



Comprehensive Annual Financial Report for Year Ending June 30, 2019



City of Cottonwood

Arizona

City of Cottonwood, Arizona

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2019

Prepared by the Finance Department

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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December 31, 2019

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, 2019.

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 The Pun Group LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2019, 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, 2019, 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, U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Uniform Guidance designed to meet the special needs of federal grantor agencies.

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

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

PROFILE OF THE GOVERNMENT

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

The City of Cottonwood, Arizona is situated in central Arizona bordering the Verde River to its north. The total geographic area 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 and wine, government services, medical and health services, retail and education.

The City of Cottonwood, Arizona has a Council-Manager form of government consisting of the Mayor and six Council Members. The Mayor is elected directly by the voters and serves a four-year term. The voters elect six City Council representatives for staggered four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committees, commissions, and board members, and appointing the positions of City Manager, City Attorney, 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 controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding;

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

The concept of reasonable assurances recognizes:

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

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

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

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

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

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

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

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

Local Economy. The City of Cottonwood, Arizona continues to face many growth issues. Its citizens, governing body, and municipal government are committed to finding solutions for each of the issues. This strong commitment to the community has made 2019 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 most recent economic recession.

In order to correct these deficiencies, the City has proposed a baseline budget requiring any new positions be delayed by three to six months. All vacancies will be evaluated to assess the need for replacement, elimination or modification to the job description. The City will be closely monitoring its revenue sources and make adjustments accordingly.

Economic Outlook. Retail Sales – Not having a property tax, the City of Cottonwood, Arizona relies heavily on city transaction privilege tax (TPT), sometimes called a sales tax. Overall, city TPT revenues provide over 54% of the General Fund revenues. The city's TPT rate is currently at 3.5%, and the City also has a 3.5% Bed Tax (occupancy) a portion of which is transferred to the local Chamber of Commerce to promote economic development and tourism.

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

State Shared Revenues - The City 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 and have increased by approximately 6% over the fiscal year 2018 and 2019.

Highway User Revenue Fund (HURF) - The state shared fuel tax, as it is often called, is placed in this fund to be used specifically for street maintenance and construction. In recent years, the state legislature has reduced the formula distribution of state-shared revenues to cities. The state shared revenue formulas generally allocate revenues based on official census data. (Last census: Year 2010).

Long-Term Financial Planning. The City's Budget Policy has helped weather the slow economic recovery. This policy continues to require the City to internally restrict an amount equal to 16.67% of the previous year's operating revenues as part of its General Fund balance. This is also estimated to be about 60 days of 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 seventeenth year of this policy. With this fund now over \$1,000,000, the City Council, at the recommendation of Management, made the decision to cap this fund at \$1,000,000 and use any excess for everyday maintenance and operational costs. In Fiscal Year 2019 Council directed staff to designate a portion of a .5% sales tax increase to General Fund reserves. During FY 2019, \$396,000 was transferred to General Fund reserves from the increase and \$563,000 was transferred to the HURF Fund and the Transit Fund to assist those funds.

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

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For the Year. The following depicts the continued commitment of the City of Cottonwood to make the community a better place to live. Fiscal Year 2019 goals obtained are summarized within this list of accomplishments:

Community Engagement

-  Increased substantial use of social media to include Twitter and Facebook to market the city and obtain customer input
-  Prepared the Council's float for the 2018 Christmas parade
-  Completed the FY 2018 Financial Audit with the deliverance of accurate and transparent accounting for citizens
-  Reviewed and updated, where applicable, the webpages of the Finance Department and made them more user-friendly and easier to acquire financial information and to help engage the community
-  Successfully marketed Cottonwood as the 'Heart of Arizona Wine Country' and as a desirable tourist destination
-  Actively promoted Cottonwood and the Verde Valley communities through 'Talk of the Town,' a bi-monthly program of Home Town Radio Group on KQNA Radio
-  Economic development efforts have contributed overall to the recognition of the Verde Valley as an emerging American wine region in an August online article of Vogue, a fashion and lifestyle magazine.

- 👤 Coordinated with Cottonwood Oak Creek School District #6 regarding the installation of a school zone for the section between Willard Street and Quail Trail along Mingus Avenue
- 👤 Completed and shared the annual Police Department Strategic Plan with Council and the public
- 👤 Conducted large scale "Active Assailant" training activity in conjunction with the Cottonwood Police Department, neighboring fire districts, Verde Valley Medical Center, and Spectrum Healthcare
- 👤 The Youth Center served an average of 17 area youth per day during the After School Program and 34 per day during the Summer Camp. This equates to approximately 7,700 youth center visits.
- 👤 Conducted four surveys (with over 450 responses) among library patrons, community members, library stakeholders and library staff respectively, which resulted in the formulation of seven strategic priorities, such as maximizing library hours, improving adult digital literacy skills and offering programs that embrace cultural diversity
- 👤 Received the Best Community Spirit Award for its float in the Cottonwood Christmas Parade
- 👤 Initiated a new outreach program in the form of newsletters, sent out with utility bills, posted on the City's website and Facebook to educate the community on code enforcement rules and regulations, in order to reduce the number of complaints received, and promote voluntary compliance.

Manage Future Growth

- 👤 Brought on a fixed-base operator (FBO) to operate and help promote the Cottonwood Municipal Airport
- 👤 Adopted the Dark Sky Ordinance
- 👤 Amended the Cottonwood Zoning Ordinance; General Provisions regarding the height of buildings (for fire safety purposes) and the location of detached buildings on corner lots, to the Parking and Loading Requirements to include bicycle parking, and to Light Commercial to permit outdoor entertainment in the Arts, Culture and Entertainment (ACE) District without a use permit
- 👤 Began the waterline replacement project of Mingus Avenue
- 👤 Completed the engineering phases of the Highway 260 Wellsite and pipeline project, and begin construction
- 👤 Together with stakeholders seek funding for a viable and sustainable transit service to the unincorporated communities of Cornville and Village of Oak Creek for which the routes have already been designed and costs estimated. This service expansion would meet the original vision of the Northern Arizona Council of Governments (NACOG) and the Northern Arizona Intergovernmental Public Transportation Authority (NAIPTA) to provide affordable public transportation to Verde Valley residents.
- 👤 Successfully negotiated a lease for the vacant modular building at the airport, formerly used by a skydiving business.

Promoting a Vibrant, Healthy and Educated Community

- 🔊 Replaced 60-year old water main across wash at Willard Street and Main Street
- 🔊 Constructed a concrete valley gutter and roadside drainage at the intersection of 17th Street
- 🔊 Constructed a metal roof cover for the UV/pump area of the Mingus Wastewater Treatment Plant
- 🔊 Installed more energy efficient and longer lasting LED lights in apron overhead lights at the Cottonwood Municipal Airport
- 🔊 Hosted the Owing Up program, by partnering with Yavapai County that teaches children and teens how to exercise social responsibility
- 🔊 Conducted nine business training sessions in the sectors of healthcare (2), real estate (2), agriculture (3), and accounting (2)
- 🔊 Approach local leaders in the areas of education, social services, law enforcement, and private sector to inform them about the wide range of library offerings and how these offerings can support their mission and services.
- 🔊 Adopted the National Emergency Number Association (NENA) Hearing Standards for public safety telecommunicators by establishing pre-hire requirements as well as regular testing of existing employees
- 🔊 The Brian Mickelsen Memorial Marathon underwent a successful rebranding incorporating the city's wine-themed brand. The marathon saw a 23% increase in participants compared to 2017.
- 🔊 As of January 2019, started a 4th fitness program called the AARP Medicare Supplement Plan through United Healthcare.
- 🔊 Increased pickleball play to 7,191 visits in 2018 from 5,509 in FY 2017, showing a 30% growth.

Marketing Cottonwood

- 🔊 Actively promoted Cottonwood and the Verde Valley communities through 'Talk of the Town', a bi-monthly program of Home Town Radio Group on KQNA Radio.
- 🔊 Successfully marketed Cottonwood as the 'Heart of Arizona Wine Country' and as a desirable tourist destination
- 🔊 Implemented a marketing plan for the Neighborhood Officer Program
- 🔊 The 2018 Thunder Valley Rally achieved a cost recovery of 92%, slightly less than the 94% in 2017. Cash sponsorships saw an increase of about 35% from \$33,000 to \$44,500. Local charities collected \$21,835.
- 🔊 Partnerships with Local First, Verde Valley Wine Consortium, Kiwanis, That Brewery, Mingus Union High School, and the Old Town Association were developed further, aimed at generating more special events revenue.
- 🔊 Walkin' on Main (WOM) had its most successful year in terms of attendance and revenue. This year's event showcased the inauguration of the WOM Committee. Despite charging an entry fee for the first time for the car show and higher fees for vendor space, both sold out. The Verde Valley Wine Consortium also earned its largest gross revenue during this year's WOM.

Promote and Preserve Historic and Natural Resources

- Maintained participation in the planning meetings of the Verde Front, a regional collaborative in the Sedona-Verde Valley that fosters proactive dialogue, coordination and collective action on stewardship of natural and cultural resources
- Completed and submitted the application and supporting documentation for the modification of an Aquifer Projection Permit (APP) for the Riverfront Wastewater Reclamation Facility (RWRF)
- Successfully coordinated the ongoing regional study and gravimetric monitoring efforts of the Verde River and groundwater system by the US Geological Survey for the cities and towns, county, Yavapai Apache Nation and the Arizona Department of Water Resources (ADWR) in the Verde River sub-basin

Develop Support and Maintain Infrastructure

- Replaced 60-year old water main across wash at Willard Street and Main Street
- Constructed a concrete valley gutter and roadside drainage at the intersection of 17th Street
- Constructed a metal roof cover for the UV/pump area of the Mingus Wastewater Treatment Plant
- Installed more energy efficient and longer lasting LED lights in apron overhead lights at the Cottonwood Municipal Airport

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, 2018. This was the 28th 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 2019 certificate.

