$ 46,215,943</b>	<b>\$ 44,313,105</b>	<b>\$ 39,019,805</b>	<b>\$ 37,470,346</b>	<b>\$ 85,235,748</b>	<b>\$ 81,783,451</b>

The estimated cost to complete current construction projects is \$6.3 million.

Additional information on the City's capital assets can be found in Note 8.

**CITY OF COTTONWOOD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

**Debt Administration.** At year-end, the City had \$17.7 million in governmental long-term debt outstanding with \$1.3 million due within one year. The City had \$34.2 million in business-type long-term debt outstanding, with \$1.4 million due within one year. This represents a net decrease of \$883,887 and a net increase of \$1.0 million for governmental and business-type activities, respectively.

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 \$19.4 million. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The current 6 percent debt limitation for the City is \$5.8 million. The City's outstanding bonds are not considered general obligation bonds subject to statutory limits because the bonds are secured by sales taxes.

Additional information on the City's long-term debt can be found in Notes 9-12 in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Many factors were considered by the City's officials during the process of developing the fiscal year 2014-15 budget. Among them:

- Fiscal year 2013-14 budget balance carry forward (estimated \$4.5 million).
- Employee salaries and benefits (estimated \$16.7 million).

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Accounting Department, City of Cottonwood, 827 North Main Street, Cottonwood, Arizona 86326.

(This page intentionally left blank)

## **BASIC FINANCIAL STATEMENTS**

(This page intentionally left blank)

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

(This page intentionally left blank)

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 14,461,159	\$ 8,908,456	\$ 23,369,615
Taxes receivable	1,421,167		1,421,167
Intergovernmental receivable	765,097		765,097
Accounts receivable	178,988	830,328	1,009,316
Inventories	39,596		39,596
<b>Total current assets</b>	<b>16,866,007</b>	<b>9,738,784</b>	<b>26,604,791</b>
Noncurrent assets:			
Restricted cash and investments	1,287,757	2,819,176	4,106,933
Notes receivable		6,270,000	6,270,000
Land	2,575,010	3,239,645	5,814,655
Infrastructure	20,399,574	42,050,809	62,450,383
Buildings and improvements	36,196,341	5,711,446	41,907,787
Vehicles, machinery, and equipment	10,887,583	4,960,806	15,848,389
Construction in progress	3,146,778	2,446,338	5,593,116
Accumulated depreciation	(26,989,343)	(19,389,239)	(46,378,582)
<b>Total noncurrent assets</b>	<b>47,503,700</b>	<b>48,108,981</b>	<b>95,612,681</b>
<b>Total assets</b>	<b>64,369,707</b>	<b>57,847,765</b>	<b>122,217,472</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Goodwill - net of amortization		1,114,680	1,114,680
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	1,180,345	274,554	1,454,899
Accrued payroll and employee benefits	615,275		615,275
Deposits held for others	22,102	261,441	283,543
Unearned revenue	9,992	40,282	50,274
Compensated absences payable	961,798	95,834	1,057,632
Bonds payable		1,000,000	1,000,000
Loans payable	840,000		840,000
Obligations under capital leases	457,649	385,350	842,999
Accrued interest payable	349,938	741,298	1,091,236
<b>Total current liabilities</b>	<b>4,437,099</b>	<b>2,798,759</b>	<b>7,235,858</b>
Noncurrent liabilities:			
Non-current portion of long-term obligations	16,755,549	32,813,333	49,568,882
<b>Total noncurrent liabilities</b>	<b>16,755,549</b>	<b>32,813,333</b>	<b>49,568,882</b>
<b>Total liabilities</b>	<b>21,192,648</b>	<b>35,612,092</b>	<b>56,804,740</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	29,811,017	4,851,385	34,662,402
Restricted for:			
Debt service	1,210,126	2,557,755	3,767,881
Unrestricted	12,155,916	15,941,213	28,097,129
<b>Total net position</b>	<b>\$ 43,177,059</b>	<b>\$ 23,350,353</b>	<b>\$ 66,527,412</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF COTTONWOOD, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 5,245,413	\$ 1,248,788	\$ 2,076	\$ 19,688	\$ (3,974,861)
Public safety	8,354,188	65,481	405,994		(7,882,713)
Highways and streets	3,468,654	362,365	1,670,940	490,229	(945,120)
Culture and recreation	3,687,518	824,333	251,396		(2,611,789)
Interest on long-term debt	710,755				(710,755)
Total governmental activities	<u>21,466,528</u>	<u>2,500,967</u>	<u>2,330,406</u>	<u>509,917</u>	<u>(16,125,238)</u>
Business-type activities:					
Water	6,206,940	6,818,887			
Sewer	2,377,111	2,406,542			
Total business-type activities	<u>8,584,051</u>	<u>9,225,429</u>			
<b>Total primary government</b>	<u>\$ 30,050,579</u>	<u>\$ 11,726,396</u>	<u>\$ 2,330,406</u>	<u>\$ 509,917</u>	<u>(16,125,238)</u>
<b>General revenues:</b>					
Taxes:					
Sales taxes					12,276,616
Auto lieu taxes					647,250
Franchise taxes					371,886
Unrestricted state shared revenue					2,236,164
Investment income					212,572
<b>Total general revenues</b>					<u>15,744,488</u>
<b>Changes in net position</b>					(380,750)
<b>Net position, beginning of year, as restated</b>					<u>43,557,809</u>
<b>Net position, end of year</b>					<u>\$ 43,177,059</u>

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and  
Changes in Net Position

Business-type Activities	Totals												
\$	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 85%; text-align: right;">\$ (3,974,861)</td> </tr> <tr> <td></td> <td style="text-align: right;">(7,882,713)</td> </tr> <tr> <td></td> <td style="text-align: right;">(945,120)</td> </tr> <tr> <td></td> <td style="text-align: right;">(2,611,789)</td> </tr> <tr> <td></td> <td style="text-align: right;">(710,755)</td> </tr> <tr> <td style="border-top: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black;">(16,125,238)</td> </tr> </table>		\$ (3,974,861)		(7,882,713)		(945,120)		(2,611,789)		(710,755)		(16,125,238)
	\$ (3,974,861)												
	(7,882,713)												
	(945,120)												
	(2,611,789)												
	(710,755)												
	(16,125,238)												
611,947	611,947												
29,431	29,431												
641,378	641,378												
641,378	(15,483,860)												
369,695	12,276,616												
369,695	647,250												
369,695	371,886												
369,695	2,236,164												
369,695	582,267												
369,695	16,114,183												
1,011,073	630,323												
22,339,280	65,897,089												
\$ 23,350,353	\$ 66,527,412												

(This page intentionally left blank)

**FUND FINANCIAL STATEMENTS**

**CITY OF COTTONWOOD, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General	Transit	Grant
<b><u>ASSETS</u></b>			
Cash and investments	\$ 3,269,315	\$	\$
Restricted cash and investments	1,287,757		
Taxes receivable	1,268,876	23,968	
Intergovernmental receivable	163,189	601,908	
Accounts receivable	134,162	4,923	
Due from other funds	1,019,757		
Inventories	20,608	18,988	
<b>Total assets</b>	<b>\$ 7,163,664</b>	<b>\$ 649,787</b>	<b>\$</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 546,875	\$ 80,522	\$ 5,719
Accrued payroll and employee benefits	615,275		
Deposits held for others	8,385	13,717	
Due to other funds		1,000,248	19,509
Unearned revenue	9,992		
Loans payable			
Interest payable			
<b>Total liabilities</b>	<b>1,180,527</b>	<b>1,094,487</b>	<b>25,228</b>
Fund balances (deficits):			
Nonspendable	20,608	18,988	
Restricted	1,287,757		
Assigned	1,000,000		
Unassigned	3,674,772	(463,688)	(25,228)
<b>Total fund balances</b>	<b>5,983,137</b>	<b>(444,700)</b>	<b>(25,228)</b>
 <b>Total liabilities and fund balances</b>	<b>\$ 7,163,664</b>	<b>\$ 649,787</b>	<b>\$</b>

The notes to the basic financial statements are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 2,271,741	\$ 8,825,515	\$ 14,366,571
128,323		1,287,757
		1,421,167
		765,097
	39,903	178,988
		1,019,757
		39,596
<u>\$ 2,400,064</u>	<u>\$ 8,865,418</u>	<u>\$ 19,078,933</u>
\$	\$ 547,229	\$ 1,180,345
		615,275
		22,102
		1,019,757
		9,992
840,000		840,000
349,938		349,938
<u>1,189,938</u>	<u>547,229</u>	<u>4,037,409</u>
1,210,126		39,596
		2,497,883
	8,318,189	9,318,189
		3,185,856
<u>1,210,126</u>	<u>8,318,189</u>	<u>15,041,524</u>
<u>\$ 2,400,064</u>	<u>\$ 8,865,418</u>	<u>\$ 19,078,933</u>

(This page intentionally left blank)

**CITY OF COTTONWOOD, ARIZONA**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

**Total governmental fund balances** **\$ 15,041,524**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 73,205,286	
Less accumulated depreciation	<u>(26,989,343)</u>	46,215,943

The Internal Service Fund is used by management to charge the cost of certain activities to the individual funds. The assets and liabilities of the Internal Service Fund are included in the Statement of Net Position.

94,588

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences payable	(1,322,316)	
Obligations under capital leases	(1,764,937)	
Loans payable	(14,860,000)	
Premium on loans	<u>(227,743)</u>	<u>(18,174,996)</u>

**Net position of governmental activities** **\$ 43,177,059**

**The notes to the basic financial statements are an integral part of this statement.**

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Transit</u>	<u>Grant</u>
<b>Revenues:</b>			
Taxes	\$ 10,853,915	\$ 258,217	\$
Licenses and permits	292,341		
Intergovernmental	3,533,588	1,670,940	301,816
Charges for services	1,377,479	362,365	
Fines and forfeits	176,208		
Rents and royalties	162,606		
Miscellaneous	129,307	661	
Contributions	9,292		
Investment income	29,640	2,137	160
<b>Total revenues</b>	<u>16,564,376</u>	<u>2,294,320</u>	<u>301,976</u>
<b>Expenditures:</b>			
Current -			
General government	4,347,532		
Public safety	7,888,166		
Highways and streets	470,731	2,094,533	
Culture and recreation	2,869,610		
Capital outlay	1,010,038	505,555	488,844
Debt service -			
Principal retirement	401,480		
Interest and fiscal charges	27,927		
<b>Total expenditures</b>	<u>17,015,484</u>	<u>2,600,088</u>	<u>488,844</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(451,108)</u>	<u>(305,768)</u>	<u>(186,868)</u>
<b>Other financing sources (uses):</b>			
Capital lease agreements	850,000		
Transfers in		305,268	
Transfers out	(305,268)		
<b>Total other financing sources (uses):</b>	<u>544,732</u>	<u>305,268</u>	
<b>Changes in fund balances</b>	<u>93,624</u>	<u>(500)</u>	<u>(186,868)</u>
<b>Fund balances (deficits), beginning of year</b>	5,889,513	(444,200)	161,640
<b>Fund balances (deficits), end of year</b>	<u>\$ 5,983,137</u>	<u>\$ (444,700)</u>	<u>\$ (25,228)</u>

The notes to the basic financial statements are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
\$ 1,536,370	\$	\$ 12,648,502
		292,341
	208,101	5,714,445
		1,739,844
		176,208
		162,606
		129,968
		9,292
3,865	175,618	211,420
<u>1,540,235</u>	<u>383,719</u>	<u>21,084,626</u>
		4,347,532
		7,888,166
		2,565,264
		2,869,610
	2,593,967	4,598,404
840,000		1,241,480
700,235		728,162
<u>1,540,235</u>	<u>2,593,967</u>	<u>24,238,618</u>
	<u>(2,210,248)</u>	<u>(3,153,992)</u>
		850,000
		305,268
		(305,268)
		<u>850,000</u>
	<u>(2,210,248)</u>	<u>(2,303,992)</u>
1,210,126	10,528,437	17,345,516
<u>\$ 1,210,126</u>	<u>\$ 8,318,189</u>	<u>\$ 15,041,524</u>

(This page intentionally left blank)

**CITY OF COTTONWOOD, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2014**

**Net changes in fund balances - total governmental funds** **\$ (2,303,992)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$ 4,526,065	
Less current year depreciation	<u>(2,513,307)</u>	2,012,758

Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Net Position.

Obligations under capital leases		(850,000)
----------------------------------	--	-----------

Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Loan principal retirement	840,000	
Capital lease principal retirement	401,480	
Amortization of premium	<u>17,407</u>	1,258,887

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Loss on disposal of capital assets	(109,920)	
Compensated absences	<u>(389,635)</u>	(499,555)

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.