Acknowledgments. The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedication of the staff and Finance Department. We also wish to thank all the department heads and members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Ron Corbin
City Manager



Kirsten L. Lennon
Financial Services Director





Government Finance Officers Association

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

Presented to

**City of Cottonwood
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

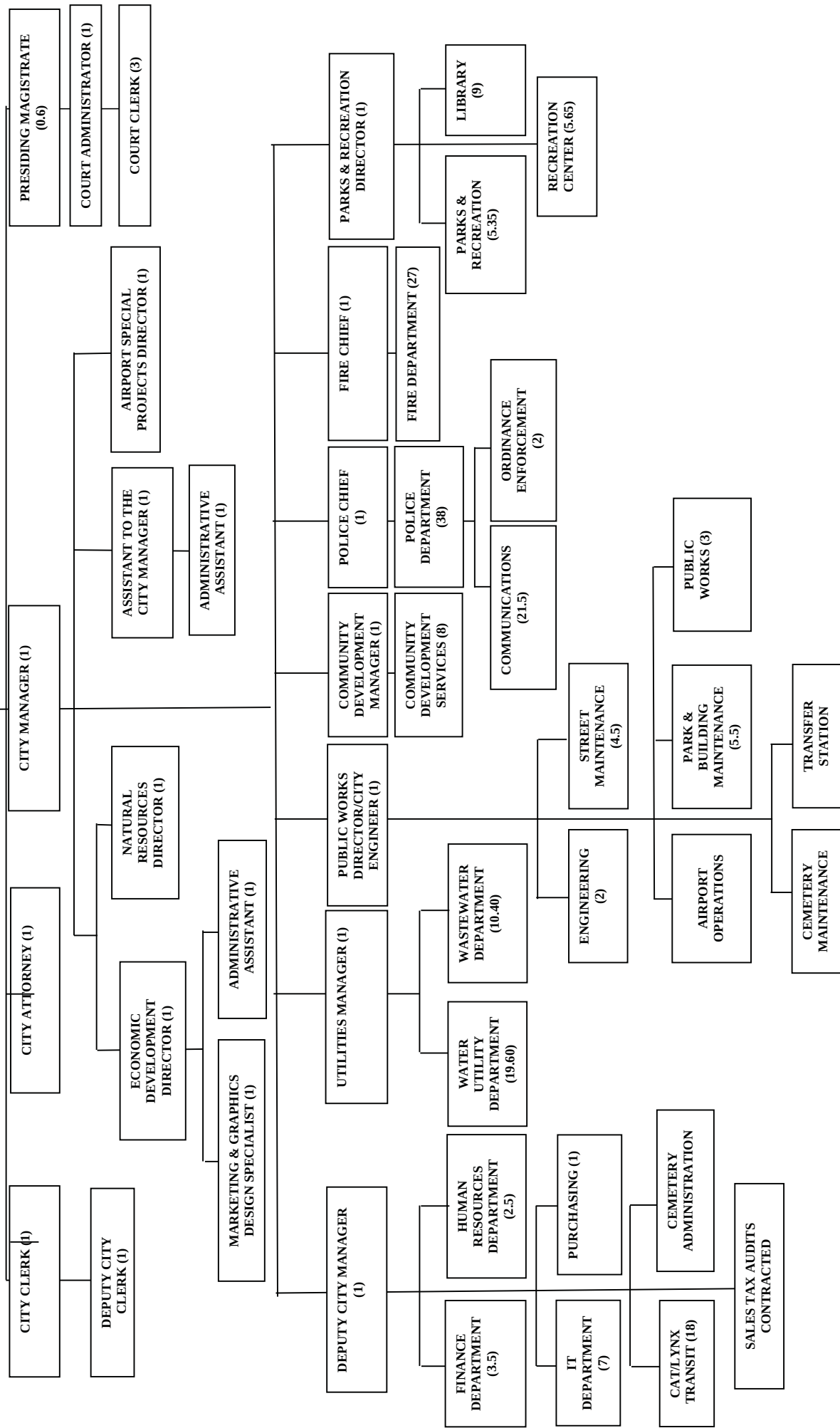
June 30, 2018

Christopher P. Morill

Executive Director/CEO

**CITY COUNCIL
(7 POSITIONS)**

**CITY COUNCIL
(7 POSITIONS)**



City of Cottonwood

Comprehensive Annual Financial Report

Principal Officials as of June 30, 2019

Tim Elinski, Mayor
Tosca Henry, Vice Mayor
Ruben Jauregui, Council Member
Deb Althouse, Council Member
Doug Hulse, Council Member
Michael Matthews, Council Member
Jackie Nairn, Council Member

City Staff as of June 30, 2019

Ron Corbin, City Manager

Jesus R. Rodriguez,
Deputy City Manager

Kirsten Lennon,
Financial Services Director

INDEPENDENT AUDITORS' REPORT

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

Report on 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 the City of Cottonwood, Arizona (the "City"), as of and for the year ended June 30, 2019, 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.

Auditors' 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 basic financial statements are free of 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 City'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 City'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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2019, 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.

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www.pungroup.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Budgetary Comparison Schedules, the Schedules of City's Proportionate Share of the Pension and OPEB Liability/(Asset) and Related Ratios, the Schedules of Changes in Net Pension and OPEB Liability/(Asset) and Related Ratios, and Schedules of City's Pension and OPEB Contributions, as identified in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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, supplementary schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and related 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 31, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona
December 31, 2019

City of Cottonwood, Arizona

Management's Discussion and Analysis (Unaudited)

(Required Supplementary Information)

For the fiscal year ended June 30, 2019

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Management's Discussion and Analysis (Unaudited)
(Required Supplementary Information)
For the Year Ended June 30, 2019

Management of the City of Cottonwood (the "City") provides the Management Discussion and Analysis of the City's Comprehensive Annual Financial Report (CAFR) for readers of the City's financial statements. This narrative overview and analysis of the financial activities of the City is for the fiscal year (FY) ended June 30, 2019. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal, which can be found preceding this narrative, and with the City's financial statements, which follow. Keep in mind that the Financial Highlights, immediately following, are strictly snapshots of information. Net position, changes in net position and fund disclosures are discussed in more detail later in the report.

Financial Highlights – Primary Government

♦ *Government-Wide Highlights*

Net Position – Assets of the City exceeded its liabilities at fiscal year ending June 30, 2019 by \$60.0 million, this compared to \$55.0 million at fiscal year end June 30, 2018. This is an overall increase of \$5.0 million or an increase of 9% of prior year's net position. Net position for governmental activities exceeded liabilities by \$16.5 million and this compares to \$14.5 million at June 30, 2018 an increase of 13%. The amount of increase in net position was \$2.0 million. Assets for business-type activities exceeded liabilities by \$43.5 million compared to \$40.5 million at June 30, 2018, an increase of 8%.

Changes in Net Position – The City's net position increased \$5.0 million in FY 2018-2019; this compared to \$5.3 million increase in FY 2017-2018. Net position of governmental activities increased \$2.0 million compared to a decrease of \$6.3 million in 2017-2018. Net position of business-type activities increased by \$3.0 million compared to a \$11.6 million increase in FY 2017-2018.

♦ *Fund Highlights*

Governmental Funds – At the close of FY 2018-2019 the City's total governmental funds reported a fund balance of \$7.8 million, a \$1.9 million increase from the FY 2017-2018 balance of \$5.9 million, a increase of 34.0%,. The increase in fund balance was due to an increase of sales tax revenues by .5% in November of FY 2019, this increase allowed the City to reserve a larger portion or revenues and to eliminate transfers to the non-governmental funds that had occurred in previous years.

General Fund – The fund balance of the general fund on June 30, 2019 was \$4.8 million. The fund balance increased \$1.6 million due to the City Council raising the City's sales tax rate in FY 2019 and designating that a large portion of the revenues received be reserved.

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City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. They are comprised of the following:

- ♦ *Statement of Net Position* - The Statement of Net Position presents summarized information of all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This financial statement combines and consolidates governmental funds current financial resources with capital assets and long-term obligations.
- ♦ *Statement of Activities and Changes in Net Position* - The Statement of Activities and Changes in Net Position presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, highway and streets, transportation, and culture and leisure services. Business type activities include operations of the water and wastewater plant.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements provide detail information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are major funds, was established by GASB Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, while all Non-Major Funds are summarized and presented in a single column.

- ♦ *Governmental Funds* - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources; as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation of both the governmental funds balance sheet and the governmental funds statement of revenues, expenses and changes in fund balance with the government-wide financial statements can be found on pages 30-33.

- ♦ *Proprietary Funds* - The City maintains two types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for water and wastewater. Internal service funds are used to report any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units on a cost reimbursement basis. The goal of the internal service funds is to measure the full cost of providing goods or services for the purpose of fully recovering that cost through fees or charges. Because internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting.

The basic proprietary funds financial statements can be found on pages 38-40.

- ♦ *Fiduciary Funds* - Fiduciary (Agency) funds are used to account for resources held for the benefit of parties outside the government. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-98.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplementary information includes budgetary comparison schedules for the major funds, and information regarding the obligation to provide pension benefits to employees. This information can be found on pages 99-125.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

City of Cottonwood Net Position						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current & Other Assets	\$ 10,808,432	\$ 8,866,316	\$ 23,744,314	\$ 21,204,348	\$ 34,552,746	\$ 30,070,664
Capital Assets	48,620,332	49,452,330	42,760,717	47,225,528	91,381,049	96,677,858
Total Assets	59,428,764	58,318,646	66,505,031	68,429,876	125,933,795	126,748,522
Deferred Outflow	5,334,525	5,895,142	4,439,180	1,319,986	9,773,705	7,215,128
Current Liabilities	4,183,108	3,923,592	2,305,428	2,581,890	6,488,536	6,505,482
Long-term Liabilities	42,337,580	44,634,383	24,842,525	26,568,305	67,180,105	71,202,688
Total Liabilities	46,520,688	48,557,975	27,147,953	29,150,195	73,668,641	77,708,170
Deferred Inflow	1,113,504	1,113,504	255,952	145,532	1,369,456	1,259,036
Net Investment in						
Capital Assets	27,277,629	27,332,884	27,089,493	24,493,779	54,367,122	51,826,663
Restricted	3,010,461	2,612,991	7,830,805	7,536,216	10,841,266	10,149,207
Unrestricted	(13,832,151)	(15,403,566)	8,620,008	8,424,140	(5,212,143)	(6,979,426)
Total Net Position	\$ 16,455,939	\$ 14,542,309	\$ 43,540,306	\$ 40,454,135	\$ 59,996,245	\$ 54,996,444

Net Position

The chart above reflects the City's combined net position (governmental and business-type activities) which totals \$60.0 million at the close of fiscal year ending June 30, 2019.

94.2% of the City's total net position reflects its investment in capital assets (e.g., land, streets, sewers, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

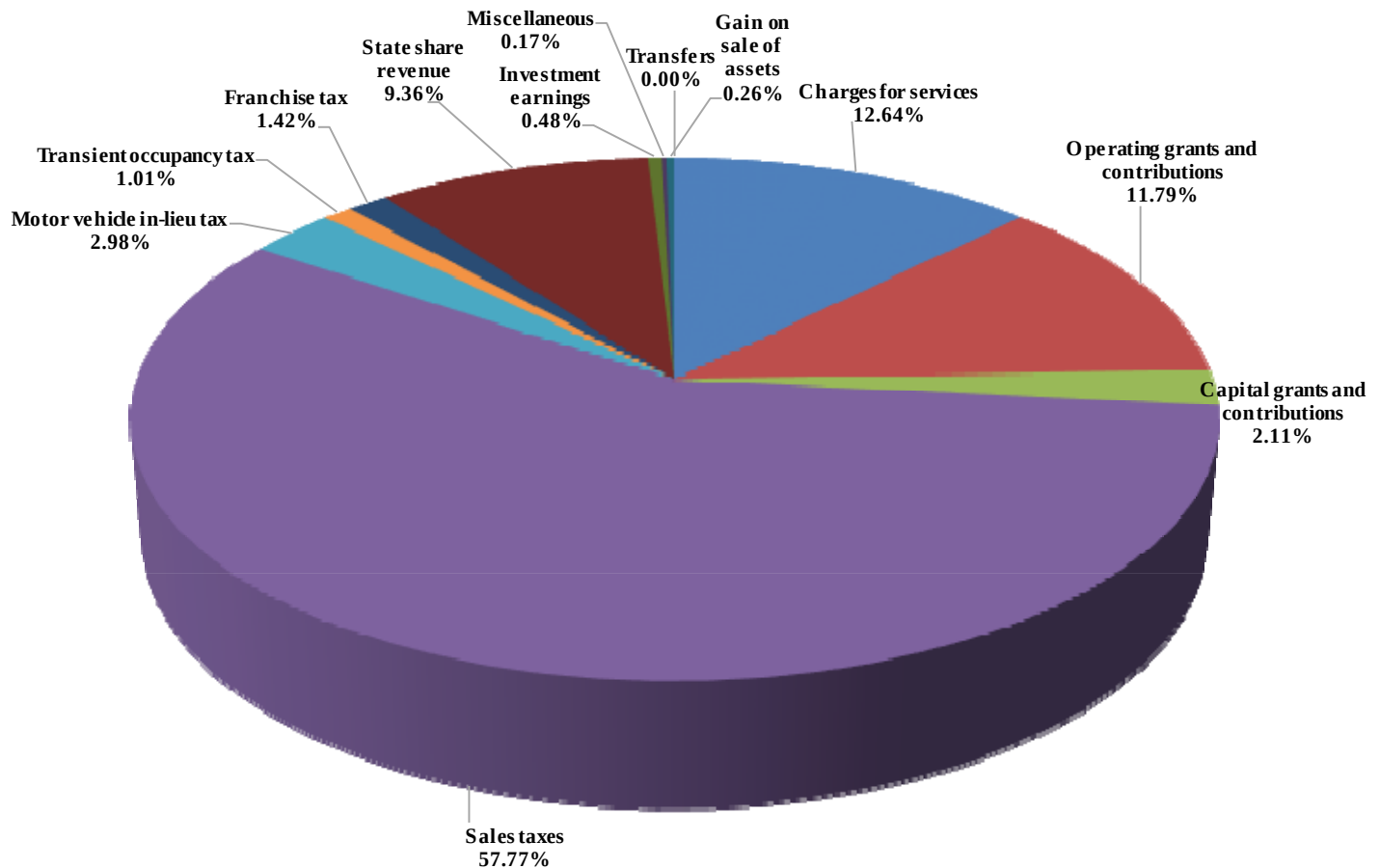
The City's net position was increased by \$5.0 million during the fiscal year, a 9% increase. This was due to a sales tax increase that was enacted by the Cottonwood City Council in November of 2019 that increased revenues and decreased the need to transfer between funds. This increase along with fiscally responsible spending allowed the City to increase its net position

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

Governmental Activities

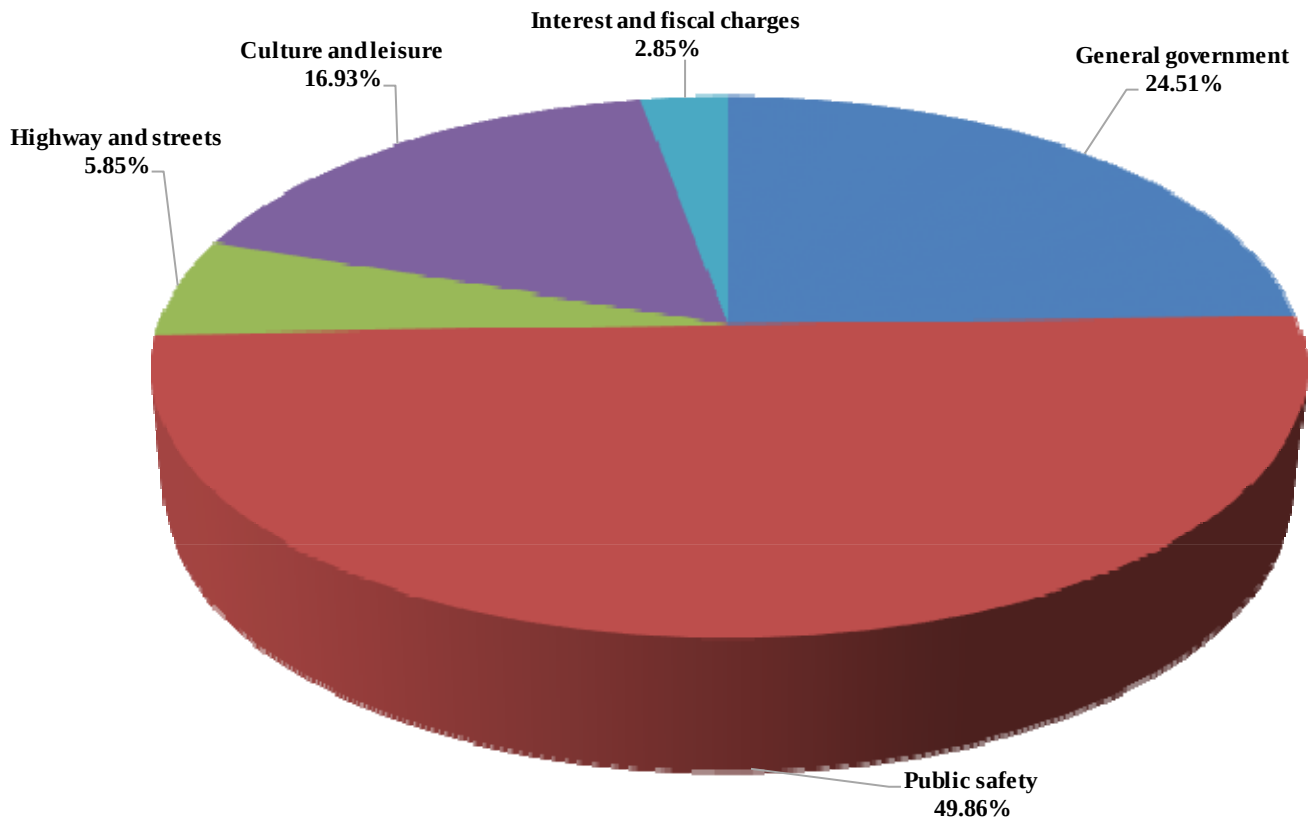
Governmental activities increased the City's net position by \$2.0 million. The decrease in the net position for governmental activities is attributed to increase expenditures derived from the general government activities. The charts that follow show the program revenues, general revenues and expenses by function for all Governmental activities.

REVENUE SOURCES, - GOVERNMENTAL ACTIVITIES



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

**EXPENDITURES BY FUNCTION
GOVERNMENTAL ACTIVITIES**



City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

Statement of Activities						
For the Year Ended June 30, 2019						
	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,599,327	\$ 4,024,303	\$ 10,821,119	\$ 10,632,507	\$ 14,420,446	\$ 14,656,810
Operating grants and contributions	3,358,972	3,292,725	-	-	3,358,972	3,292,725
Capital grants and contributions	601,461	2,494,456	-	-	601,461	2,494,456
Total program revenues	7,559,760	9,811,484	10,821,119	10,632,507	18,380,879	20,443,991
General revenues:						
Sales taxes	16,453,665	14,275,812	-	-	16,453,665	14,275,812
Motor vehicle in-lieu tax	848,579	781,103	-	-	848,579	781,103
Transient occupancy tax	288,333	243,347	-	-	288,333	243,347
Franchise tax	404,620	416,542	-	-	404,620	416,542
Total taxes	17,995,197	15,716,804	-	-	17,995,197	15,716,804
State share revenue	2,666,814	2,637,072	-	-	2,666,814	2,637,072
Investment earnings	135,426	75,947	364,451	119,643	499,877	195,590
Miscellaneous	48,496	278,646	78,225	60,644	126,721	339,290
Gain on sale of assets	74,936	12,466	(27,685)	(95,441)	47,251	(82,975)
Transfers	-	(8,715,709)	-	8,715,709	-	-
Total general revenues and transfers	20,920,869	10,005,226	414,991	8,800,555	21,335,860	18,805,781
Total revenues	28,480,629	19,816,710	11,236,110	19,433,062	39,716,739	39,249,772
Expenses:						
General government	5,947,814	5,357,347	-	-	5,947,814	5,357,347
Public safety	12,099,647	12,214,453	-	-	12,099,647	12,214,453
Highway and streets	1,419,997	1,634,741	-	-	1,419,997	1,634,741
Transportation	2,300,410	2,174,021	-	-	2,300,410	2,174,021
Culture and leisure	4,107,450	4,144,697	-	-	4,107,450	4,144,697
Interest and fiscal charges	691,681	614,906	-	-	691,681	614,906
Water	-	-	5,273,405	5,409,263	5,273,405	5,409,263
Wastewater	-	-	2,876,534	2,386,840	2,876,534	2,386,840
Total expenses	26,566,999	26,140,165	8,149,939	7,796,103	34,716,938	33,936,268
Change in net position	1,913,630	(6,323,455)	3,086,171	11,636,959	4,999,801	5,313,504
Net position, beginning of year	14,542,309	20,943,454	40,454,135	28,816,773	54,996,444	49,760,227
Restatement due to GASB 75 implementation	-	(77,690)	-	403	-	(77,287)
Net position, beginning of year, as restated	14,542,309	20,865,764	40,454,135	28,817,176	54,996,444	49,682,940
Net position, end of year	<u>\$ 16,455,939</u>	<u>\$ 14,542,309</u>	<u>\$ 43,540,306</u>	<u>\$ 40,454,135</u>	<u>\$ 59,996,245</u>	<u>\$ 54,996,444</u>

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

Governmental Activities

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

Business Type Activities

The City operates two business-type activities. These are the City's Water and Wastewater System. These business-type activities increased the City's net position by \$3.0 million over the prior year compared to an increase of \$11.6 million from FY 2017-2018.