		<u>1,152</u>
--	--	--------------

**Change in net position in governmental activities** **\$ (380,750)**

**The notes to the basic financial statements are an integral part of this statement.**

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2014**

	Enterprise Funds		
	Sewer	Water	Totals
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 1,643,002	\$ 7,265,454	\$ 8,908,456
Accounts receivable	362,409	467,919	830,328
Total current assets	<u>2,005,411</u>	<u>7,733,373</u>	<u>9,738,784</u>
Noncurrent assets:			
Restricted cash and investments		2,819,176	2,819,176
Notes receivable		6,270,000	6,270,000
Land	2,814,205	425,440	3,239,645
Infrastructure	19,503,099	22,547,710	42,050,809
Buildings and improvements	4,085,416	1,626,030	5,711,446
Vehicles, machinery, and equipment	1,193,222	3,767,584	4,960,806
Construction in progress	1,928,290	518,048	2,446,338
Accumulated depreciation	(10,697,018)	(8,692,221)	(19,389,239)
Total noncurrent assets	<u>18,827,214</u>	<u>29,281,767</u>	<u>48,108,981</u>
<b>Total assets</b>	<u>20,832,625</u>	<u>37,015,140</u>	<u>57,847,765</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Goodwill - net of amortization		1,114,680	1,114,680
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	52,741	221,813	274,554
Deposits held for others		261,441	261,441
Unearned revenue		40,282	40,282
Compensated absences payable	29,179	66,655	95,834
Bonds payable		1,000,000	1,000,000
Obligations under capital leases		385,350	385,350
Accrued interest payable		741,298	741,298
Total current liabilities	<u>81,920</u>	<u>2,716,839</u>	<u>2,798,759</u>
Noncurrent liabilities:			
Non-current portion of long-term obligations	11,099	32,802,234	32,813,333
Total noncurrent liabilities	<u>11,099</u>	<u>32,802,234</u>	<u>32,813,333</u>
<b>Total liabilities</b>	<u>93,019</u>	<u>35,519,073</u>	<u>35,612,092</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	18,827,214	(13,975,829)	4,851,385
Restricted for:			
Debt service		2,557,755	2,557,755
Unrestricted	1,912,392	14,028,821	15,941,213
<b>Total net position</b>	<u>\$ 20,739,606</u>	<u>\$ 2,610,747</u>	<u>\$ 23,350,353</u>

The notes to the basic financial statements are an integral part of this statement.

Governmental  
Activities:  
Internal Service  
Funds

---

\$ 94,588

---

94,588

---

---

---

94,588

---

---

---

94,588

\$ 94,588

---

---

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Enterprise Funds		
	Sewer	Water	Totals
<b>Operating revenues:</b>			
Charges for services	\$ 2,266,569	\$ 6,665,208	\$ 8,931,777
<b>Total operating revenues</b>	<u>2,266,569</u>	<u>6,665,208</u>	<u>8,931,777</u>
<b>Operating expenses:</b>			
Costs of sales and services	1,854,917	3,754,463	5,609,380
Depreciation	522,194	990,063	1,512,257
<b>Total operating expenses</b>	<u>2,377,111</u>	<u>4,744,526</u>	<u>7,121,637</u>
<b>Operating income (loss)</b>	<u>(110,542)</u>	<u>1,920,682</u>	<u>1,810,140</u>
<b>Nonoperating revenues (expenses):</b>			
Investment income	2,702	366,993	369,695
Impact fees	139,973	120,982	260,955
Miscellaneous		32,697	32,697
Interest expense		(1,462,414)	(1,462,414)
<b>Total nonoperating revenues (expenses)</b>	<u>142,675</u>	<u>(941,742)</u>	<u>(799,067)</u>
<b>Changes in net position</b>	<u>32,133</u>	<u>978,940</u>	<u>1,011,073</u>
<b>Total net position, beginning of year, as restated</b>	20,707,473	1,631,807	22,339,280
<b>Total net position, end of year</b>	<u>\$ 20,739,606</u>	<u>\$ 2,610,747</u>	<u>\$ 23,350,353</u>

The notes to the basic financial statements are an integral part of this statement.

Governmental  
Activities:  
Internal Service  
Funds

\$

1,152

1,152

1,152

93,436

\$ 94,588

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Enterprise Funds</u>			<b>Governmental Activities: Internal Service Fund</b>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
<b><u>Increase in Cash and Cash Equivalents</u></b>				
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,270,123	\$ 6,853,783	\$ 9,123,906	\$
Cash payments to employees for services	(479,580)	(802,423)	(1,282,003)	
Cash payments to suppliers for goods/services	(1,312,343)	(2,777,397)	(4,089,740)	
Other nonoperating receipts		32,697	32,697	
<b>Net cash provided by operating activities</b>	<u>478,200</u>	<u>3,306,660</u>	<u>3,784,860</u>	
<b>Cash flows from non-capital financing activities:</b>				
Impact fees	139,973	120,982	260,955	
<b>Net cash provided by non-capital financing activities</b>	<u>139,973</u>	<u>120,982</u>	<u>260,955</u>	
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(556,890)	(2,504,826)	(3,061,716)	
Lease proceeds		2,000,000	2,000,000	
Principal paid on debt		(975,000)	(975,000)	
Interest paid on debt		(1,466,556)	(1,466,556)	
Collections on notes receivable		160,000	160,000	
Interest earned on notes receivable		304,383	304,383	
<b>Net cash used by capital financing activities</b>	<u>(556,890)</u>	<u>(2,481,999)</u>	<u>(3,038,889)</u>	
<b>Cash flows provided by investing activities:</b>				
Investment income	2,702	62,610	65,312	1,152
<b>Net cash provided by investing activities</b>	<u>2,702</u>	<u>62,610</u>	<u>65,312</u>	<u>1,152</u>
<b>Net increase in cash and cash equivalents</b>	<u>63,985</u>	<u>1,008,253</u>	<u>1,072,238</u>	<u>1,152</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>1,579,017</u>	<u>9,076,377</u>	<u>10,655,394</u>	<u>93,436</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,643,002</u>	<u>\$ 10,084,630</u>	<u>\$ 11,727,632</u>	<u>\$ 94,588</u>
<b><u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u></b>				
Cash and investments	\$ 1,643,002	\$ 7,265,454	\$ 8,908,456	\$ 94,588
Restricted cash and investments		2,819,176	2,819,176	
<b>Total cash and cash equivalents</b>	<u>\$ 1,643,002</u>	<u>\$ 10,084,630</u>	<u>\$ 11,727,632</u>	<u>\$ 94,588</u>
<b><u>Reconciliation of Operating (Loss) / Income to Net Cash Provided by Operating Activities</u></b>				
Operating (loss) / income	\$ (110,542)	\$ 1,920,683	\$ 1,810,141	\$
Adjustments to reconcile operating (loss) / income to net cash provided by operating activities:				
Depreciation	522,194	990,063	1,512,257	
Other nonoperating revenues		32,697	32,697	
Changes in assets and liabilities:				
Decrease in accounts receivable	3,554	175,093	178,647	
Increase in accounts payable	50,857	151,170	202,027	
Decrease in accrued payroll and employee benefits	(3,591)	(6,186)	(9,777)	
Increase in compensated absences payable	15,728	29,658	45,386	
Increase in deposits held for others		11,898	11,898	
Increase in unearned revenue		1,584	1,584	
<b>Total adjustments</b>	<u>588,742</u>	<u>1,385,977</u>	<u>1,974,719</u>	
<b>Net cash provided by operating activities</b>	<u>\$ 478,200</u>	<u>\$ 3,306,660</u>	<u>\$ 3,784,860</u>	<u>\$</u>

**CITY OF COTTONWOOD, ARIZONA**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2014**

	<u>Pension Trust</u>
<b><u>ASSETS</u></b>	
Cash and investments	<u>\$ 169,419</u>
<b>Total assets</b>	<u>169,419</u>
<b><u>NET POSITION</u></b>	
Held in trust	<u>\$ 169,419</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF COTTONWOOD, ARIZONA  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2014**

	Pension Trust
<b>Additions:</b>	
Miscellaneous	\$ 975
Contributions	23,856
Investment income	15,274
<b>Total additions</b>	40,105
<b>Deductions:</b>	
Benefits	7,656
<b>Total deductions</b>	7,656
<b>Changes in net position</b>	32,449
<b>Net position, beginning of year</b>	136,970
<b>Net position, end of year</b>	\$ 169,419

The notes to the basic financial statements are an integral part of this statement.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Cottonwood, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2014, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The more significant of the City's accounting policies are described below.

**A. Reporting Entity**

The City's major operations include police and fire protection, parks and recreation, transit services, certain social services and general administrative services. In addition, the City owns and operates enterprise funds which include sewer and water services.

The City is a municipal entity governed by a separately elected governing body. The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, the component unit combined with the City for financial statement presentation purposes and the City are not included in any other governmental reporting entity. Consequently, the City's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Unit – The Cottonwood Municipal Property Corporation (CMPC) board of directors consists of three members, which are appointed by the Cottonwood City Council. The CMPC 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 CMPC.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of internal activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Fund Financial Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the City applies the “early recognition” option for debt service payments. Sales tax resources are provided in the Debt Service Fund 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 liabilities have been recognized in the current period.

Sales taxes, franchise taxes, state shared revenues, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Unearned revenues arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The City reports the following major governmental funds.

**General Fund** – The General Fund is the City’s primary operating fund. This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

**Transit 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. Additionally, this fund accounts for activity related to the operation of the City’s public transportation system.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Grant Fund – This fund accounts for Federal and State grants received by the City not required to be accounted for in a separate fund. Each grant has a specific project objective and the grant funds must be used for the stated purpose.

Debt Service Fund – This fund accounts for the accumulation of resources for the payment of long-term debt principal, interest and related costs.

Capital Projects Fund – This fund accounts for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The City reports the following major proprietary funds.

Sewer Fund – This fund accounts for the City's sewer utility operations.

Water Fund – This fund accounts for the City's water utility operations.

Additionally, the City reports the following fund types:

Internal Service Fund – 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 its required health insurance pool. All remaining funds will be used to supplement employee benefits. Accordingly, there are no actual claims or estimated claims payable at June 30, 2014.

Firemen Pension Trust Fund – This fund accounts for the activities of the Firefighters' Relief and Pension Trust Fund, which accumulates funds for the defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sewer and water services. The principal operating revenues of the City's internal service fund are charges for health and welfare benefits. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**D. Cash and Investments**

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, cash in bank, cash held by fiscal agent and cash and investments held by the State Treasurer.

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's operations account (except for Employee Benefit Internal Service Fund). An interfund receivable is recorded in the General Fund and an interfund payable is recorded in the applicable fund. At the end of the month, the interfund receivables and payables are liquidated.

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 Local Government Investment Pool. Investments are stated at fair value.

**E. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is a component of revenue in the governmental fund financial statements and of nonoperating revenues in the proprietary fund financial statements.

**F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables are shown net of an allowance for uncollectibles.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**G. Inventory**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide and proprietary fund financial statements, and as expenditures when consumed in the governmental funds.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide and proprietary fund financial statements and as expenditures when purchased in the fund financial statements.

**I. Restricted Assets**

Certain proceeds of the City's bonds 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 loan covenants. In addition, customer deposits for utility services are classified as restricted assets because their use is limited to the repayment to those customers.

**J. Goodwill**

Goodwill is any excess of the cost of an acquired entity over the amounts assigned to assets acquired. Goodwill is presented as a deferred outflow of resources in the financial statements. Amortization is provided on a straight-line basis over the estimated useful life of 40 years.

**K. Capital Assets**

Capital assets, which include land and improvements, buildings and improvements, vehicles, machinery, and equipment, construction in progress, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Infrastructure assets acquired prior to 1980 are not included in the government-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

The costs 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.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15 - 40 years
Improvements other than buildings	8 - 40 years
Infrastructure	20 years
Machinery and equipment	5 - 25 years
Vehicles	5 - 8 years

**L. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City did not have any items that qualified for reporting in this category.

**M. Compensated Absences**

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to liquidate the governmental funds liabilities for compensated absences.

**N. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**O. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

**P. Net Position Flow Assumption**

In the government-wide and proprietary fund financial statements the City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**Q. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

***Nonspendable.*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS (Cont'd)**

***Restricted.*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City Council, the City's highest level of decision making authority, by resolution or ordinance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

***Assigned.*** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a management official delegated that authority by formal City Council action. The authority to make assignments has been delegated by the City Council to the Administrative Services General Manager pursuant to the City's Financial Operations Guide, Fund Balance Policy XVII.

***Unassigned.*** Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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% and not more than 25% of the total revised budgeted operating expenditures. The minimum assigned fund balance for general capital purposes in the General Fund is not less than 2.67% 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. The minimum restricted fund balance in the Transit Fund is not less than 5% and not more than 16.66% (60 days) of the total budgeted revenues. The minimum assigned and unassigned fund balance in the Capital Projects Fund must be sufficient to fund all outstanding obligations.

**CITY OF COTTONWOOD, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)**

Additionally, the City has established a minimum unrestricted net position policy for the proprietary funds. The minimum unrestricted net position balance for the Water and Sewer Funds is not less than 25% (90 days) and not more than 33.3% (120 days) of the total budgeted operating expenses.

The table below provides detail of the major components of the City's fund balance classifications at year end.