As in prior years the City's Water System and Waste Water systems were supported primarily by user fees.

INTERNAL SERVICE FUNDS

The Internal Service Fund includes only the activity of the Employee Benefit Trust Fund (EBT). The EBT Fund accounts for the City's partially self-funded health and accident insurance program for certain City employees and their dependents. The EBT has been inactive since fiscal year 2002-03 after the City moved its required health insurance pool. All remaining funds will be used to supplement employee benefits.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Please note that unlike the Government-wide financial statements displayed previously, the fund financial statements that follow are not reflected on a full accrual basis.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$7.8 million, an increase of \$1.9 million due to a sales tax increase and fiscally responsible spending that limited the transfers to other funds.

The General Fund comprises 61.1 percent of the total fund balance. Approximately \$3.8 million or 78.6 percent of the General Fund's fund balance is unassigned. The fund balance increased \$1.6 million due to the sales tax increase and Council direction to reserve the additional resources.

The HURF Fund comprises 27.0 percent of the total fund balance. The fund balance increased \$149,733 due to unfinished projects that will be finished in future years.

The Transit Fund comprises less than 1% of the total fund balance. The fund balance decreased \$418 no funds being transferred from the general fund.

The Grant Fund comprises less than 1 percent of the total fund balance, all of which is restricted. The fund balance increased \$9,483 to \$11,164.

The Debt Service Fund comprises 4.7 percent of the total fund balances. All of the fund balance is restricted for debt service. Revenues are allocated from other funds to cover applicable debt service requirements for the year.

The Capital Projects Fund comprises 7.1 percent of the total fund balance. All of the fund balance is assigned or restricted for capital projects. The fund balance decreased \$20,025 due to a transfer of resources to other funds for capital projects.

Proprietary Funds

Net position of the Enterprise Funds and the Internal Service Fund at the end of the fiscal year amounted to \$43.5 million and \$95,544, respectively. The increase in net position in the Enterprise Funds of \$3.1 million from the prior fiscal year was primarily due to the funds not being used for capital projects in the current year but that will be needed to finish capital projects in future years.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City revised the General Fund annual expenditure budget primarily due to changes in the council contingency reserve and projects that were not completed. The difference between the original budget and the final amended budget was a \$239 thousand increase, or 1 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. There were no significant variances.

Capital Assets

As of the end of the current fiscal year, the City had invested \$87.7 million in governmental capital assets and \$68.6 million in business-type capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. These amounts represent an increase prior to depreciation of \$1.2 million for the governmental activities and a decrease prior to depreciation of \$4.2 business-type activities. The increase in the governmental activities was primarily due to various street improvements and other construction projects. The decrease in the business-type activities was primarily due to a reclassification of excess consideration provided for acquisition from capital assets. Total depreciation expense for the current fiscal year was \$3.0 million for governmental activities and \$1.9 million for business-type activities.

	Government Activities	Business-Type Activities	Total
<i>Non-Depreciable Assets:</i>			
Land	\$ 2,587,885	\$ 4,132,241	\$ 6,720,126
Construction in process	467,319	2,476,400	2,943,719
Total non-depreciable assets, net	3,055,204	6,608,641	9,663,845
<i>Depreciable Assets:</i>			
Infrastructure	29,682,148	45,836,615	75,518,763
Buildings and improvements	40,907,201	10,476,355	51,383,556
Vehicles, machinery and equipment	14,048,931	5,668,524	19,717,455
	84,638,280	61,981,494	146,619,774
Less accumulated depreciation	(39,073,152)	(25,829,418)	(64,902,570)
Total depreciable assets, net	45,565,128	36,152,076	81,717,204
Total capital assets	\$ 48,620,332	\$ 42,760,717	\$ 91,381,049

Debt Administration

At year-end, the City had \$21.3 million in governmental long-term debt outstanding with \$1.8 million due within one year. The City had \$24.2 million in business-type long-term debt outstanding, with \$1.5 million due within one year. Long-term debt decreased by \$776 thousand for governmental and decreased by \$1.9 million for business-type activities.

City of Cottonwood
Management's Discussion and Analysis (Unaudited) (Continued)
(Required Supplementary Information)
For the Year Ended June 30, 2019

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 \$25.6 million. State statutes also currently limit the amount of general obligation debt a City may issue to six percent of its total assessed valuation for all other purposes. The current six percent debt limitation for the City is \$7.7 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 8 through 11 in the notes to the financial statements.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year	Due in more than one year
<u>Governmental Activities</u>						
Capital leases	\$ 1,140,441	\$ 1,285,928	\$ (581,817)	\$ 1,844,552	\$ 461,480	\$ 1,383,072
2015 Pledged revenue bonds	8,298,110	-	(362,264)	7,935,846	339,340	7,596,506
2016 Pledged revenue bonds	12,680,895	-	(1,118,590)	11,562,305	1,010,000	10,552,305
Total Government Activities	22,119,446	1,285,928	(2,062,671)	21,342,703	1,810,820	19,531,883
<u>Business-Type Activities</u>						
Capital leases	413,270	-	(413,270)	-	-	-
2015 WIFA refunding loan	8,967,942	-	(636,802)	8,331,140	650,812	7,680,328
2016 WIFA refunding loan	13,375,790	-	(695,869)	12,679,921	707,727	11,972,194
2015 Pledged revenue bonds	3,340,090	-	(146,160)	3,193,930	135,661	3,058,269
	26,097,092	-	(1,892,101)	24,204,991	1,494,200	22,710,791
Total	\$ 48,216,538	\$ 1,285,928	\$ (3,954,772)	\$ 45,547,694	\$ 3,305,020	\$ 42,242,674

Economic Factors and Next Year's Budget

Many factors were considered by the City's officials during the process of developing the fiscal year 2019-20 budget. Among them:

- Fiscal year 2018-19 general fund budget balance carry forward (estimated \$4.4 million).
- Employee salaries and benefits (estimated \$20.4 million).
- Sales taxes increase of 0.5% was approved and effective November 2018 and a full year of the increase will be reflected.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Cottonwood's finances for all those with an interest in the government finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Financial Services Director, 827 N. Main St., Cottonwood, Arizona 86326.

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Basic Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Government-Wide Financial Statements

City of Cottonwood
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 6,339,460	\$ 10,854,960	\$ 17,194,420
Receivables:			
Accounts	178,342	631,264	809,606
Taxes	1,340,713	-	1,340,713
Intergovernmental	550,382	-	550,382
Inventories	43,853	-	43,853
Prepaid items	18,225	-	18,225
Total current assets	8,470,975	11,486,224	19,957,199
Noncurrent assets:			
Restricted cash and investment	2,272,009	12,252,785	14,524,794
Net OPEB asset	65,448	5,305	70,753
Capital assets:			
Nondepreciable	3,055,204	6,608,641	9,663,845
Depreciable, net	45,565,128	36,152,076	81,717,204
Total capital assets, net	48,620,332	42,760,717	91,381,049
Total noncurrent assets	50,957,789	55,018,807	105,976,596
Total assets	59,428,764	66,505,031	125,933,795
DEFERRED OUTFLOWS OF RESOURCES			
Excess consideration provided for acquisitions (Note 6)	-	4,111,787	4,111,787
Deferred loss on refunding	282,534	-	282,534
OPEB-related deferred outflows	120,249	21,278	141,527
Pension-related deferred outflows	4,931,742	306,115	5,237,857
Total deferred outflows of resources	5,334,525	4,439,180	9,773,705

City of Cottonwood
Statement of Net Position (Continued)
June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	773,688	190,103	963,791
Accrued payroll and related liabilities	292,252	41,797	334,049
Interest payable	343,494	263,382	606,876
Deposits payable	43,651	250,420	294,071
Compensated absences - due within one year	919,203	65,526	984,729
Long-term debt - due within one year	1,810,820	1,494,200	3,305,020
Total current liabilities	4,183,108	2,305,428	6,488,536
Long-term liabilities:			
Compensated absences - due in more than one year	438,748	96,503	535,251
Long-term debt - due in more than one year	19,531,883	22,710,791	42,242,674
Aggregate net OPEB liability - due in more than one year	117,745	7,612	125,357
Aggregate net pension liability - due in more than one year	22,249,204	2,027,619	24,276,823
Total long-term liabilities	42,337,580	24,842,525	67,180,105
Total liabilities	46,520,688	27,147,953	73,668,641
DEFERRED INFLOWS OF RESOURCES			
OPEB-related deferred inflows	129,920	16,239	146,159
Pension-related deferred inflows	1,656,742	239,713	1,896,455
Total deferred inflows of resources	1,786,662	255,952	2,042,614
NET POSITION			
Net investment in capital assets	27,277,629	27,089,493	54,367,122
Restricted for:			
Debt service	348,012	7,830,805	8,178,817
Capital projects	557,989	-	557,989
Grants	11,164	-	11,164
Highways and streets	2,093,296	-	2,093,296
Total restricted	3,010,461	7,830,805	10,841,266
Unrestricted (deficit)	(13,832,151)	8,620,008	(5,212,143)
Total net position	<u>\$ 16,455,939</u>	<u>\$ 43,540,306</u>	<u>\$ 59,996,245</u>

City of Cottonwood
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,947,814	\$ 1,469,608	\$ 733,273	\$ 21,826	\$ 2,224,707
Public safety	12,099,647	888,666	590,525	1,913	1,481,104
Highways and streets	1,419,997	-	1,054,486	101,258	1,155,744
Transportation	2,300,410	211,490	951,163	235,363	1,398,016
Culture and leisure	4,107,450	1,029,563	29,525	241,101	1,300,189
Interest and fiscal agent fees, net of amortization	691,681	-	-	-	-
Total governmental activities	26,566,999	3,599,327	3,358,972	601,461	7,559,760
Business-Type activities:					
Water	5,273,405	7,744,901	-	-	7,744,901
Wastewater	2,876,534	3,076,218	-	-	3,076,218
Total business-type activities	8,149,939	10,821,119	-	-	10,821,119
Total primary government	\$ 34,716,938	\$ 14,420,446	\$ 3,358,972	\$ 601,461	\$ 18,380,879

City of Cottonwood
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (3,723,107)	\$ -	\$ (3,723,107)
Public safety	(10,618,543)	-	(10,618,543)
Highways and streets	(264,253)	-	(264,253)
Transportation	(902,394)	-	(902,394)
Culture and leisure	(2,807,261)	-	(2,807,261)
Interest and fiscal agent fees, net of amortization	(691,681)	-	(691,681)
Total governmental activities	(19,007,239)	-	(19,007,239)
Business-Type activities:			
Water	-	2,471,496	2,471,496
Wastewater	-	199,684	199,684
Total business-type activities	-	2,671,180	2,671,180
Total primary government	(19,007,239)	2,671,180	(16,336,059)
General revenues:			
Taxes:			
Sales tax	16,453,665	-	16,453,665
Motor vehicle in-lieu taxes	848,579	-	848,579
Franchise tax	404,620	-	404,620
Transient occupancy tax	288,333	-	288,333
Total taxes	17,995,197	-	17,995,197
State share revenue	2,666,814	-	2,666,814
Investment earnings	135,426	364,451	499,877
Miscellaneous	48,496	78,225	126,721
Gain (loss) on sale of assets	74,936	(27,685)	47,251
Total general revenues and transfers	20,920,869	414,991	21,335,860
Change in net position	1,913,630	3,086,171	4,999,801
Net position - beginning of year	14,542,309	40,454,135	54,996,444
Net position - end of year	\$ 16,455,939	\$ 43,540,306	\$ 59,996,245

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Fund Financial Statements

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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Comprehensive Annual Financial Report
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Governmental Fund Financial Statements

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Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

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

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

City of Cottonwood
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash investments	\$ 4,027,828	\$ 210,911	\$ 2,005,177	\$ 6,243,916
Restricted cash and cash investments	-	1,396,437	875,572	2,272,009
Receivables:			-	
Accounts	95,758	-	82,584	178,342
Taxes	1,153,525	137,101	50,087	1,340,713
Intergovernmental	170,510	-	379,872	550,382
Due from other funds	288,995	-	-	288,995
Inventories	21,568	-	22,285	43,853
Prepaid items	-	18,225	-	18,225
Total assets	\$ 5,758,184	\$ 1,762,674	\$ 3,415,577	\$ 10,936,435
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 654,992	\$ -	\$ 118,696	\$ 773,688
Accrued payroll and related liabilities	265,079	-	27,173	292,252
Due to other funds	-	-	288,995	288,995
Deposits payable	43,651	-	-	43,651
Interest payable - current portion	-	248,782	94,712	343,494
Principal payable - current portion	-	1,147,655	201,685	1,349,340
Total liabilities	963,722	1,396,437	731,261	3,091,420
Fund Balances:				
Nonspendable	21,568	18,225	22,285	62,078
Restricted	-	348,012	2,662,449	3,010,461
Assigned	1,000,000	-	-	1,000,000
Unassigned	3,772,894	-	(418)	3,772,476
Total fund balances	4,794,462	366,237	2,684,316	7,845,015
Total liabilities and fund balances	\$ 5,758,184	\$ 1,762,674	\$ 3,415,577	\$ 10,936,435

See accompanying Notes to Basic Financial Statements.

City of Cottonwood
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

Total Fund Balances - Total Governmental Funds	\$ 7,845,015
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	48,620,332
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences - due within one year	(919,203)
Compensated absences - due in more than one year	(438,748)
Long-term debt - due within one year	(1,810,820)
Long-term debt - due in more than one year	(19,531,883)
less amount reported in governmental fund financial statements for current portion	1,349,340
	(21,351,314)
Aggregate net OPEB asset in the governmental activities were not financial resources and therefore were not reported in governmental funds.	65,448
Deferred loss on refunding in the governmental activities were not financial resources and therefore were not reported in governmental funds.	282,534
Actuarially determined deferred outflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	120,249
Pension-related deferred outflows	4,931,742
	5,051,991
Aggregate net OPEB liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	(117,745)
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	(22,249,204)
Actuarially determined deferred inflows of resources are reported in the government-wide statements:	
OPEB-related deferred outflows	(129,920)
Pension-related deferred outflows	(1,656,742)
	(1,786,662)
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were reported with governmental activities.	95,544
Net Position of Governmental Activities	\$ 16,455,939

City of Cottonwood
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds			
	General Fund	City Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 14,369,751	\$ 1,643,708	\$ 1,133,159	\$ 17,146,618
Intergovernmental	4,107,684	-	2,410,546	6,518,230
Licenses and Permits	568,297	-	-	568,297
Fines and Forfeitures	213,450	-	-	213,450
Rents and royalties	159,879	-	-	159,879
Investment Income	83,736	1,190	49,193	134,119
Charges for Services	2,121,852	-	211,490	2,333,342
Contributions	30,935	-	-	30,935
Miscellaneous	1,300,823	-	-	1,300,823
	<u>22,956,407</u>	<u>1,644,898</u>	<u>3,804,388</u>	<u>28,405,693</u>
EXPENDITURES:				
Current:				
General government	6,139,003	-	-	6,139,003
Public safety	11,071,615	-	-	11,071,615
Highways and streets	-	-	908,747	908,747
Transportation	-	-	1,789,161	1,789,161
Culture and leisure	3,302,674	-	422	3,303,096
Capital outlay	1,678,767	-	521,615	2,200,382
Debt service:			-	
Principal	374,313	948,984	221,313	1,544,610
Interest and fiscal charges, net of amortization of deferred loss on refunding	122,338	488,987	217,621	828,946
Total expenditures	<u>22,688,710</u>	<u>1,437,971</u>	<u>3,658,879</u>	<u>27,785,560</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>267,697</u>	<u>206,927</u>	<u>145,509</u>	<u>620,133</u>
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	1,285,928	-	-	1,285,928
Sales of property	82,369	-	-	82,369
Transfers in	-	-	25,512	25,512
Transfers out	(25,512)	-	-	(25,512)
Total other financing sources (uses)	<u>1,342,785</u>	<u>-</u>	<u>25,512</u>	<u>1,368,297</u>
Net changes in fund balances	1,610,482	206,927	171,021	1,988,430
FUND BALANCES:				
Beginning of year	3,183,980	159,310	2,513,295	5,856,585
End of year	<u>\$ 4,794,462</u>	<u>\$ 366,237</u>	<u>\$ 2,684,316</u>	<u>\$ 7,845,015</u>

City of Cottonwood
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 1,988,430
Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. (amount includes \$8,168 of repairs and maintenance)	2,192,214
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds.	(3,016,779)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations, transfers, and disposals) decreased Net Position.	(7,433)
The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Issuance of long-term debt	(1,285,928)
Accrual of long-term liabilities payable on July 1, 2019 was an expenditure in governmental funds, but had no effect in the Government-Wide Statement of Net Position.	1,349,340
Repayment of long-term liabilities due on January 1, 2019 was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	
Debt Retirements on the Government-Wide Statement of Net Assets	1,894,013
Less: Accrual of long-term liabilities payable on July 1, 2018	(1,516,949)
Total	<u>377,064</u>
Amortization expenses were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, amortization expenses were not reported as expenditures in the Governmental Funds.	
Bond premium and discount	168,658
Deferred amounts on refunding	(31,393)
The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(267,577)
The net effect of various miscellaneous transactions involving OPEB plans (i.e. changes in the net OPEB (asset) liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	6,628
Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.	
Changes in compensated absences	438,229
Internal service funds were used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds was reported with governmental activities.	<u>2,177</u>
Change in Net Position of Governmental Activities	<u>\$ 1,913,630</u>

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City of Cottonwood
Comprehensive Annual Financial Report
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Proprietary Fund Financial Statements

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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PROPRIETARY FUND FINANCIAL STATEMENTS

Water Fund – This fund is used to account for the provision of water services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Wastewater Fund – This fund is used to account for the provision of wastewater collection and treatment services to the residential, commercial, and industrial segments of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