	<u>General</u>	<u>Transit</u>	<u>Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Fund Balances:					
Nonspendable:					
Inventory	\$ 20,608	\$ 18,988	\$	\$	\$
Restricted:					
Debt Service				1,210,126	
Capital Outlay	1,287,757				
Assigned:					
Capital Outlay	1,000,000				8,318,189
Unassigned	<u>3,674,772</u>	<u>(463,688)</u>	<u>(25,228)</u>		
Total fund balances	<u>\$5,983,137</u>	<u>\$ (444,700)</u>	<u>\$ (25,228)</u>	<u>\$ 1,210,126</u>	<u>\$ 8,318,189</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Individual Deficit Fund Balance** – At year end, the following major governmental fund reported a deficit in fund balance.

	<u>Deficit</u>
Major Governmental Fund:	
Transit Fund	\$ 444,700
Grant Fund	25,228

The deficit arose because of operations during previous years. Transfers in fiscal year 2014-15 are expected to eliminate the deficit.

**Excess Expenditures Over Budget** – At year end, the City had expenditures in funds that exceeded the budget; however, this does not constitute a violation of any legal provisions.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – CASH AND INVESTMENTS**

A.R.S. authorize the City to invest public monies in the State Treasurer’s local government investment pools, the County Treasurer’s investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City’s investments.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City’s deposits was \$3,183,423 and the bank balance was \$3,340,443. At year end, \$3,046,070 of the City’s deposits were covered by collateral held by the pledging financial institution in the City’s name and \$44,373 was uninsured and uncollateralized.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. The cash with trustee is on deposit and invested in U.S. government securities and bonds.

At year end, cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows.

Carrying amount of investments	\$	24,462,544
Carrying amount of cash deposits		3,183,423
Total pooled cash and investments		27,645,967
Pooled cash and investments - unrestricted		23,539,034
Restricted cash and investments		4,106,933
Total pooled cash and investments	\$	27,645,967

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 4 – CASH AND INVESTMENTS (Concl'd)**

At year end, the City's investments consisted of the following.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Government Agencies	\$ 9,921,522	\$	\$ 9,921,522
Cash with trustee	7,645,118	7,645,118	
		<u>\$ 7,645,118</u>	<u>\$ 9,921,522</u>
State Treasurer's investment pool 7	<u>6,895,904</u>	19 days average maturities	
Total	<u>\$ 24,462,544</u>		

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to five years or less. Total investments greater than three years may not exceed 25% of the City's investment portfolio.

*Credit Risk.* The City has no investment policy that would further limit its investment choices. The State Treasurer's investment pool 7 had a weighted average of AAA at year end as it was invested in obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

*Custodial Credit Risk – Investments.* The City's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however the City's portion is not identified with specific investments and is not 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% of the investment portfolio: (1) fully insured or collateralized certificates of deposit (2) State, county, school district, and other district municipal bonds with an A rating or better. More than 5 percent of the City's investments are in U.S. Treasuries and Agencies. These investments are 41% of the City's total investments.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 5 – RECEIVABLES**

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year end for the City’s individual major funds were as follows.

	General Fund	Transit Fund
Due from other governmental entities:		
Due from Federal government	\$ 9,328	\$ 556,368
Due from State government	153,861	45,540
Net due from governmental entities	\$ 163,189	\$ 601,908

**NOTE 6 – NOTES RECEIVABLE**

The City’s Water Fund has an intergovernmental utilities purchase agreement with the Town of Clarkdale dated January 1, 2006 to receive principal and interest payments from the Town of Clarkdale for the Town of Clarkdale’s portion of Water Revenue Bonds, MPC Series 2006. Assets comprising the Town of Clarkdale’s water system were simultaneously sold to the Town of Clarkdale upon issuance of the revenue bonds. Future year receivables to be received by the City under this agreement are as follows:

		Business-type Activities
Year Ending June 30:		
2015	\$	185,000
2016		190,000
2017		200,000
2018		210,000
2019		220,000
2020-24		1,250,000
2025-29		1,560,000
2030-34		1,995,000
2035		460,000
Total	\$	6,270,000

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 7 – GOODWILL**

In the fiscal year ended June 30, 2005, the City acquired three water companies. The net excess of the cost of the acquired water companies over the amounts assigned to assets acquired is reported as goodwill. Amortization expense for the fiscal year was \$36,855.

	Business-type Activities
Goodwill	\$ 1,474,221
Less: Accumulated amortization	(359,541)
Total	\$ 1,114,680

The future estimated aggregate amortization expense as of June 30, 2014, was as follows:

		Business-type Activities
Year Ending June 30:		
2015		\$ 36,856
2016		36,856
2017		36,856
2018		36,856
2019		36,856
2020-24		184,278
2025-29		184,278
2030-34		184,278
2035-39		184,278
2040-44		184,278
2045		9,010
Total		\$ 1,114,680

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 8 – CAPITAL ASSETS**

A summary of capital asset activity at year end is as follows.

<b>Governmental Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,497,195	\$ 77,815	\$	\$ 2,575,010
Construction in progress	2,480,623	2,942,680	2,276,525	3,146,778
Total capital assets, not being depreciated	<u>4,977,818</u>	<u>3,020,495</u>	<u>2,276,525</u>	<u>5,721,788</u>
Capital assets, being depreciated:				
Infrastructure	18,117,281	2,282,293		20,399,574
Buildings and improvements	35,829,878	366,463		36,196,341
Vehicles, machinery and equipment	9,910,761	1,133,339	156,517	10,887,583
Total capital assets being depreciated	<u>63,857,920</u>	<u>3,782,095</u>	<u>156,517</u>	<u>67,483,498</u>
Less accumulated depreciation for:				
Infrastructure	(9,888,683)	(619,770)		(10,508,453)
Buildings and improvements	(7,991,441)	(975,347)		(8,966,788)
Vehicles, machinery and equipment	(6,642,509)	(918,190)	(46,597)	(7,514,102)
Total accumulated depreciation	<u>(24,522,633)</u>	<u>(2,513,307)</u>	<u>(46,597)</u>	<u>(26,989,343)</u>
Total capital assets, being depreciated, net	<u>39,335,287</u>	<u>1,268,788</u>	<u>109,920</u>	<u>40,494,155</u>
Governmental activities capital assets, net	<u>\$ 44,313,105</u>	<u>\$ 4,289,283</u>	<u>\$ 2,386,445</u>	<u>\$ 46,215,943</u>
<b>Business-type Activities</b>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,239,645	\$	\$	\$ 3,239,645
Construction in progress	2,237,964	208,374		2,446,338
Total capital assets, not being depreciated	<u>5,477,609</u>	<u>208,374</u>		<u>5,685,983</u>
Capital assets, being depreciated:				
Water Distribution System	22,310,451	237,259		22,547,710
Wastewater System	19,157,212	345,887		19,503,099
Buildings and improvements	5,711,446			5,711,446
Vehicles, machinery and equipment	2,699,144	2,270,196	8,534	4,960,806
Total capital assets being depreciated	<u>49,878,253</u>	<u>2,853,342</u>	<u>8,534</u>	<u>52,723,061</u>
Less accumulated depreciation for:				
Water Distribution System	(6,645,259)	(746,266)		(7,391,525)
Wastewater System	(7,554,798)	(313,038)		(7,867,836)
Buildings and improvements	(2,134,936)	(132,228)		(2,267,164)
Vehicles, machinery and equipment	(1,550,523)	(320,725)	(8,534)	(1,862,714)
Total accumulated depreciation	<u>(17,885,516)</u>	<u>(1,512,257)</u>	<u>(8,534)</u>	<u>(19,389,239)</u>
Total capital assets, being depreciated, net	<u>31,992,737</u>	<u>1,341,085</u>		<u>33,333,822</u>
Governmental activities capital assets, net	<u>\$ 37,470,346</u>	<u>\$ 1,549,459</u>	<u>\$</u>	<u>\$ 39,019,805</u>

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 8 – CAPITAL ASSETS (Concl'd)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 495,017
Public safety	350,056
Highways and streets	895,117
Culture and recreation	<u>773,117</u>
Total depreciation expense	<u>2,513,307</u>
Business-type activities:	
Water	990,063
Sewer	<u>522,194</u>
Total depreciation expense	<u>\$ 1,512,257</u>

**Construction Commitments** – At year end, the City had contractual commitments related to various capital projects. At year end the City had spent \$5.6 million on the projects and had estimated remaining contractual commitments of \$6.3 million.

**NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES**

The City has acquired vehicles and equipment under the provisions of long-term lease agreements classified as capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. Revenues from the General Fund and Water Fund are used to pay for the governmental and business-type activities lease obligations, respectively.

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

	Governmental Activities	Business-type Activities
Asset:		
Vehicles and equipment	\$ 1,838,191	\$ 2,000,000
Less: Accumulated depreciation	<u>(1,225,160)</u>	<u>                    </u>
Total	<u>\$ 613,031</u>	<u>\$ 2,000,000</u>

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 9 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)**

The future minimum lease obligations and the net present value of these minimum lease payments as of year end were as follows.

Year Ending June 30:	Governmental Activities	Business-type Activities
2015	\$ 486,252	\$ 418,188
2016	433,437	418,188
2017	433,434	418,188
2018	306,910	418,188
2019	178,085	418,188
Total minimum lease payments	<u>1,838,118</u>	<u>2,090,940</u>
Less: amount representing interest	<u>73,181</u>	<u>90,940</u>
Present value of minimum lease payments	<u>1,764,937</u>	<u>2,000,000</u>
Due within one year	<u>\$ 457,649</u>	<u>\$ 385,350</u>

**NOTE 10 – LOANS PAYABLE**

Governmental activities loans payable at year end consisted of the following outstanding loans from the Greater Arizona Development Authority (GADA). The proceeds of the loan were used to finance the construction of the recreation center, expansion of the library, acquisition of land for public safety facilities and completion of improvements for the park. The loan is to be repaid in annual principal payments with interest payable semiannually. Sales taxes allocated to the Debt Service Fund are used to pay the debt.

	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2014	Due Within One Year
<b>Governmental activities:</b>					
The Greater Arizona Development Authority (GADA), Project of 2007	\$19,935,000	4.0-5.0%	7/1/14-27	\$ 15,700,000	\$ 840,000

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 10 – LOANS PAYABLE (Concl'd)**

Annual debt service requirements to maturity on the governmental activities loans payable at year end are summarized as follows.

Year ending June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 840,000	\$ 700,483
2016	875,000	666,183
2017	910,000	630,483
2018	945,000	593,383
2019	985,000	549,858
2020-24	5,650,000	2,026,123
2025-28	5,495,000	587,534
Total	<u>\$ 15,700,000</u>	<u>\$ 5,754,047</u>

**Pledged Revenues**

The City has pledged certain future revenues to repay the loans as follows.

The City has pledged state shared revenues and sales taxes to repay \$19.9 million in governmental GADA loans issued in 2007. Proceeds of the loans provided financing for construction of the recreation center, expansion of the library, acquisition of land for public safety facilities and completion of improvements for the park. The loans are payable solely from state shared revenues and sales taxes and are payable through 2027. The total principal and interest remaining to be paid on the loans is \$21.5 million. The debt principal and interest paid on this debt during fiscal year 2014 was \$1.5 million (11% of pledged revenues).

**NOTE 11 – BONDS PAYABLE**

Bonds payable at year end consisted of the following revenue bonds. The bonds are both callable and noncallable with interest payable semiannually. Charges for services from the Water Fund are used to pay the business-type activities bonded debt.

	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2014	Due Within One Year
<b>Business-type activities:</b>					
Revenue Bonds:					
MPC Series 2004	\$13,580,000	3.5-5.0%	7/1/14-29	\$ 10,515,000	\$ 475,000
MPC Series 2006	23,965,000	3.75-5.0%	7/1/14-35	21,235,000	525,000
Total				<u>\$ 31,750,000</u>	<u>\$ 1,000,000</u>

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 11 – BONDS PAYABLE (Cont'd)**

Annual debt service requirements to maturity on the bonds payable at year end are summarized as follows.

Year ending June 30,	Business-type Activities	
	Principal	Interest
2015	\$ 1,000,000	\$ 1,482,773
2016	1,105,000	1,446,461
2017	1,140,000	1,405,337
2018	1,195,000	1,354,712
2019	1,250,000	1,301,587
2020-24	7,060,000	5,702,968
2025-29	8,850,000	3,908,000
2030-34	7,180,000	1,758,750
2035-36	2,970,000	224,500
Total	<u>\$ 31,750,000</u>	<u>\$ 18,585,088</u>

**Pledged Revenues**

The City has pledged certain future revenues to repay the bonds as follows.

The City has pledged net revenues received from the City Water System to repay \$13.6 million in business-type senior lien water system revenue bonds issued in 2004. Proceeds of the bonds provided financing for the acquisition of three private water companies and initial improvements to the Water System. The bonds are payable solely from revenues received from the City Water System and are payable through 2029. The total principal and interest remaining to be paid on the bonds is \$15.3 million. The debt principal and interest paid on this debt during fiscal year 2014 was \$952,978 (14.3% of pledged revenues).

The City has pledged net revenues received from the City Water System to repay \$24.0 million in business-type senior lien water system revenue bonds issued in 2006. Proceeds of the bonds provided financing of the acquisition of a privately-owned water company, a portion of which became part of the water utility system of the City and a portion of which was simultaneously sold by the City to the Town of Clarkdale. The bonds are payable solely from revenues received from the City Water System, including purchase payments in limited amounts required to be paid by the Town of Clarkdale pursuant to an Intergovernmental Utilities Purchase Agreement between the City and Town of Clarkdale. The bonds are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$35,068,522. The debt principal and interest paid on this debt during fiscal year 2014 was \$1,546,070 (23.2%) of pledged revenues).

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 11 – BONDS PAYABLE (Concl'd)**

**Covenants**

The business-type senior lien water system revenue bonds issued in 2004 and 2006 have certain covenants. The covenants require the City to maintain 1.35 times coverage of net water system revenues to current year debt service payments. At year end, the City did satisfy the covenant, as the coverage ratio was 1.4 times the net water system revenues for the year.

**NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 150,000	\$	\$ 150,000	\$	\$
Loans payable	16,865,000		1,165,000	15,700,000	840,000
Premium on loans	245,150		17,407	227,743	
Obligations under capital leases	1,316,417	850,000	401,480	1,764,937	457,649
Compensated absences payable	932,681	813,312	423,677	1,322,316	961,798
Governmental activity long-term liabilities	<u>\$ 19,509,248</u>	<u>\$ 1,663,312</u>	<u>\$ 2,157,564</u>	<u>\$ 19,014,996</u>	<u>\$ 2,259,447</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 32,725,000	\$	\$ 975,000	\$ 31,750,000	\$ 1,000,000
Premium on bonds	438,779		20,359	418,420	
Obligations under capital leases		2,000,000		2,000,000	385,350
Compensated absences payable	80,711	95,955	50,569	126,097	95,834
Business-type activity long-term liabilities	<u>\$ 33,244,490</u>	<u>\$ 2,095,955</u>	<u>\$ 1,045,928</u>	<u>\$ 34,294,517</u>	<u>\$ 1,481,184</u>

**CITY OF COTTONWOOD, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 13 – INTERFUND RECEIVABLES AND PAYABLES**

At year end, interfund balances were as follows.

**Due to/from other funds:**

	General Fund
Transit Fund	\$ 1,000,248
Grant Fund	19,509
Total	\$ 1,019,757

At year end two funds had negative cash balances in the Treasurer’s pooled cash accounts. Negative cash was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**Interfund transfers:**

	Transfers in Transit Fund
Transfers out	\$ 305,268
General Fund	\$ 305,268
Total	\$ 305,268

The transfer between funds was used to ensure that sufficient resources were available to cover expenditures in the applicable fund.

**NOTE 14 – CONTINGENT LIABILITIES**

**Compliance** – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

**Lawsuits** – 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.

**CITY OF COTTONWOOD, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The July 1, 2013, government-wide net position and the fund balance of the Water Fund does not agree to the prior year financial statements due to the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*.

	Governmental Activities	Business-type Activities	
	Statement of Activities	Statement of Activities	Water Fund
Net position/fund balance, June 30, 2013, as previously reported	\$ 43,840,799	\$ 23,799,898	\$ 3,092,425
Change in accounting principles	(282,990)	(1,460,618)	(1,460,618)
Net position/fund balance, July 1, 2013, as restated	<u>\$ 43,557,809</u>	<u>\$ 22,339,280</u>	<u>\$ 1,631,807</u>

**NOTE 16 – 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 Arizona Public Employers Health Pool (APEHP) for risks of loss related to employee health and accident claims. APEHP is a public entity risk pool currently operating as a common risk management and insurance program for towns and cities in the State. The City pays monthly premiums to APEHP for its employee health and accident insurance coverage. The agreement provides that APEHP will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

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

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 16 – RISK MANAGEMENT (Concl'd)**

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

In prior years, the City of Cottonwood, Arizona established the City of Cottonwood Employee Benefit Trust (an internal service fund) to account for and finance its uninsured risks of loss for certain health and welfare benefits to eligible employees and their dependents. As of July 1, 2002, the City discontinued the City of Cottonwood Employee Benefit Trust and as of June 30, 2004 no liability was outstanding for unpaid claims. A balance of \$291,278 was carried forward from fiscal year 2001-02 and will be used by the City to supplement employee benefits.

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The City contributes to the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**Plan Descriptions** - The City contributes to the two plans as described below.

The *Arizona State Retirement System* (ASRS) benefits are established by state statute and the plan generally provides retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

**CITY OF COTTONWOOD, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont’d)**

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

**ASRS**

3300 North Central Avenue  
P.O. Box 33910  
Phoenix, Arizona 85067-3910  
(602) 240-2200 or (800) 621-3778

**PSPRS**

3010 East Camelback Road, Suite 200  
Phoenix, Arizona 85016  
(602) 255-5575

**Arizona State Retirement System**

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates for the plans of the ASRS and PSPRS. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Years ended June 30,			
2014	\$ 642,634	\$ 39,222	\$ 14,482
2013	544,567	34,533	12,751
2012	481,799	30,753	11,715

**Public Safety Personnel Retirement System**

**Funding Policy** – For the current fiscal year, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll and the City was required to contribute 29.88 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.08 percent of covered payroll. Active PSPRS fire members were required by statute to contribute 7.65 percent of the members’ annual covered payroll and the City was required to contribute 16.81 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .91 percent of covered payroll.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)**

**Actuarial methods and assumptions** – The contribution requirements for the current year end were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projects of benefits are based on 1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial assumptions used to establish the fiscal year 2013-14 contribution requirements are as follows.

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay closed
Remaining amortization period	24 years for underfunded, 20 years for overfunded
Asset valuation method	7 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.0% - 9.0% for PSPRS
Payroll growth	5.0%
Cost-of-living adjustments	None

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 17 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)**

**Trend Information** – Annual pension cost information for the current and two preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) and prior two years is as follows.

Plan	Year Ended June 30	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
<b>PSPRS – Police</b>				
Pension	2014	\$ 544,063	100%	-
	2013	465,094	100%	-
	2012	411,612	100%	-
Health Insurance	2014	20,402	100%	-
	2013	23,452	100%	-
	2012	23,242	100%	-
<b>PSPRS – Fire</b>				
Pension	2014	268,585	100%	-
	2013	224,047	100%	-
	2012	188,466	100%	-
Health Insurance	2014	15,372	100%	-
	2013	14,860	100%	-
	2012	13,930	100%	-

**Funding Progress** – As of June 30, 2014, the most recent actuarial calculation date, the police plan was 37.3 percent funded, and the firefighters’ plan was 75.0 percent funded. The actuarial accrued liability for benefits was \$12,119,186 for police and \$5,992,828 for firefighters, and the actual value of assets was \$4,523,055 for police and \$4,496,133 for firefighters, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,596,131 for police and \$1,496,695 for firefighters. The covered payrolls (annual payrolls of active employees covered by the plans) were \$1.9 million and \$1.7 million, and the ratio of the UAAL to the covered payroll was 397.0 and 90.3 percent for police and firefighters, respectively. The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 17 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)**

As of June 30, 2014, the other postemployment benefit plan was 108.6 percent funded for police and 61.9 percent funded for fire. The actuarial accrued liability for benefits was \$239,124 for police and \$195,423 for fire, and the actuarial value of assets was \$259,736 for police and \$120,875 for fire, resulting in an overfunded actuarial accrued liability (AAL) of \$20,612 for police and an unfunded AAL of \$74,548 for fire. The covered payroll (annual payroll of active employees covered by the plan) was \$1.9 million for police and \$1.7 million for fire, and the ratio of the UAAL to the covered payroll was 0.0 percent for police and 4.5 percent for fire.

**NOTE 18 – FIREFIGHTERS’ RELIEF AND PENSION FUND**

The Firefighters’ Relief and Pension Fund, known as the Cottonwood Fire Department Alternate Pension/Benefit Plan, is a defined contribution pension plan administered by the City and a board of trustees for the City’s volunteer firefighters.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual’s account are to be determined instead of specifying the amount of benefits the individual is to receive. According to the plan, a volunteer firefighter who has served twelve (12) months is eligible to participate. Normal retirement is the earlier of age 55 or 20 years of service. The employer contributions vest at twenty-five percent (25%) after three (3) years, six percent (6%) per year thereafter until the volunteer is 100% vested after fifteen (15) years. The monthly retirement benefit cannot exceed \$150, as determined by the Board of Trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Each volunteer must contribute at least 5.0% of covered compensation which is matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2014, the City’s required contributions amounted to \$160 while the firefighters’ contributions amounted to \$457. The City received a state contribution of \$23,239 during the fiscal year. On behalf payments of fringe benefits and salaries for the government’s employees from the state were recognized as revenues and expenditures in the General Fund during the fiscal year.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 18 – FIREFIGHTERS’ RELIEF AND PENSION FUND (Concl’d)**

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its volunteer firefighters.

The Firefighters’ Relief and Pension Fund held no securities of the City or other related parties during the fiscal year or as of the close of the fiscal year. A separate, audited GAAP-basis postemployment benefit plan was not available.

**NOTE 19 – NEW ACCOUNTING PRONOUNCEMENT**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be effective for the District’s June 30, 2015 fiscal year end. This Statement replaces the requirements of prior GASB standards for pensions accounting and reporting. This Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. Each employer participating in a multiple-employer defined benefit pension plan will be required to record a liability representing their “proportionate share” of the plan’s total net pension liability. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF COTTONWOOD, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL**  
**YEAR ENDED JUNE 30, 2014**

	Original	Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>			
<b>Revenues:</b>				
Taxes	\$ 9,502,940	\$ 10,141,070	\$ 10,853,915	\$ 712,845
Licenses and permits	238,740	321,400	292,341	(29,059)
Intergovernmental	3,435,920	3,482,410	3,533,588	51,178
Charges for services	2,816,600	2,842,125	2,483,370	(358,755)
Fines and forfeits	190,895	200,950	176,208	(24,742)
Rents and royalties	103,805	110,500	162,606	52,106
Miscellaneous	33,940	37,820	129,307	91,487
Contributions	3,000	4,050	9,292	5,242
Investment income	43,340	32,185	29,640	(2,545)
<b>Total revenues</b>	<u>16,369,180</u>	<u>17,172,510</u>	<u>17,670,267</u>	<u>497,757</u>
<b>Expenditures:</b>				
Current -				
General government				
Administration	854,045	828,780	849,937	(21,157)
Personnel	228,640	194,830	179,328	15,502
City council	4,010,430	568,840	213,927	354,913
City clerk	225,240	207,045	206,862	183
Natural resource project	160,485	159,280	160,462	(1,182)
Finance department	388,160	346,420	351,114	(4,694)
IT services	206,065	270,230	225,634	44,596
Planning and zoning	535,735	479,015	496,279	(17,264)
Municipal court	481,175	481,050	468,249	12,801
Legal	330,245	308,650	322,768	(14,118)
Maintenance	546,260	478,825	459,133	19,692
Custodial service	144,870	129,000	133,617	(4,617)
Non-departmental	791,625	860,000	458,336	401,664
Engineering	416,030	330,465	347,155	(16,690)
Purchasing	79,540	55,505	57,740	(2,235)
Cemetery	24,225	20,125	21,459	(1,334)
Economic development	229,820	229,820	208,577	21,243
Airport	260,130	266,330	292,846	(26,516)
Total general government	<u>9,912,720</u>	<u>6,214,210</u>	<u>5,453,423</u>	<u>760,787</u>
Public safety				
Police department	4,391,720	4,436,480	4,226,722	209,758
Fire department	3,276,035	2,964,120	2,722,737	241,383
Code enforcement	196,100	189,895	194,911	(5,016)
Communications	820,025	762,160	743,796	18,364
Total public safety	<u>8,683,880</u>	<u>8,352,655</u>	<u>7,888,166</u>	<u>464,489</u>
Highways and streets				
Public works	443,420	480,140	470,731	9,409
Culture and recreation				
Library	878,125	882,245	849,271	32,974
Parks and recreation	572,730	656,585	535,799	120,786
City pool			135,860	(135,860)
Recreation center operations	1,353,610	1,358,720	1,348,680	10,040
Total culture and recreation	<u>2,804,465</u>	<u>2,897,550</u>	<u>2,869,610</u>	<u>27,940</u>
Capital outlay	776,745	663,700	1,010,038	(346,338)
Debt service -				
Principal retirement	376,935	365,090	401,480	(36,390)
Interest and fiscal charges	26,275	24,975	27,927	(2,952)
Total debt service	<u>403,210</u>	<u>390,065</u>	<u>429,407</u>	<u>(39,342)</u>
<b>Total expenditures</b>	<u>23,024,440</u>	<u>18,998,320</u>	<u>18,121,375</u>	<u>876,945</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,655,260)</u>	<u>(1,825,810)</u>	<u>(451,108)</u>	<u>1,374,702</u>
<b>Other financing sources (uses):</b>				
Capital lease agreements			850,000	850,000
Transfers in	764,590	785,325	749,818	(35,507)
Transfers out	(1,250,935)	(1,265,395)	(1,055,086)	210,309
<b>Total other financing sources (uses):</b>	<u>(486,345)</u>	<u>(480,070)</u>	<u>544,732</u>	<u>1,024,802</u>
<b>Changes in fund balances</b>	<u>(7,141,605)</u>	<u>(2,305,880)</u>	<u>93,624</u>	<u>2,399,504</u>
<b>Fund balances, beginning of year</b>	6,080,785	5,889,515	5,889,513	(2)
<b>Fund balances, end of year</b>	<u>\$ (1,060,820)</u>	<u>\$ 3,583,635</u>	<u>\$ 5,983,137</u>	<u>\$ 2,399,502</u>