City of Cottonwood
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Wastewater Fund	Total	
ASSETS				
Current assets:				
Cash and cash investments	\$ 8,822,432	\$ 2,032,528	\$ 10,854,960	\$ 95,544
Receivables:				
Accounts	454,440	176,824	631,264	-
Total current assets	9,276,872	2,209,352	11,486,224	95,544
Noncurrent assets:				
Restricted cash and cash equivalents	10,508,436	1,744,349	12,252,785	-
Net OPEB Asset	3,560	1,745	5,305	-
Capital assets:				
Non-depreciable	3,109,130	3,499,511	6,608,641	-
Depreciable, net	11,179,164	24,972,912	36,152,076	-
Total capital assets	14,288,294	28,472,423	42,760,717	-
Total noncurrent assets	24,800,290	30,218,517	55,018,807	-
Total assets	34,077,162	32,427,869	66,505,031	95,544
DEFERRED OUTFLOWS OF RESOURCES				
Excess consideration provided for acquisitions	4,111,787	-	4,111,787	-
OPEB-related deferred outflows	14,280	6,998	21,278	-
Pension-related deferred outflows	205,412	100,703	306,115	-
Total deferred outflows of resources	4,331,479	107,701	4,439,180	-
LIABILITIES				
Current liabilities:				
Accounts payable	98,045	92,058	190,103	-
Accrued payroll and related liabilities	28,566	13,231	41,797	-
Interest payable	217,900	45,482	263,382	-
Deposits payable	250,420	-	250,420	-
Compensated absences - due within one year	54,066	11,460	65,526	-
Long-term debt - due within one year	1,397,347	96,853	1,494,200	-
Total current liabilities	2,046,344	259,084	2,305,428	-
Noncurrent liabilities:				
Compensated absences - due in more than one year	84,366	12,137	96,503	-
Long term debt - due in more than one year	20,527,384	2,183,407	22,710,791	-
Aggregate net OPEB liability	5,108	2,504	7,612	-
Aggregate net pension liability	1,360,593	667,026	2,027,619	-
Total noncurrent liabilities	21,977,451	2,865,074	24,842,525	-
Total liabilities	24,023,795	3,124,158	27,147,953	-
DEFERRED INFLOWS OF RESOURCES				
OPEB-related deferred outflows	10,896	5,343	16,239	-
Pension-related deferred inflows	160,855	78,858	239,713	-
Total deferred inflows of resources	171,751	84,201	255,952	-
NET POSITION				
Net investment in capital assets	897,330	26,192,163	27,089,493	-
Restricted	6,086,456	1,744,349	7,830,805	-
Unrestricted	7,229,309	1,390,699	8,620,008	95,544
Total net position	\$ 14,213,095	\$ 29,327,211	\$ 43,540,306	\$ 95,544

See accompanying Notes to the Basic Financial Statements.

City of Cottonwood
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Wastewater Fund	Total	
OPERATING REVENUES:				
Charges for services	\$ 7,744,901	\$ 3,076,218	\$ 10,821,119	\$ -
Total operating revenues	<u>7,744,901</u>	<u>3,076,218</u>	<u>10,821,119</u>	<u>-</u>
OPERATING EXPENSES:				
Salaries and benefits	1,503,308	679,396	2,182,704	-
Materials, supplies and operational expenses	2,165,345	1,298,043	3,463,388	-
Depreciation	1,032,572	824,811	1,857,383	-
Amortization	158,132	-	158,132	-
Total operating expenses	<u>4,859,357</u>	<u>2,802,250</u>	<u>7,661,607</u>	<u>-</u>
OPERATING INCOME	<u>2,885,544</u>	<u>273,968</u>	<u>3,159,512</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Miscellaneous	59,415	18,810	78,225	-
Investment income	316,628	47,823	364,451	2,177
Interest expense	(414,048)	(74,284)	(488,332)	-
Gain (loss) on disposal of property	(8,044)	(19,641)	(27,685)	-
Total nonoperating revenues (expenses)	<u>(46,049)</u>	<u>(27,292)</u>	<u>(73,341)</u>	<u>2,177</u>
Changes in net position	2,839,495	246,676	3,086,171	2,177
NET POSITION:				
Beginning of year	11,373,600	29,080,535	40,454,135	93,367
End of year	<u>\$ 14,213,095</u>	<u>\$ 29,327,211</u>	<u>\$ 43,540,306</u>	<u>\$ 95,544</u>

City of Cottonwood
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Wastewater Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and users	\$ 8,053,966	\$ 2,954,067	\$ 11,008,033	\$ -
Cash payments to suppliers for goods and services	(2,128,846)	(1,246,286)	(3,375,132)	-
Cash payments to employees for services	(1,523,767)	(723,275)	(2,247,042)	-
Net cash provided by operating activities	4,401,353	984,506	5,385,859	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Miscellaneous	59,415	18,810	78,225	-
Net cash provided by noncapital financing activities	59,415	18,810	78,225	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(617,526)	(110,059)	(727,585)	-
Sale of capital assets	1,661	3,007	4,668	-
Principal paid on capital-related debt	(1,783,932)	(94,813)	(1,878,745)	-
Interest paid on capital-related debt	(415,929)	(79,315)	(495,244)	-
Net cash (used in) capital and related financing activities	(2,815,726)	(281,180)	(3,096,906)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	316,628	47,823	364,451	2,177
Net cash provided by investing activities	316,628	47,823	364,451	2,177
Net increase in cash and cash equivalents	1,961,670	769,959	2,731,629	2,177
CASH AND CASH EQUIVALENTS:				
Beginning of year	17,369,198	3,006,918	20,376,116	93,367
End of year	<u>\$ 19,330,868</u>	<u>\$ 3,776,877</u>	<u>\$ 23,107,745</u>	<u>\$ 95,544</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:				
Cash and cash investments	\$ 8,822,432	\$ 2,032,528	\$ 10,854,960	\$ 95,544
Restricted cash and investments	10,508,436	1,744,349	12,252,785	-
Total cash and cash equivalents	<u>\$ 19,330,868</u>	<u>\$ 3,776,877</u>	<u>\$ 23,107,745</u>	<u>\$ 95,544</u>

City of Cottonwood
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water Fund	Wastewater Fund	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	\$ 2,885,544	\$ 273,968	\$ 3,159,512	\$ -
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	1,032,572	824,811	1,857,383	-
Amortization	158,132	-	158,132	-
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	311,119	(122,151)	188,968	-
Aggregate net OPEB asset	(8,833)	(4,472)	(13,305)	-
OPEB-related deferred outflows	(8,556)	(4,037)	(12,593)	-
Pension-related deferred outflows	21,345	16,583	37,928	-
Accounts payable	36,499	51,757	88,256	-
Accrued payroll and related liabilities	6,542	3,123	9,665	-
Deposits payable	(2,054)	-	(2,054)	-
Compensated absences	24,702	15,202	39,904	-
Aggregate net OPEB liability	1,623	702	2,325	-
Aggregate net pension liability	(133,114)	(105,568)	(238,682)	-
OPEB-related deferred outflows	4,431	1,999	6,430	-
Pension-related deferred inflows	71,401	32,589	103,990	-
Total adjustments	1,515,809	710,538	2,226,347	-
Net cash provided by operating activities	\$ 4,401,353	\$ 984,506	\$ 5,385,859	\$ -

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Fiduciary Fund Financial Statements

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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City of Cottonwood
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

		Firemen Pension Trust Fund
	ASSETS	
Restricted cash and investments		\$ 203,888
Total assets		<u>\$ 203,888</u>
	LIABILITIES	
	NET POSITION RESTRICTED FOR PENSIONS	
Held in trust		\$ 203,888
Total net position		<u>\$ 203,888</u>

City of Cottonwood
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

	Firemen Pension Trust Fund
ADDITIONS:	
Investment income	\$ 11,052
Total additions	<u>11,052</u>
DEDUCTIONS:	
Retirement benefits	2,400
Miscellaneous expense	<u>3,681</u>
Total deductions	<u>6,081</u>
Change in fiduciary net position	4,971
NET POSITION RESTRICTED FOR PENSIONS:	
Beginning of year	<u>198,917</u>
End of year	<u><u>\$ 203,888</u></u>

City of Cottonwood
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Notes to the Basic Financial Statements

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City of Cottonwood
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For the Year Ended June 30, 2019

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City of Cottonwood
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Cottonwood, Arizona (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated on November 14, 1960. The City operates under a Mayor-Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, transportation, social services, culture-leisure, public improvements, community development (planning, building and zoning), public utilities (water and wastewater), and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude its financial statements. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

The financial reporting entity consists of the primary government, the City, and its component units. Component units are legally separate entities for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government’s operation and so financial statements from these units are combined with financial statements of the primary government. Discretely presents component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

Cottonwood Municipal Property Corporation (the “Corporation”) – The Corporation’s board of directors consists of three members, which are appointed by the Cottonwood City Council. The Corporation is a nonprofit corporation incorporated under the laws of the State of Arizona and was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. It has a June 30 year-end and is reported within the Water Fund. No separate financial statements are issued for Corporation.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City, and its component units, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the statement of activities, internal service fund transactions have been eliminated.) However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences between fund balance in these statement and net position as presented in the government-wide financial statements. The City has presented all major funds that meet the applicable criteria.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both “measurable” and “available” to finance expenditures of the current period.

The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, franchise taxes, state shared revenues, licenses and permits, charges for services, intergovernmental revenues, charges for services, and investment income. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until cash is received. Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Unearned revenues arise when resources are received by the City before it has a legal claim to them, such as when grant revenue is received prior to meeting all eligibility requirements imposed by the grantor.

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

Major governmental funds of the City are outlined below:

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

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

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

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

HURF Special Revenue Fund – This fund accounts for the City's share of state taxes on gasoline, diesel fuels and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of personnel, right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the principal and interest on highway and street bonds.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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

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

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund and non-major funds in the aggregate. The City reports the following major proprietary fund types:

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

Wastewater Fund – This fund accounts for the City's wastewater operations.

A separate column representing internal service funds is also presented in these statements. The City's internal service fund accounts for the activity of the Employee Benefit Trust Fund (EBT). The EBT is the City's partially self-funded health and accident insurance program for certain City employees and their dependents. The EBT has been closed since fiscal year 2002-03 after the City moved to the Arizona Public Employers Health Pool. Remaining funds are used to supplement employee benefits by providing City-wide health programming to encourage increased health awareness and healthy living. By providing additional health benefits the City hopes to also help decrease medical claims and therefore medical insurance costs. For the government-wide financial statements, the internal service fund balances and activities have been combined with the governmental activities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The principal activities are charges to customers for water and wastewater services and expenditures for maintenance, operations, administration, depreciation. Revenues not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Restricted Cash and Investments

Certain cash and investments held by a fiscal agent from bond proceeds of City issued bond and loans, as well as certain resources set aside for their repayment, are classified as restricted cash and investments because their use is limited by applicable bond indentures or loan covenants. In addition, deposits received from customers for utility services are classified as restricted assets because their use is limited to the repayment to those customers.

E. Fair Value Measurement

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, this statement defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

F. Excess Consideration Provided for Acquisitions

Excess consideration were amounts paid by the City over the net position of the acquired entity and is recorded as a Deferred Outflow on the Statement of Net Position of the City. Amortization is provided on a straight-line basis over the estimated useful life of 40 years.

G. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost. Donated capital assets are valued at their acquisition value on the date donated. City policy has set the capitalization threshold for capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

<u>Asset Category</u>	<u>Estimated Useful Life (Years)</u>
Buildings and improvements	15-40 years
Improvements other than buildings	8-40 years
Infrastructure	20 years
Machinery and equipment	5-25 years
Vehicles	5-8 years
Water distribution system	5-30 years

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. The carrying amount of the subsystems are not required to be separately classified and reported in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting. Infrastructure assets acquired prior to 1980 are not included in the government-wide financial statements. Infrastructure assets acquired after that date are recorded at historical cost, or estimated historical cost if actual historical cost is not available.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized.

H. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the period when incurred.

Fund Financial Statements

The fund financial statements do not present long-term debt but rather show it in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

When refunding bonds are issued, the difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Unamortized portions of the loss on refunding debt are reported as deferred outflows of resources.

I. Compensated Absences

Government-Wide Financial Statements

City employees have vested interest in varying levels of vacation and sick leave based on both their length of employment and their bargaining unit. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment with the City. The amount of compensated absences is accrued when earned in the government-wide financial statements.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. When an employee is terminated at fiscal year end, the amount of his or her reimbursable unused vacation and/or sick leave is recorded as a liability in the governmental funds. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

J. Pensions Plans and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

The following timeframes are used for pension/OPEB reporting:

<u>ASRS</u>	
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
<u>PSPRS</u>	
Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension/OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, increased by the deferred outflows related to excess consideration provided for acquisition, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and unspent bond proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

L. Fund Balances

For governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government's highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. In fiscal year ending June 30, 2012, the City Council adopted the Fund Balance Policy XVII in the Financial Operations Guide adopting the fund balance policy authorizing the Administrative Services General Manager to make the assignments.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that can report a deficit unassigned fund balance amount. In other governmental funds, it is not appropriate to report a deficit unassigned fund balance amount. However, in a governmental fund other than the general fund, expenditures incurred for a specific purpose might exceed the amounts in the fund that are restricted, committed, and assigned to that purpose and a negative residual balance for that purpose may result. If that occurs, amounts assigned to other purposes in that fund should be reduced to eliminate the deficit. If the remaining deficit eliminates all other assigned amounts in the fund, or if there are no amounts assigned to other purposes, the negative residual amount is classified as unassigned fund balance.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed. When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

The City has established a minimum fund balance policy for each governmental fund type which contains operating expenses. The minimum unassigned fund balance in the General Fund is not less than 16.66 percent and not more than 25 percent of the total revised budgeted operating expenditures. The minimum assigned fund balance for general capital purposes in the General Fund is not less than 2.67 percent of the total revised budgeted operating revenues and not more than \$1,000,000. The minimum assigned fund balance for public safety capital purposes in the General Fund is not less than \$100,000. The minimum assigned and unassigned fund balance in the Capital Projects Fund must be sufficient to fund all outstanding obligations.

M. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2019

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2019. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City's fiscal year ending June 30, 2019. This pronouncement did not have a material effect on the financial statements of the City.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2019 (Continued)

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This pronouncement did not have a material effect on the financial statements of the City.

O. Upcoming Governmental Accounting Standards Implementation

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

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 89 (Continued)

This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2022.

Note 2 – Cash and Investments

The following is a summary of cash and investments and restricted cash and investments at June 30, 2019:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 6,339,460	\$ 10,854,960	\$ 17,194,420	\$ -	\$ 17,194,420
Restricted cash and investments	2,272,009	12,252,785	14,524,794	203,888	14,728,682
Total	\$ 8,611,469	\$ 23,107,745	\$ 31,719,214	\$ 203,888	\$ 31,923,102

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

Cash, cash equivalents, and investments, excluding investments with fiscal agents, consisted of the following at June 30, 2019:

Cash and cash equivalents:	
Petty cash	\$ 2,992
Demand deposits	8,299,556
Restricted demand deposits	1,576,485
Money market	1,866
Investments:	
Local Government Investment Pool	7,364,969
Mutual funds	222,669
U.S. Treasuries and Agencies	14,454,565
Total	\$ 31,923,102

At June 30, 2019, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

<u>Investments by Fair Value Level</u>	<u>Total</u>	<u>Measurement</u>	<u>Valuation</u>
<u>Investment Type</u>	<u>Fair Value</u>	<u>Inputs</u>	<u>Technique</u>
Investments:			
U.S. Treasuries and Agencies	\$ 14,454,565	Level 2	Matrix pricing model
Mutual Funds	222,669	Uncategorized	N/A
Total investments by fair value level	<u>\$ 14,677,234</u>		
External Investment Pools measured at Fair Value			
Local Government Investment Pool	\$ 7,364,969	Uncategorized	
Total investment pools measured at fair value	<u>7,364,969</u>		
Total investments	<u>\$ 22,042,203</u>		

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$8,299,556 at June 30, 2019. Bank balances were \$8,046,129 at that date. As of June 30, 2019, \$6,497,118 of the City's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

B. Investments

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

- Securities of the U.S. Government or its agencies
- Interest-bearing savings accounts and certificates of deposit
- State Treasurer's Loan Government Investment Pools
- County Treasurer's investment pool
- Collateralized repurchase agreements
- Certain obligations of U.S. corporations
- Certain other securities

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

B. Investments (Continued)

No current adjustments have been made to the accompanying basic financial statements because the City's investments were primarily in the State of Arizona Loan Government Investment Pool (Pool 7) and the fair value adjustment was immaterial. The fair value of the City's position in LGIP approximates the value of the pool shares.

C. External Investment Pool

Investments in the State Treasurer's LGIP (Pool 7), a state managed external investment pool, are valued at the pool's share price multiplied by number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2019, the City's investments had the following maturities:

	Amount	Weighted Average Maturities (in Years)	
		1 year or less	1 - 5 years
Investments:			
Local Government Investment Pool	\$ 7,364,969	\$ 7,364,969	\$ -
Mutual funds	222,669	222,669	-
U.S. Treasuries and Agencies	14,454,565	6,251,271	8,203,294
Total	\$ 22,042,203	\$ 13,838,909	\$ 8,203,294

Credit Risk

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

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Government Investment Pool	\$ 7,364,969	Unrated	Not applicable
Mutual funds	222,669	Not Rated	Not Rated
U.S. Treasuries and Agencies	14,454,565	Aaa	AA+
Total	\$ 22,042,203		

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Custodial Credit Risk

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

Concentration of Credit Risk

In accordance with its investment policy, the City diversifies its investment portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. Total investments in two categories may not exceed 25 percent of the investment portfolio: (1) fully insured or collateralized certificates of deposit (2) State, county, school district, and other district municipal bonds with an A rating or better. More than five percent of the City's investments are held in U.S. Treasuries and Agencies. These investments are 46 percent of the City's total investments.

Note 3 – Receivables

Receivable balances, net of allowance for uncollectible accounts, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectible accounts, as of year-end for the City's individual governmental funds were as follows:

	General Fund	HURF Fund	Transit Fund	City Capital Projects Fund	Total
Due from federal government	\$ 64,500	\$ -	\$ -	\$ -	\$ 64,500
Due from state government	80,048	96,804	279,292	3,776	459,920
Due from county government	25,962	-	-	-	25,962
Total	\$ 170,510	\$ 96,804	\$ 279,292	\$ 3,776	\$ 550,382

Note 4 – Interfund Balances and Transactions

A. Due to and from other funds

Due from and to other funds as of June 30, 2019, was as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Transit Fund	\$ 288,995	Overdrawn Cash

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

B. Transfers

At June 30, 2019, the City had the following transfers:

Transfers In	Transfers Out	Amount	Purpose
Grants Fund	General Fund	\$ 420	Grant matching funds
Transit Fund	General Fund	25,092	Grant matching funds
	Total	\$ 25,512	

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers/ Reclassifications	Balance June 30, 2019
Nondepreciable assets:					
Land	\$ 2,587,885	\$ -	\$ -	\$ -	\$ 2,587,885
Construction in progress	4,780,562	516,383	-	(4,829,626)	467,319
Total nondepreciable assets	7,368,447	516,383	-	(4,829,626)	3,055,204
Depreciable assets					
Infrastructure	24,852,522	-	-	4,829,626	29,682,148
Building and improvements	40,889,318	17,883	-	-	40,907,201
Vehicles, machinery and equipment	13,366,089	1,657,948	(975,106)	-	14,048,931
Subtotal	79,107,929	1,675,831	(975,106)	4,829,626	84,638,280
Less accumulated depreciation					
Infrastructure	(13,588,929)	(834,213)	-	-	(14,423,142)
Building and improvements	(12,873,348)	(1,067,669)	-	-	(13,941,017)
Vehicles, machinery and equipment	(10,561,769)	(1,114,897)	967,673	-	(10,708,993)
Subtotal	(37,024,046)	(3,016,779)	967,673	-	(39,073,152)
Total depreciable assets, net	42,083,883	(1,340,948)	(7,433)	4,829,626	45,565,128
Total	\$ 49,452,330	\$ (824,565)	\$ (7,433)	\$ -	\$ 48,620,332

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

General government	\$ 545,354
Public safety	504,666
Highways and streets	574,451
Transportation	574,450
Culture and recreation	817,858
Total depreciation expense	\$ 3,016,779

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Transfers /Reclassifications	Balance June 30, 2019
Nondepreciable assets:					
Land	\$ 4,132,241	\$ -	\$ -	\$ -	\$ 4,132,241
Construction in progress	2,265,565	326,226	-	(115,391)	2,476,400
Total nondepreciable assets	6,397,806	326,226	-	(115,391)	6,608,641
Depreciable assets					
Water distribution system	22,108,875	100,883	(13,834)	(4,735,631)	17,460,293
Wastewater systems	28,337,524	75,785	(36,987)	-	28,376,322
Building and improvements	10,469,451	6,904	-	-	10,476,355
Vehicles, machinery and equipment	5,505,672	217,787	(54,935)	-	5,668,524
Subtotal	66,421,522	401,359	(105,756)	(4,735,631)	61,981,494
Less accumulated depreciation					
Water distribution system	(9,886,230)	(626,736)	4,726	1,548,362	(8,959,878)
Wastewater systems	(9,123,189)	(554,724)	14,339	-	(9,663,574)
Building and improvements	(2,817,617)	(256,767)	-	-	(3,074,384)
Vehicles, machinery and equipment	(3,766,764)	(419,156)	54,338	-	(4,131,582)
Subtotal	(25,593,800)	(1,857,383)	73,403	1,548,362	(25,829,418)
Total depreciable assets, net	40,827,722	(1,456,024)	(32,353)	(3,187,269)	36,152,076
Total	\$ 47,225,528	\$ (1,129,798)	\$ (32,353)	\$ (3,302,660)	\$ 42,760,717

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

Water	1,032,572
Wastewater	824,811
Total depreciation expense	\$ 1,857,383

The carrying amount of the excess consideration provided for acquisition for the 2006 purchase of a water company in the amount of \$3,302,660 was reclassified from capital assets in fiscal year 2018-19.