**CITY OF COTTONWOOD, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**TRANSIT**  
**YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 125,000	\$ 215,440	\$ 258,217	\$ 42,777
Intergovernmental	2,077,740	2,040,050	1,670,940	(369,110)
Charges for services	179,500	194,590	362,365	167,775
Miscellaneous	1,150	1,000	661	(339)
Investment income			2,137	2,137
<b>Total revenues</b>	<u>2,383,390</u>	<u>2,451,080</u>	<u>2,294,320</u>	<u>(156,760)</u>
<b>Expenditures:</b>				
Current -				
Highways and streets	2,146,335	2,061,610	2,094,533	(32,923)
Capital outlay	4,953,950	910,390	505,555	404,835
<b>Total expenditures</b>	<u>7,100,285</u>	<u>2,972,000</u>	<u>2,600,088</u>	<u>371,912</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,716,895)</u>	<u>(520,920)</u>	<u>(305,768)</u>	<u>215,152</u>
<b>Other financing sources (uses):</b>				
Transfers in	438,935	591,490	305,268	(286,222)
Transfers out	2,522,040	70,570		(70,570)
Issuance of bonds	6,800,000			
<b>Total other financing sources (uses):</b>	<u>9,760,975</u>	<u>662,060</u>	<u>305,268</u>	<u>(356,792)</u>
<b>Changes in fund balances</b>	<u>5,044,080</u>	<u>141,140</u>	<u>(500)</u>	<u>(141,640)</u>
<b>Fund balances (deficits), beginning of year</b>			(444,200)	(444,200)
<b>Fund balances (deficits), end of year</b>	<u>\$ 5,044,080</u>	<u>\$ 141,140</u>	<u>\$ (444,700)</u>	<u>\$ (585,840)</u>

See accompanying notes to this schedule.

**CITY OF COTTONWOOD, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GRANT**  
**YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 830,000	\$ 282,130	\$ 301,816	\$ 19,686
Investment income			160	160
<b>Total revenues</b>	<u>830,000</u>	<u>282,130</u>	<u>301,976</u>	<u>19,846</u>
<b>Expenditures:</b>				
Capital outlay	910,000	352,700	488,844	(136,144)
<b>Total expenditures</b>	<u>910,000</u>	<u>352,700</u>	<u>488,844</u>	<u>(136,144)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(80,000)</u>	<u>(70,570)</u>	<u>(186,868)</u>	<u>(116,298)</u>
<b>Other financing sources (uses):</b>				
Transfers in	80,000	70,570		(70,570)
<b>Total other financing sources (uses):</b>	<u>80,000</u>	<u>70,570</u>		<u>(70,570)</u>
<b>Changes in fund balances</b>			<u>(186,868)</u>	<u>(186,868)</u>
<b>Fund balances, beginning of year</b>			161,640	161,640
<b>Fund balances (deficits), end of year</b>	<u>\$</u>	<u>\$</u>	<u>\$ (25,228)</u>	<u>\$ (25,228)</u>

See accompanying notes to this schedule.

**CITY OF COTTONWOOD, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2014**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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. Consequently, the following adjustments were necessary to present actual revenues, actual expenditures, transfers in, and transfers out on a budgetary basis in order to provide a meaningful comparison.

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Transfers in</u>	<u>Transfers Out</u>
Statement of Revenues, Expenditures and Changes in Fund Balances –				
Governmental Funds	\$ 16,564,376	\$ 17,015,484	\$	\$ 305,268
Indirect costs	1,105,891	1,105,891		
Intrafund transfers			749,818	749,818
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 17,670,267</u>	<u>\$ 18,121,375</u>	<u>\$ 749,818</u>	<u>\$ 1,055,086</u>

**CITY OF COTTONWOOD, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**Schedules of Funding Progress  
Cottonwood Police Plan (Pension):**

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-1)/c)
2012	\$ 4,255,843	\$ 9,592,905	\$ 5,337,062	44.4%	\$ 1,713,476	311.5%
2013	4,500,945	10,003,621	5,502,676	45.0%	1,846,933	297.9%
2014	4,523,055	12,119,186	7,596,131	37.3%	1,913,358	397.0%

**Cottonwood Fire Plan (Pension):**

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-1)/c)
2012	\$ 3,691,051	\$ 4,658,825	\$ 967,774	79.2%	\$ 1,532,169	63.2%
2013	4,073,625	4,914,118	840,493	82.9%	1,546,339	54.4%
2014	4,496,133	5,992,828	1,496,695	75.0%	1,658,454	90.3%

**Cottonwood Police Plan (Post-Retirement Health Insurance):**

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-1)/c)
2012	\$	\$ 216,518	\$ 216,518	0.0%	\$ 1,713,476	12.64%
2013		219,061	219,061	0.0%	1,846,933	11.86%
2014	259,736	239,124	(20,612)	108.6%	1,913,358	0.00%

**Cottonwood Fire Plan (Post-Retirement Health Insurance):**

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL) - (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-1)/c)
2012	\$	\$ 162,976	\$ 162,976	0.0%	\$ 1,532,169	10.64%
2013		175,201	175,201	0.0%	1,546,338	11.33%
2014	120,875	195,423	74,548	61.9%	1,658,454	4.50%

**INDIVIDUAL FUND SCHEDULES**

**CITY OF COTTONWOOD, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE  
YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 2,070,575	\$ 2,070,575	\$ 1,536,370	\$ (534,205)
Investment income			3,865	3,865
<b>Total revenues</b>	<u>2,070,575</u>	<u>2,070,575</u>	<u>1,540,235</u>	<u>(530,340)</u>
<b>Expenditures:</b>				
Debt service -				
Principal retirement	840,000	840,000	840,000	
Interest and fiscal charges	699,875	699,875	700,235	(360)
<b>Total expenditures</b>	<u>1,539,875</u>	<u>1,539,875</u>	<u>1,540,235</u>	<u>(360)</u>
<b>Changes in fund balances</b>	<u>530,700</u>	<u>530,700</u>		<u>(530,700)</u>
<b>Fund balances, beginning of year</b>	1,237,020	1,210,130	1,210,126	(4)
<b>Fund balances, end of year</b>	<u>\$ 1,767,720</u>	<u>\$ 1,740,830</u>	<u>\$ 1,210,126</u>	<u>\$ (530,704)</u>

**CITY OF COTTONWOOD, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS**  
**YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$	\$ 168,200	\$ 208,101	\$ 39,901
Miscellaneous		180,010		(180,010)
Investment income			175,618	175,618
<b>Total revenues</b>		<u>348,210</u>	<u>383,719</u>	<u>35,509</u>
		<u>165,000</u>		
<b>Expenditures:</b>				
Capital outlay		2,920,875	2,593,967	326,908
<b>Total expenditures</b>		<u>2,920,875</u>	<u>2,593,967</u>	<u>326,908</u>
		<u>4,509,600</u>		
<b>Excess (deficiency) of revenues over expenditures</b>		<u>(4,344,600)</u>	<u>(2,210,248)</u>	<u>362,417</u>
<b>Other financing sources (uses):</b>				
Capital lease agreements		850,000		(850,000)
Transfers in	2,442,040			
Transfers out	(4,640,550)			
Issuance of bonds	3,700,000	2,760,000		(2,760,000)
<b>Total other financing sources (uses):</b>	<u>1,501,490</u>	<u>3,610,000</u>		<u>(3,610,000)</u>
<b>Changes in fund balances</b>		<u>1,037,335</u>	<u>(2,210,248)</u>	<u>(3,247,583)</u>
		<u>(2,843,110)</u>		
<b>Fund balances, beginning of year</b>		10,528,440	10,528,437	(3)
		9,652,040		
<b>Fund balances, end of year</b>	<u>\$ 6,808,930</u>	<u>\$ 11,565,775</u>	<u>\$ 8,318,189</u>	<u>\$ (3,247,586)</u>

(This page intentionally left blank)

## STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

### **Financial Trends**

These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.

### **Debt Capacity**

These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.

### **Demographic and Economic Information**

These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other cities.

### **Operating Information**

These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.

Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

**CITY OF COTTONWOOD, ARIZONA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 29,811,017	\$ 26,606,032	\$ 23,573,513	\$ 22,889,100	\$ 23,242,386
Restricted	1,210,126	1,371,766	2,034,245	15,552,386	15,770,678
Unrestricted	12,155,916	15,580,011	19,084,334	7,331,500	7,978,540
Total governmental activities net position	<u><u>\$ 43,177,059</u></u>	<u><u>\$ 43,557,809</u></u>	<u><u>\$ 44,692,092</u></u>	<u><u>\$ 45,772,986</u></u>	<u><u>\$ 46,991,604</u></u>
<b>Business-type activities:</b>					
Net investment in capital assets	\$ 4,851,385	\$ 4,306,570	\$ 3,354,977	\$ 7,739,853	\$ 9,625,579
Restricted	2,557,755	2,557,755	2,557,735		
Unrestricted	15,941,213	15,474,955	18,780,859	17,575,709	16,318,069
Total business-type activities net position	<u><u>\$ 23,350,353</u></u>	<u><u>\$ 22,339,280</u></u>	<u><u>\$ 24,693,571</u></u>	<u><u>\$ 25,315,562</u></u>	<u><u>\$ 25,943,648</u></u>
<b>Primary government</b>					
Net investment in capital assets	\$ 34,662,402	\$ 30,912,602	\$ 26,928,490	\$ 30,628,953	\$ 32,867,965
Restricted	3,767,881	3,929,521	4,591,980	15,552,386	15,770,678
Unrestricted	28,097,129	31,054,966	37,865,193	24,907,209	24,296,609
Total net position	<u><u>\$ 66,527,412</u></u>	<u><u>\$ 65,897,089</u></u>	<u><u>\$ 69,385,663</u></u>	<u><u>\$ 71,088,548</u></u>	<u><u>\$ 72,935,252</u></u>

(Continued)

**CITY OF COTTONWOOD, ARIZONA**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Governmental activities:</b>					
Net investment in capital assets	\$ 22,014,425	\$ 19,879,529	\$ 15,984,073	\$ 13,203,698	\$ 11,768,874
Restricted	16,794,972	15,803,361	17,373,701	15,078,283	12,240,292
Unrestricted	7,197,482	6,160,664	4,734,579	5,841,777	4,654,070
Total net position	<u><u>\$ 46,006,879</u></u>	<u><u>\$ 41,843,554</u></u>	<u><u>\$ 38,092,353</u></u>	<u><u>\$ 34,123,758</u></u>	<u><u>\$ 28,663,236</u></u>
<b>Business-type activities:</b>					
Net investment in capital assets	\$ 9,847,238	\$ 9,411,516	\$ 6,664,535	\$ 3,026,355	\$ 19,861,056
Unrestricted	16,983,936	17,757,892	19,720,865	21,354,969	2,308,144
Total net position	<u><u>\$ 26,831,174</u></u>	<u><u>\$ 27,169,408</u></u>	<u><u>\$ 26,385,400</u></u>	<u><u>\$ 24,381,324</u></u>	<u><u>\$ 22,169,200</u></u>
<b>Primary government</b>					
Net investment in capital assets	\$ 31,861,663	\$ 29,291,045	\$ 22,648,608	\$ 16,230,053	\$ 31,629,930
Restricted	16,794,972	15,803,361	17,373,701	15,078,283	12,349,487
Unrestricted	24,181,418	23,918,556	24,455,444	27,196,746	6,962,214
Total net position	<u><u>\$ 72,838,053</u></u>	<u><u>\$ 69,012,962</u></u>	<u><u>\$ 64,477,753</u></u>	<u><u>\$ 58,505,082</u></u>	<u><u>\$ 50,941,631</u></u>

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

**(Concluded)**

**CITY OF COTTONWOOD, ARIZONA**  
**EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 5,245,413	\$ 4,584,034	\$ 5,162,738	\$ 5,174,022	\$ 5,611,820
Public safety	8,354,188	8,035,427	7,364,363	7,319,363	6,632,795
Highways and streets	3,468,654	3,134,571	2,373,133	2,409,649	3,520,748
Culture and recreation	3,687,518	3,561,035	3,347,540	3,092,946	1,499,241
Redevelopment and Housing			120,858	96,330	86,325
Interest on long-term debt	710,755	790,903	822,514	910,875	972,889
Total governmental activities	<u>21,466,528</u>	<u>20,105,970</u>	<u>19,191,146</u>	<u>19,003,185</u>	<u>18,323,818</u>
Business-type activities:					
Water	6,206,940	6,650,327	5,988,525	6,113,747	5,964,337
Sewer	2,377,111	2,423,868	2,176,959	2,083,265	2,020,026
Total business-type activities	<u>8,584,051</u>	<u>9,074,195</u>	<u>8,165,484</u>	<u>8,197,012</u>	<u>7,984,363</u>
Total expenses	<u>30,050,579</u>	<u>29,180,165</u>	<u>27,356,630</u>	<u>27,200,197</u>	<u>26,308,181</u>
<b>Program Revenues</b>					
Governmental activities:					
Fines, Fees and Charges for Services:					
General government	1,248,788	1,234,930	1,740,320	1,037,848	1,270,158
Public safety	65,481	204,582	178,281	164,832	161,427
Highways and Streets	362,365	286,118		69,734	85,326
Culture and Recreation	824,333	829,139	913,028	877,905	435,399
Redevelopment and housing			10,698		
Operating grants and contributions	2,330,406	2,824,452	1,359,992	1,825,975	2,595,064
Capital grants and contributions	509,917	19,699	293,486	327,435	1,251,278
Total governmental activities	<u>5,341,290</u>	<u>5,398,920</u>	<u>4,495,805</u>	<u>4,303,729</u>	<u>5,798,652</u>
Business-type activities:					
Charges for services					
Water	6,818,887	5,885,521	5,699,389	5,609,144	5,024,639
Sewer	2,406,542	1,642,860	1,448,862	1,556,036	1,528,026
Total business-type activities	<u>9,225,429</u>	<u>7,528,381</u>	<u>7,148,251</u>	<u>7,165,180</u>	<u>6,552,665</u>
Total program revenues	<u>14,566,719</u>	<u>12,927,301</u>	<u>11,644,056</u>	<u>11,468,909</u>	<u>12,351,317</u>
<b>Net (Expense)/Revenue</b>	<u><u>\$ (15,483,860)</u></u>	<u><u>\$ (16,252,864)</u></u>	<u><u>\$ (15,712,574)</u></u>	<u><u>\$ (15,731,288)</u></u>	<u><u>\$ (13,956,864)</u></u>

**CITY OF COTTONWOOD, ARIZONA**  
**EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 4,316,367	\$ 5,431,120	\$ 4,158,178	\$ 3,633,378	\$ 3,391,797
Public safety	6,229,032	5,823,848	5,340,930	4,999,751	3,955,040
Highways and streets	2,789,376	1,690,237	1,919,302	1,768,236	1,756,480
Culture and recreation	1,210,892	1,461,968	1,570,172	1,072,134	1,188,433
Redevelopment and Housing	76,143	5,993	7,726	330,859	12,895
Interest on long-term debt	1,078,525	782,836	453,033	440,910	433,955
Total governmental activities	<u>15,700,335</u>	<u>15,196,002</u>	<u>13,449,341</u>	<u>12,245,268</u>	<u>10,738,600</u>
Business-type activities:					
Water	6,515,516	5,806,893	5,357,102	3,091,964	1,829,552
Sewer	2,175,251	2,111,798	1,741,877	1,783,106	1,647,241
Total business-type activities	<u>8,690,767</u>	<u>7,918,691</u>	<u>7,098,979</u>	<u>4,875,070</u>	<u>3,476,793</u>
Total expenses	<u>24,391,102</u>	<u>23,114,693</u>	<u>20,548,320</u>	<u>17,120,338</u>	<u>14,215,393</u>
<b>Program Revenues</b>					
Governmental activities:					
Fines, Fees and Charges for Services:					
General government	1,246,262	1,272,614	1,106,685	1,291,421	1,061,751
Public safety	162,592	163,902	154,297	155,653	136,062
Highways and Streets	83,937	106,112	102,770	119,723	112,414
Culture and Recreation	204,294	209,570	166,496	133,373	128,879
Redevelopment and housing					
Operating grants and contributions	1,607,763	1,563,547	1,680,043	1,720,891	1,312,060
Capital grants and contributions	1,728,638	766,878	497,116	1,033,594	1,801,971
Total governmental activities	<u>5,033,486</u>	<u>4,082,623</u>	<u>3,707,407</u>	<u>4,454,655</u>	<u>4,553,137</u>
Business-type activities:					
Charges for services					
Water	6,119,076	5,484,298	5,992,924	4,316,081	1,330,414
Sewer	1,509,393	1,556,314	1,510,301	1,473,445	1,537,397
Total business-type activities	<u>7,628,469</u>	<u>7,040,612</u>	<u>7,503,225</u>	<u>5,789,526</u>	<u>2,867,811</u>
Total program revenues	<u>12,661,955</u>	<u>11,123,235</u>	<u>11,210,632</u>	<u>10,244,181</u>	<u>7,420,948</u>
<b>Net (Expense)/Revenue</b>	<u>\$ (11,729,147)</u>	<u>\$ (11,991,458)</u>	<u>\$ (9,337,688)</u>	<u>\$ (6,876,157)</u>	<u>\$ (6,794,445)</u>

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

**CITY OF COTTONWOOD, ARIZONA**  
**GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Net Revenue/(Expense)</b>	\$ (15,483,860)	\$ (16,252,864)	\$ (15,712,574)	\$ (15,731,288)	\$ (13,956,864)
<b>General Revenues:</b>					
Governmental activities:					
Taxes:					
Sales taxes	12,276,616	11,329,353	10,579,983	10,624,971	10,212,304
Auto lieu taxes	647,250	563,851	602,832	582,707	590,201
Franchise taxes	371,886	363,653	359,871	240,140	233,128
Unrestricted state shared revenue	2,236,164	2,088,713	1,831,024	1,890,634	2,199,106
Investment income	212,572	(71,463)	240,737	142,386	275,152
<b>Transfers</b>		(398,256)			
Total governmental activities	15,744,488	13,875,851	13,614,447	13,480,838	13,509,891
<b>General Revenues:</b>					
Business-type activities:					
Impact fees					
Investment income	369,695	328,570	395,242	390,179	543,340
Gain of disposal of capital assets				13,567	832
<b>Transfers</b>		398,256			
Total business-type activities	369,695	726,826	395,242	403,746	544,172
<b>Changes in Net Position</b>	\$ 630,323	\$ (1,650,187)	\$ (1,702,885)	\$ (1,846,704)	\$ 97,199

**CITY OF COTTONWOOD, ARIZONA**  
**GENERAL REVENUES AND TOTAL CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Net Revenue/(Expense)</b>	\$ (11,729,147)	\$ (11,991,458)	\$ (9,337,688)	\$ (6,876,157)	\$ (6,794,445)
<b>General Revenues:</b>					
Governmental activities:					
Taxes:					
Sales taxes	10,298,594	10,102,433	10,247,957	10,073,924	7,865,948
Auto lieu taxes	640,922	667,929	690,992	695,836	615,579
Franchise taxes	201,322	226,368	221,675	215,249	200,448
Unrestricted state shared revenue	2,487,459	2,526,405	2,265,211	1,943,837	1,694,149
Investment income (loss)	1,201,877	1,341,445	1,028,744	637,714	304,066
<b>Transfers</b>			(744,050)	(315,425)	
Total governmental activities	<u>14,830,174</u>	<u>14,864,580</u>	<u>13,710,529</u>	<u>13,251,135</u>	<u>10,680,190</u>
<b>General Revenues:</b>					
Business-type activities:					
Impact fees	724,064	148,861	123,038	457,503	292,026
Investment income		951,471	732,742	408,032	111,345
Other				7,513	490
<b>Transfers</b>			744,050	315,425	
Total business-type activities	<u>724,064</u>	<u>1,100,332</u>	<u>1,599,830</u>	<u>1,188,473</u>	<u>403,861</u>
<b>Changes in Net Position</b>	<u>\$ 3,825,091</u>	<u>\$ 3,973,454</u>	<u>\$ 5,972,671</u>	<u>\$ 7,563,451</u>	<u>\$ 4,289,606</u>

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

**CITY OF COTTONWOOD, ARIZONA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(Accrual basis of accounting)**

<u>Year</u>	<u>Sales taxes</u>	<u>Occupancy taxes</u>	<u>Franchise taxes</u>	<u>Utility taxes</u>	<u>Total</u>
2014	\$ 11,930,653	\$ 129,820	\$ 371,886	\$ 216,143	\$ 12,648,502
2013	11,014,097	105,538	363,653	209,718	11,693,006
2012	10,265,355	104,143	359,871	210,485	10,939,854
2011	10,319,948	101,677	240,140	203,346	10,865,111
2010	9,925,087	93,694	233,128	193,523	10,445,432
2009	10,007,515	118,169	201,322	172,910	10,499,916
2008	9,809,638	117,091	226,368	175,704	10,328,801
2007	9,996,301	84,362	221,675	167,294	10,469,632
2006	9,849,837	84,108	215,249	139,979	10,289,173
2005	7,690,663	71,998	200,448	103,287	8,066,396

**Sources:** The City of Cottonwood, Arizona's Finance Department

**Note:** Tax revenues are subject to accrual; therefore, the taxes reported above on the accrual basis of accounting are the same as the tax revenues reported on the modified accrual basis of accounting.

**CITY OF COTTONWOOD, ARIZONA**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
General Fund:					
Nonspendable	\$ 20,608	\$ 5,095	\$ 35,436	\$ 36,961	\$
Restricted	1,287,757				
Assigned	1,000,000	1,259,750	2,214,190		
Unassigned	3,674,772	4,624,668	4,177,319	7,018,946	
Reserved					17,389
Unreserved					7,105,988
Total General Fund	<u>\$ 5,983,137</u>	<u>\$ 5,889,513</u>	<u>\$ 6,426,945</u>	<u>\$ 7,055,907</u>	<u>\$ 7,123,377</u>
All Other Governmental Funds:					
Nonspendable	\$ 18,988	\$ 21,233	\$ 31,164	\$ 11,450	\$
Restricted	1,210,126	2,241,263	2,034,245	15,540,936	
Assigned	8,318,189	9,658,940	12,906,562		
Unassigned	(488,916)	(465,433)	(479,188)		
Reserved					2,567,487
Unreserved, reported in:					
Special revenue funds					1,096,519
Capital projects funds					14,152,370
Debt service fund					(1,357,358)
Total all other governmental funds	<u>\$ 9,058,387</u>	<u>\$ 11,456,003</u>	<u>\$ 14,492,783</u>	<u>\$ 15,552,386</u>	<u>\$ 16,459,018</u>
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
General Fund:					
Reserved	10,971	7,171	8,634	10,181	8,617
Unreserved	5,620,578	4,594,856	2,739,761	3,906,175	2,749,476
Total General Fund	<u>\$ 5,633,558</u>	<u>\$ 4,602,027</u>	<u>\$ 2,748,395</u>	<u>\$ 3,916,356</u>	<u>\$ 2,758,093</u>
All Other Governmental Funds:					
Reserved	2,607,657	309,368	5,068,960	5,061,148	5,061,148
Unreserved, reported in:					
Special revenue funds	1,795,343	1,867,639	793,167	586,077	129,173
Capital projects funds	28,421,851	32,170,394	1,214,506	1,292,734	1,245,289
Debt service fund	(1,328,207)	1,335,401	10,449,717	8,261,550	5,843,855
Total all other governmental funds	<u>\$ 31,496,644</u>	<u>\$ 35,682,802</u>	<u>\$ 17,526,350</u>	<u>\$ 15,201,509</u>	<u>\$ 12,279,465</u>

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

**Note:** The provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

**CITY OF COTTONWOOD, ARIZONA  
GOVERNMENTAL FUNDS REVENUES  
LAST TEN FISCAL YEARS  
(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Taxes	\$ 12,648,502	\$ 11,693,006	\$ 10,939,854	\$ 10,865,111	\$ 10,445,432
Licenses and permits	292,341	227,930	120,239	141,637	164,880
Intergovernmental	5,714,445	4,373,390	3,953,440	4,618,408	6,634,866
Charges for services	1,739,844	1,771,992	2,322,410	1,780,365	1,767,486
Fines and forfeits	176,208	175,728	220,557	167,312	144,122
Rents and royalties	162,606	117,969	95,311	114,985	113,126
Miscellaneous	129,968	261,150	83,810	123,955	137,220
Contributions	9,292	8,652	133,894	8,343	783
Investment income	211,420	(69,562)	239,608	142,754	272,061
<b>Total revenues</b>	<b><u>\$ 21,084,626</u></b>	<b><u>\$ 18,560,255</u></b>	<b><u>\$ 18,109,123</u></b>	<b><u>\$ 17,962,870</u></b>	<b><u>\$ 19,679,976</u></b>
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Taxes	\$ 10,499,916	\$ 10,328,801	\$ 10,469,632	\$ 10,289,173	\$ 8,066,396
Licenses and permits	250,544	406,296	437,983	575,266	514,256
Intergovernmental	6,464,915	5,506,436	5,117,564	5,145,641	5,420,044
Charges for services	1,359,950	1,170,904	952,151	840,152	786,746
Fines and forfeits	150,913	201,539	197,862	217,603	188,403
Rents and royalties	81,337	99,654	93,460	73,865	
Miscellaneous	183,708	129,259	90,547	181,122	154,097
Contributions	1,297	18,323	15,798	619	
Investment income	1,196,820	1,331,015	1,019,753	631,846	300,983
<b>Total revenues</b>	<b><u>\$ 20,189,400</u></b>	<b><u>\$ 19,192,227</u></b>	<b><u>\$ 18,394,750</u></b>	<b><u>\$ 17,955,287</u></b>	<b><u>\$ 15,430,925</u></b>

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

**CITY OF COTTONWOOD, ARIZONA**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Expenditures:</b>					
Current -					
General government	\$ 4,347,532	\$ 3,899,655	\$ 4,909,750	\$ 4,561,617	\$ 5,207,435
Public safety	7,888,166	6,909,737	6,843,873	6,908,826	6,634,825
Highways and street	2,565,264	2,196,120	1,788,597	1,940,247	3,078,858
Culture and recreation	2,869,610	2,593,264	2,437,903	2,269,302	1,685,493
Redevelopment and housing			113,931	96,565	89,036
Capital outlay	4,598,404	4,273,284	1,872,067	738,814	14,438,028
Debt service -					
Principal retirement	1,241,480	1,672,415	1,612,775	1,513,413	1,501,347
Interest on long-term debt	728,162	808,310	819,827	908,188	970,202
Bond issuance costs					
<b>Total expenditures</b>	<u><u>\$ 24,238,618</u></u>	<u><u>\$ 22,352,785</u></u>	<u><u>\$ 20,398,723</u></u>	<u><u>\$ 18,936,972</u></u>	<u><u>\$ 33,605,224</u></u>
Expenditures for capitalized assets	\$ 4,526,065	\$ 4,213,784	\$ 1,751,100	\$ 1,166,761	\$ 15,341,751
Debt service as a percentage of noncapital expenditures	10%	14%	13%	14%	14%

**(Continued)**

**CITY OF COTTONWOOD, ARIZONA**  
**GOVERNMENTAL FUNDS EXPENDITURES AND DEBT SERVICE RATIO**  
**LAST TEN FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Expenditures:</b>					
Current -					
General government	\$ 4,587,995	\$ 4,953,976	\$ 4,050,855	\$ 3,527,813	\$ 3,291,331
Public safety	5,774,540	6,188,641	6,073,567	4,792,440	3,888,439
Highways and street	3,568,798	2,057,739	1,926,129	1,296,764	2,576,666
Culture and recreation	1,662,528	1,839,829	2,055,696	1,557,929	1,647,340
Redevelopment and housing	72,333	2,967		324,972	7,420
Capital outlay	5,175,228	3,101,630	209,127	19,406	4,841
Debt service -					
Principal retirement	1,428,775	875,000	2,225,000	2,170,000	2,105,000
Interest on long-term debt	1,075,839	780,374	404,129	440,910	433,955
Bond issuance costs		401,879			
<b>Total expenditures</b>	<u>\$ 23,346,036</u>	<u>\$ 20,202,035</u>	<u>\$ 16,944,503</u>	<u>\$ 14,130,234</u>	<u>\$ 13,954,992</u>
Expenditures for capitalized assets	\$ 7,748,356	\$ 5,061,717	\$ 2,331,458	\$ 1,178,862	\$ 2,063,360
Debt service as a percentage of noncapital expenditures	16%	14%	18%	20%	21%

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

**(Concluded)**

**CITY OF COTTONWOOD, ARIZONA**  
**OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Modified accrual basis of accounting)**

	<b>Fiscal Year Ended June 30</b>				
	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2010</b></u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (3,153,992)	\$ (3,792,530)	\$ (2,289,600)	\$ (974,102)	\$ (13,925,248)
<b>Other financing sources (uses):</b>					
Issuance of long-term debt					
Premium on issuance of long-term debt					
Capital lease agreements	850,000	616,574	601,035		379,450
Transfers in	305,268	1,613,600			807,565
Transfers out	<u>(305,268)</u>	<u>(2,011,856)</u>			<u>(807,565)</u>
Total other financing sources (uses)	<u>850,000</u>	<u>218,318</u>	<u>601,035</u>		<u>379,450</u>
<b>Changes in fund balances</b>	<u>\$ (2,303,992)</u>	<u>\$ (3,574,212)</u>	<u>\$ (1,688,565)</u>	<u>\$ (974,102)</u>	<u>\$ (13,545,798)</u>
	<u><b>2009</b></u>	<u><b>2008</b></u>	<u><b>2007</b></u>	<u><b>2006</b></u>	<u><b>2005</b></u>
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (3,156,636)	\$ (1,009,808)	\$ 1,450,247	\$ 3,825,053	\$ 1,475,933
<b>Other financing sources (uses):</b>					
Issuance of long-term debt		19,935,000			
Premium on issuance of long-term debt		348,142			
Capital lease agreements		736,750	450,683	570,679	
Transfers in	769,960	15,639,553	1,719,306	1,171,803	1,082,493
Transfers out	<u>(769,960)</u>	<u>(15,639,553)</u>	<u>(2,463,356)</u>	<u>(1,487,228)</u>	<u>(1,082,493)</u>
Total other financing sources (uses)	<u>-</u>	<u>21,019,892</u>	<u>(293,367)</u>	<u>255,254</u>	
<b>Changes in fund balances</b>	<u>\$ (3,156,636)</u>	<u>\$ 20,010,084</u>	<u>\$ 1,156,880</u>	<u>\$ 4,080,307</u>	<u>\$ 1,475,933</u>

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

**CITY OF COTTONWOOD, ARIZONA**  
**TAXABLE SALES BY CATEGORY**  
**LAST TEN CALENDAR YEARS**  
(In thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Construction	\$ 19,783	\$ 14,271	\$ 12,410	\$ 14,738	\$ 29,358
Manufacturing	6,146	5,739	5,803	6,026	5,998
Communications and utilities	12,293	12,483	12,786	12,226	12,768
Wholesale Trade	2,270	2,433	2,005	2,321	2,371
Retail Trade	260,464	252,096	236,753	227,250	226,677
Restaurants and Bars	31,607	30,583	29,636	27,550	27,579
Real estate, rental and lease	36,120	33,675	31,397	33,370	32,897
Hotels and Other Lodging	7,754	7,585	7,443	7,172	7,576
Services	9,402	8,786	8,359	8,127	8,168
All Others Not Specified	5,292	5,256	5,347	5,566	4,678
<b>Total</b>	<u>\$ 391,129</u>	<u>\$ 372,907</u>	<u>\$ 351,939</u>	<u>\$ 344,346</u>	<u>\$ 358,070</u>
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Construction	\$ 31,422	\$ 50,977	\$ 24,263	\$ 26,775	\$ 29,591
Manufacturing	7,647	9,782	10,679	10,489	10,182
Communications and utilities	5,662	5,651	5,651	5,387	7,409
Wholesale Trade	2,914	3,943	3,952	4,356	3,455
Retail Trade	235,180	277,900	310,058	292,781	231,227
Restaurants and Bars	27,731	29,610	31,504	27,845	23,909
Real estate, rental and lease	33,894	38,711	40,134	41,707	32,500
Hotels and Other Lodging	5,640	11,425	6,180	5,988	5,500
Services	8,208	8,983	8,582	8,639	8,727
All Others Not Specified	6,391	6,901	6,901	7,013	5,043
<b>Total</b>	<u>\$ 364,689</u>	<u>\$ 436,982</u>	<u>\$ 447,904</u>	<u>\$ 430,980</u>	<u>\$ 357,543</u>

**Source:** The source of this information is the Arizona Department of Revenue.

**Note:** Taxable sales were only available on a calendar year basis.

**CITY OF COTTONWOOD, ARIZONA  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS**

<b>Overlapping Rates</b>			
<b>Fiscal Year Ended June 30</b>	<b>City of Cottonwood</b>	<b>Yavapai County</b>	<b>State of Arizona</b>
2014	3.00	0.75	5.60
2013	3.00	0.75	5.60
2012	3.00	0.75	6.60
2011	3.00	0.75	6.60
2010	3.00	0.75	6.60
2009	3.00	0.75	5.60
2008	2.20	0.75	5.60
2002	2.20	0.75	5.60
2006	2.20	0.75	5.60
2005	2.20	0.70	5.60

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

**CITY OF COTTONWOOD, ARIZONA  
OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Governmental Activities				Business-type Activities	Total Outstanding Debt		
	General Obligation and Other Bonds	Notes and Loans Payable	Capital Leases	Total	Revenue Bonds	Total Debt	Percentage of Personal Income	Per Capita
2014	\$	\$ 15,700,000	\$ 1,764,937	\$ 17,464,937	\$ 31,750,000	\$ 49,214,937	13.18 %	\$ 4,167
2013	150,000	16,865,000	1,316,417	18,331,417	32,725,000	51,056,417	13.67	4,323
2012	290,000	17,975,000	1,057,258	19,322,258	33,690,000	53,012,258	14.42	4,668
2011	290,000	17,975,000	819,000	19,084,000	33,690,000	52,774,000	14.22	4,685
2010	425,000	19,045,000	1,127,000	20,597,000	34,610,000	55,207,000	13.76	4,533
2009	550,000	20,075,000	1,094,000	21,719,000	35,515,000	57,234,000	14.27	4,699
2008	670,000	21,060,000	1,418,000	23,148,000	36,380,000	59,528,000	14.93	5,287
2007	780,000	1,890,000	952,000	3,622,000	37,005,000	40,627,000	11.60	3,650
2006	1,740,000	3,155,000	698,000	5,593,000	37,305,000	42,898,000	12.56	3,927
2005	2,650,000	4,415,000	174,000	7,239,000	13,580,000	20,819,000	6.24	1,917

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

**CITY OF COTTONWOOD, ARIZONA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN CALENDAR YEARS**

<u>Year</u>	<u>Excise tax Backed Bonds</u>	<u>Taxable Sales</u>	<u>Percentage of outstanding bonds to taxable sales</u>	<u>Population</u>	<u>Net general obligation bonded debt per capita</u>
2014	\$	\$ 391,129,000	0.00 %	11,810	\$
2013	150,000	372,907,000	0.04	11,810	12.70
2012	290,000	351,940,000	0.08	11,356	25.54
2011	290,000	344,346,000	0.08	11,265	25.74
2010	425,000	358,070,000	0.12	12,180	34.89
2009	550,000	364,689,000	0.15	12,180	45.16
2008	670,000	436,982,000	0.15	11,260	59.50
2007	780,000	447,904,000	0.17	11,130	70.08
2006	1,740,000	430,980,000	0.40	10,925	159.27
2005	2,650,000	357,543,000	0.74	10,860	244.01

**Sources:** The City of Cottonwood, Arizona and the Department of Economic Security.

**CITY OF COTTONWOOD, ARIZONA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2014**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Amount Overlapping Debt</u>
Overlapping Debt:			
Yavapai Community College	41,610,000	42.98%	17,885,596
Mingus Union High School District	11,030,000	11.39%	1,256,779
Total Overlapping Debt			<u>19,142,375</u>
Direct:			
City of Cottonwood			<u>17,464,937</u>
Total Direct Debt			<u><u>\$ 36,607,312</u></u>

**DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS**

Net Direct General Obligation Bonded Debt		
As a Percentage of Net Secondary Assessed Valuation		18.04 %
Net Direct and Overlapping General Bonded Debt		
Per Capita	\$ 3,100	
As a Percentage of Net Secondary Assessed Valuation		37.82 %
As a Percentage of Estimated Actual Value (Full Cash Value)		5.34 %

**Source:** The source of this information is the District's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

- Notes:**
- 1) Estimated percentage of debt outstanding applicable to the District is calculated based on the District's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.
  - 2) Outstanding debt as of June 30, 2013 is presented for the overlapping governments as this is the most recent available information.

**CITY OF COTTONWOOD, ARIZONA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

**Total Legal Debt Margin Calculation for Fiscal Year 2014:**

Secondary assessed valuation	\$ 96,803,714
Debt limit (6%)	5,808,223
Debt applicable to limit	
Legal debt margin	<u>\$ 5,808,223</u>

**Total Legal Debt Margin Calculation for Fiscal Year 2014:**

Secondary assessed valuation	\$ 96,803,714
Debt limit (20%)	19,360,743
Debt applicable to limit	
Legal debt margin	<u>\$ 19,360,743</u>

	<b>Fiscal Year Ended June 30</b>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total 20% debt limit	\$ 19,360,743	\$ 21,087,938	\$ 24,518,865	\$ 28,743,703	\$ 29,279,209	\$ 29,252,149	\$ 24,190,654	\$ 21,149,383	\$ 18,437,838	\$ 16,651,467
Total net debt applicable to 20% limit										
Legal 20% debt margin	<u>\$ 19,360,743</u>	<u>\$ 21,087,938</u>	<u>\$ 24,518,865</u>	<u>\$ 28,743,703</u>	<u>\$ 29,279,209</u>	<u>\$ 29,252,149</u>	<u>\$ 24,190,654</u>	<u>\$ 21,149,383</u>	<u>\$ 18,437,838</u>	<u>\$ 16,651,467</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total 6% debt limit	\$ 5,808,223	\$ 6,326,381	\$ 7,355,660	\$ 8,623,111	\$ 8,783,763	\$ 8,775,645	\$ 7,257,196	\$ 6,344,815	\$ 5,531,351	\$ 4,995,440
Total net debt applicable to 6% limit										
Legal 6% debt margin	<u>\$ 5,808,223</u>	<u>\$ 6,326,381</u>	<u>\$ 7,355,660</u>	<u>\$ 8,623,111</u>	<u>\$ 8,783,763</u>	<u>\$ 8,775,645</u>	<u>\$ 7,257,196</u>	<u>\$ 6,344,815</u>	<u>\$ 5,531,351</u>	<u>\$ 4,995,440</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**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 sales taxes rather than property taxes.

**CITY OF COTTONWOOD, ARIZONA  
PLEDGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

<b>Water Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Water Charges and Other (1)</b>	<b>Less: Operating Expenses (2)</b>	<b>Net Available Revenue</b>	<b>Debt Service Principal</b>	<b>Debt Service Interest</b>	<b>Coverage</b>
2014	\$ 7,185,880	\$ 3,754,462	3,431,418	\$ 975,000	\$ 1,482,773	1.40
2013	6,203,779	3,855,986	2,347,793	965,000	1,559,310	0.93
2012	6,046,477	3,627,892	2,418,585	920,000	1,592,304	0.96
2011	5,987,454	3,109,285	2,878,169	920,000	1,561,373	1.16
2010	5,499,709	3,296,423	2,203,286	905,000	1,624,304	0.87
2009	6,695,522	3,868,029	2,827,493	865,000	1,653,779	1.12
2008	6,250,028	3,158,315	3,091,713	625,000	1,672,104	1.35
2007	6,633,214	2,782,507	3,850,707	300,000	1,678,854	1.95
2006	4,641,070	1,464,254	3,176,816	240,000	1,084,643	2.40
2005	1,385,599	916,353	469,246		425,007	1.10

<b>General Obligation Bonds</b>				
<b>Fiscal Year (3)</b>	<b>Transaction Privilege (Sales) Taxes</b>	<b>Debt Service Principal</b>	<b>Debt Service Interest</b>	<b>Coverage</b>
2014	\$ 12,276,616	\$ 150,000	\$ 4,150	79.64
2013	11,329,353	140,000	12,175	74.45
2012	10,579,983	135,000	23,500	66.75
2011	7,794,838	135,000	23,500	49.18
2010	7,455,750	125,000	30,400	47.98
2009	6,889,345	120,000	37,000	43.88
2008	7,885,943	110,000	42,995	51.54

<b>General Arizona Development Authority Loans</b>				
<b>Fiscal Year (3)</b>	<b>Pledged Revenues</b>	<b>Debt Service Principal</b>	<b>Debt Service Interest</b>	<b>Coverage</b>
2014	\$ 14,512,780	\$ 1,165,000	\$ 724,776	7.68
2013	13,418,066	1,110,000	749,675	7.22
2012	12,411,007	1,070,000	977,703	6.06
2011	11,576,006	1,070,000	842,577	6.05
2010	11,853,962	1,030,000	885,492	6.19
2009	11,864,263	985,000	926,613	6.21
2008	12,938,753	765,000	726,245	8.68

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

- Notes:**
- 1) Water charges and other includes charges for services, impact fees, capacity fees, investment income, and miscellaneous revenues.
  - 2) Operating expenses do not include depreciation and interest expense.
  - 3) Information prior to 2008 is not available.

**CITY OF COTTONWOOD, ARIZONA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>School Enrollment</u>	<u>City of Cottonwood Unemployment Rate</u>
2014	11,810	\$ 373,396,770	\$ 31,617	3,351	7.10 %
2013	11,810	373,396,770	31,617	3,102	7.90
2012	11,356	367,536,940	29,586	2,889	8.20 <sup>2</sup>
2011	11,265 <sup>1</sup>	371,012,775	32,935	3,108	10.40 <sup>2</sup>
2010	12,180	401,148,300	32,935	2,722	9.70
2009	12,180	401,148,300	32,935	2,876	9.10
2008	11,260	398,795,420	35,417	3,369	5.10
2007	11,130	350,127,540	31,458	3,008	3.70
2006	10,925	341,425,720	31,252	3,190	3.90
2005	10,860	333,904,040	30,746	3,432	3.90

**Sources:** The City of Cottonwood, Arizona, the Economic Estimates Commission, and the U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>1</sup> U.S. Census Bureau 2010 Census

<sup>2</sup> Yavapai County Unemployment Rate

**CITY OF COTTONWOOD, ARIZONA  
PRINCIPAL EMPLOYERS  
CURRENT FISCAL YEAR AND NINE FISCAL YEARS AGO**

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Verde Vally Medical Center	1,000	38.34 %	800	35.54 %
Wal-Mart	375	14.38	440	19.55
Cottonwood Oak Creek Schools	240	9.20	306	13.59
City of Cottonwood	190	7.29	124	5.51
Mingus Union High School	139	5.33	136	6.04
Fry's	117	4.49	137	6.09
Verde Valley Guidance Clinic	140	5.37		
Home Depot	134	5.14	120	5.33
Safeway	110	4.22	103	4.58
Larry Greens	60	2.30		
Food City	58	2.22	85	3.77
Oxendales	45	1.72		
Total	<u>2,608</u>	<u>100.00 %</u>	<u>2,251</u>	<u>100.00 %</u>
Total employment	<u>2,608</u>		<u>2,251</u>	

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

**CITY OF COTTONWOOD, ARIZONA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30</b>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>General Government</b>					
Management Services	11.8	15.8	14.8	10.8	11.8
Finance	3.2	3.2	4.2	4.2	4.2
Planning	6.0	6.0	4.0	6.0	6.0
Building		6.5			
Legal	1.0	1.0	1.0	1.0	
Court	6.0	6.0	6.0	6.0	6.0
Total general government	<u>28.0</u>	<u>38.5</u>	<u>30.0</u>	<u>28.0</u>	<u>28.0</u>
<b>Public Safety</b>					
Police	57.5	48.5	49.5	46.5	47.5
Firefighters	28.0	28.0	28.0	29.0	29.0
Total public safety	<u>85.5</u>	<u>76.5</u>	<u>77.5</u>	<u>75.5</u>	<u>76.5</u>
<b>Public Works</b>					
Engineering	5.0	5.0	6.0	6.0	6.0
Others	5.5	4.0	4.0	3.0	3.0
Streets	4.5	5.5	5.5	5.0	6.0
Total public works	<u>15.0</u>	<u>14.5</u>	<u>15.5</u>	<u>14.0</u>	<u>15.0</u>
<b>Parks and Recreation</b>	12.0	12.0	19.5	21.0	21.0
<b>Library</b>	9.0	11.0	11.0	10.0	11.0
<b>Water</b>	17.8	18.8	18.1	17.3	16.2
<b>Sewer</b>	10.8	10.8	10.4	10.3	10.4
<b>Transit</b>	12.0	11.0		11.0	11.0
<b>Total</b>	<u>190.1</u>	<u>193.1</u>	<u>182.0</u>	<u>187.1</u>	<u>189.1</u>

(Continued)

**CITY OF COTTONWOOD, ARIZONA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	<b>Full-time Equivalent Employees as of June 30</b>				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>General Government</b>					
Management Services	8.8	7.8	6.8	5.3	5.3
Finance	4.2	4.2	4.2	2.7	2.7
Planning	6.0	6.5	6.5	6.5	6.5
Building	3.5	3.5	3.5	3.5	2.5
Legal			2.0	2.0	
Court	5.0	6.0	6.0	6.0	3.5
Total general government	<u>27.5</u>	<u>28.0</u>	<u>29.0</u>	<u>26.0</u>	<u>20.5</u>
<b>Public Safety</b>					
Police	47.5	47.0	47.0	45.0	44.0
Firefighters	16.0	16.0	16.0	16.0	14.0
Total public safety	<u>63.5</u>	<u>63.0</u>	<u>63.0</u>	<u>61.0</u>	<u>58.0</u>
<b>Public Works</b>					
Engineering	4.5	4.5	4.5	3.3	3.3
Others					
Streets	6.5	6.5	6.5	6.3	6.5
Total public works	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>	<u>9.6</u>	<u>9.8</u>
<b>Parks and Recreation</b>	13.0	13.0	13.0	13.0	11.0
<b>Library</b>	11.0	11.0	11.0	9.0	8.0
<b>Water</b>	16.8	17.2	16.2	9.3	
<b>Sewer</b>	10.3	9.8	9.8	9.3	8.3
<b>Transit</b>	11.0	11.0	10.0	8.0	8.0
<b>Total</b>	<u>164.1</u>	<u>164.0</u>	<u>163.0</u>	<u>145.2</u>	<u>123.6</u>

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

**(Concluded)**

**CITY OF COTTONWOOD, ARIZONA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year Ended June 30</b>									
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>General Government</b>										
Building Permits Issued	301	291	251	208	205	240	454	440	830	767
<b>Police</b>										
Physical Arrests	813	1,355	1,564	1,292	1,675	1,596	1,325	1,584	1,230	953
Parking Violations	118	108	75	127	86	N/A	1	10	68	114
Traffic Violations	1,827	2,152	1,850	1,607	2,261	1,348	1,872	1,820	2,405	2,679
<b>Fire</b>										
Emergency Responses	2,756	2,699	2,804	2,550	2,377	2,478	2,455	2,356	1,970	1,970
Fires Extinguished	241	208	247	242	211	252	181	183	225	161
Inspections	1,896	1,650	1,559	2,063	1,865	1,805	1,287	654	1,001	1,001
<b>Other Public Works</b>										
Street Resurfacing (Miles)	0.3	1	N/A	8.25	6	N/A	N/A	N/A	2	8
<b>Library</b>										
Volumes in Collection	106,713	104,052	96,673	102,015	89,300	98,000	96,332	93,469	86,182	83,334
Total Volumes Borrowed	228,870	218,391	245,786	246,786	377,110	343,000	327,324	349,783	309,351	281,845
<b>Water</b>										
New Connections	48	30	12	26	13	8	33	59	248	N/A
Water Main Breaks	183	125	150	237	212	197	170	131	82	N/A
Average Daily Consumption (Thousands of Gallons)	2,235	2,095	2,096	2,073	2,595	1,257	263	261	115	N/A
Peak Daily Consumption (Thousands of Gallons)	3,147	2,763	2,714	2,654	3,452	1,664	34	27	183	N/A
<b>Wastewater</b>										
Average Daily Sewage Treatment (Thousands of Gallons)	969	963	983	957	963	940	960	1,017	987	910
<b>Transit</b>										
Total Route Miles	321,387	267,256	N/A	94,804 *	180,230	230,457	221,819	219,483	179,644	105,046
Passengers	122,874	117,519	N/A	2,099 *	48,164	50,622	55,330	48,212	40,830	36,745

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

- Notes:** 1) N/A indicates the information was either not available or not applicable  
2) \* The significant decline was due to the elimination of a portion of the City's transit.

**CITY OF COTTONWOOD, ARIZONA  
CAPITAL ASSETS STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

<b>Function</b>	<b>Fiscal Year Ended June 30</b>									
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Police</b>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	26	27	20	30	19	17	24	19	16	18
<b>Fire Stations</b>	1	1	1	1	1	1	1	1	1	1
<b>Other Public Works</b>										
Streets (Miles)	63	63	63	63	63	60	60	60	60	60
Highways (Miles)	20	20	10	10	10	10	10	10	10	10
Streetlights	644	644	644	644	644	646	646	646	646	598
Traffic Signals	10	10	10	10	10	10	10	10	10	9
<b>Parks and Recreation</b>										
Acreage	125	125	125	125	125	121	121	121	121	121
Playgrounds	5	5	5	5	5	5	5	5	5	5
Baseball/Softball Diamonds	8	8	8	8	8	8	6	5	5	5
Soccer/Football Fields	4	4	4	3	3	2	1	1	1	1
Community Centers	2	2	2	2	2	1	1	1	1	1
<b>Water</b>										
Water Mains (Miles)	94	94	94	92	92	90	87	87	N/A	N/A
Fire Hydrants	579	573	569	558	558	558	349	349	N/A	N/A
Storage Capacity (Thousands of Gallons)	3,800	3,800	3,208	3,208	3,209	5,336	7,836	7,836	N/A	N/A
<b>Wastewater</b>										
Sanitary Sewers (Miles)	50	50	49	49	49	49	48	35	35	35
Treatment Capacity (Millions of Gallons)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Transit</b>										
Minibuses	11	11	N/A	N/A	9	7	7	6	6	6

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

**Note:** N/A indicates that the information is not available.