Note 6 – Excess Consideration Provided for Acquisition

In the fiscal year ended June 30, 2005, the City acquired three water companies. In the fiscal year ended June 30, 2006, the City acquired one water company. The net excess of the cost of the acquired water companies over the amounts assigned to net position acquired is reported as goodwill in the City's deferred outflow of resources. At July 1, 2018, the excess consideration provided for acquisition for the 2006 purchase in the amount of \$3,302,660 was reclassified from capital assets. Amortization expense for the fiscal year was \$158,132.

	2005 Purchase	2006 Purchase	Business-Type Activities Total
Excess Consideration Provided for Acquisition	\$ 1,474,221	\$ 4,851,022	\$ 6,325,243
Less: Accumulated amortization	(543,819)	(1,669,637)	(2,213,456)
Total	\$ 930,402	\$ 3,181,385	\$ 4,111,787

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Debt Issued	Debt Retired	Balance June 30, 2019	Classification	
					Due within One Year	Due in More Than One Year
Governmental Activities:						
Capital leases	\$ 1,140,441	\$ 1,285,928	\$ (581,817)	\$ 1,844,552	\$ 461,480	\$ 1,383,072
Revenue bonds:						
2015 Pledged revenue bonds	7,786,960	-	(332,196)	7,454,764	339,340	7,115,424
Plus: unamortized premium	511,150	-	(30,068)	481,082	-	481,082
2016 Pledged revenue bonds	11,295,000	-	(980,000)	10,315,000	1,010,000	9,305,000
Plus: unamortized premium	1,385,895	-	(138,590)	1,247,305	-	1,247,305
Total revenue bonds	20,979,005	-	(1,480,854)	19,498,151	1,349,340	18,148,811
Total	\$ 22,119,446	\$ 1,285,928	\$ (2,062,671)	\$ 21,342,703	\$ 1,810,820	\$ 19,531,883

Capital Leases

The City has entered into several lease agreements for the financing of a fire truck, street sweeper, exercise equipment, and police vehicles. 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 date of inception.

The annual debt service requirements for the capital leases payable outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 461,480	\$ 101,978	\$ 563,458
2021	485,106	76,969	562,075
2022	510,647	49,912	560,559
2023	334,072	21,615	355,687
2024	53,247	967	54,214
Total	\$ 1,844,552	\$ 251,441	\$ 2,095,993

The City entered into capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

Machinery, vehicles, and equipment	\$ 2,661,613
Less: accumulated depreciation	(635,079)
Total	<u>\$ 2,026,534</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2015 Pledged Revenue Bonds

On June 16, 2015, the City issued Pledged Revenue Obligations, Series 2015, in the amount of \$11,360,000, maturing through 2034 in annual principal payments ranging in amounts from \$460,000 to \$3,350,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds provided financing for ongoing capital projects and were allocated between governmental activities (\$8.1 million) and business-type activities (\$3.2 million).

The City has pledged state shared and excise tax revenues to repay a total of \$11.4 million in revenue bonds. The government activities portion of the bonds are payable from revenues received from state shared revenues and excise taxes. The business-type activities portion of the bonds are payable from net revenues received from the City's Water System.

The bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$11.0 million and the total principal and interest remaining to be paid on the business type portion of the bonds is \$4.4 million.

The 2015 bonds requires that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 339,340	\$ 315,318	\$ 654,658
2021	346,484	304,995	651,479
2022	360,772	293,557	654,329
2023	371,488	283,475	654,963
2024	382,204	268,347	650,551
2025-2029	2,214,640	1,027,840	3,242,480
2030-2034	2,807,592	427,800	3,235,392
2035	632,244	12,644	644,888
Total	\$ 7,454,764	\$ 2,933,976	\$ 10,388,740

2016 Pledged Revenue Bonds

On August 18, 2016, the City issued Pledged Revenue Refunding Obligations, Series 2016 in the amount of \$12,350,000, maturing through 2027 in annual principal payments ranging in amounts from \$980,000 to \$1,320,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds were used to refund the Greater Arizona Development Authority Loan from 2007. The bonds are secured by the City's Excise Tax Revenues and State Shared Revenues. Bonds outstanding at June 30, 2019 were \$11,295,000.

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

A. Governmental Activities (Continued)

2016 Pledged Revenue Bonds (Continued)

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,010,000	\$ 355,650	\$ 1,365,650
2021	1,030,000	331,438	1,361,438
2022	1,055,000	304,025	1,359,025
2023	1,085,000	261,075	1,346,075
2024	1,085,000	261,075	1,346,075
2025-2028	5,050,000	625,575	5,675,575
Total	\$ 10,315,000	\$ 2,138,838	\$ 12,453,838

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Debt Issued/ Adjustment	Debt Retired	Balance June 30, 2019	Classification	
					Due within One Year	Due in More Than One Year
Business-Type Activities:						
Capital leases	\$ 413,270	\$ -	\$ (413,270)	\$ -	\$ -	\$ -
Loans payable:						
2015 WIFA refunding loan	8,967,942	-	(636,802)	8,331,140	650,812	7,680,328
2016 WIFA refunding loan	13,375,790	-	(695,869)	12,679,921	707,727	11,972,194
Total loans payable	22,343,732	-	(1,332,671)	21,011,061	1,358,539	19,652,522
Revenue bonds:						
2015 Pledged revenue bonds	3,113,040	-	(132,804)	2,980,236	135,661	2,844,575
Plus: unamortized premium	227,050	-	(13,356)	213,694	-	213,694
Total revenue bonds	3,340,090	-	(146,160)	3,193,930	135,661	3,058,269
Total	\$ 26,097,092	\$ -	\$ (1,892,101)	\$ 24,204,991	\$ 1,494,200	\$ 22,710,791

Capital Leases

The City has entered into several lease agreements for the financing of arsenic containers. 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 date of inception. As of June 30, 2019, the balance of capital leases was \$0.

2015 Water Infrastructure Financing Authority Loan

On June 19, 2015, the City entered into a loan with the Water Infrastructure Financing Authority (WIFA). The original loan amount as of the closing date was \$11,247,154, however, \$550,000 of this principal amount was forgiven leaving a remaining repayment amount of \$10,697,154. This loan refunded the remainder of the MPC Series 2004 revenue bonds. The refunding was undertaken to reduce total debt service payments over the next 15 years by \$2.1 million.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2015 Water Infrastructure Financing Authority Loan (Continued)

Proceeds of the loan provided financing for the replacement of water lines along Mingus Avenue as well as refunded the remainder of the MPC Series 2004 revenue bonds. The loan is secured solely from a pledge of net system water revenues and debt service payments are payable through 2030. The remaining principal balance on the MPC Series 2004 revenues bonds was \$7.4 million as of June 30, 2019.

The total principal and interest remaining to be paid on the loan is \$10.2 million. The debt principal and interest paid on this debt during fiscal year 2019 was \$819,110 (approximately six percent of pledged revenues).

The loan agreement requires that the City maintain a 1.35 times coverage ratio of net water system revenues to current year debt service payments. The City has met its coverage requirements.

The annual requirements to amortize the bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 650,812	\$ 176,126	\$ 826,938
2021	665,130	161,651	826,781
2022	679,763	146,857	826,620
2023	694,718	131,738	826,456
2024	710,001	116,286	826,287
2025-2029	3,791,294	337,487	4,128,781
2030-2031	1,139,422	53,577	1,192,999
Total	\$ 8,331,140	\$ 1,123,722	\$ 9,454,862

2016 Water Infrastructure Financing Authority Loan

On May 20, 2016, the City entered into a refunding loan with WIFA. The original loan amount as of the closing date was \$16,000,000, however, \$800,000 of this principal amount was forgiven leaving a remaining repayment amount of \$15,200,000. The forgivable portion of the loan proceeds along with \$1,140,000 of unforgivable loan proceeds have not been drawn down as of June 30, 2018. The net proceeds from the refunding loan of \$20,581,226 were used to purchase securities which remain in a cash account held by the trustee at June 30, 2018. The securities purchased will provide for all future debt service payments of the MPC Series 2006 revenue bonds. Accordingly, the MPC Series 2006 revenue bonds are considered defeased as of July 1, 2016. A portion of the net proceeds, \$5,500,000, was also used to defease the Town of Clarkdale's portion of the MPC Series 2006 bonds which paid off the City's receivable from the Town of Clarkdale. The refunding was undertaken to reduce total debt service payments over the next 19 years by \$5.0 million. The remaining principal balance on the MPC Series 2006 revenues bonds was \$18.1 million as of June 30, 2019.

Proceeds of the loan also provided financing to equip the State Route 260 well site and construct a water line. The loan is secured solely from a pledge of net system water revenues and debt service payments are payable through 2036. The total principal and interest remaining to be paid on the loan is \$15.4 million. The debt principal and interest paid on this debt during fiscal year 2019 was \$917,864 (approximately five percent of pledged revenues).

The loan agreement requires that the City maintain a 1.35 times coverage ratio of net water system revenues to current year debt service payments. The City has met its coverage requirements.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 – Long-Term Debt (Continued)

B. Business-Type Activities (Continued)

2016 Water Infrastructure Financing Authority Loan (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 707,727	\$ 210,036	\$ 917,763
2021	719,786	197,874	917,660
2022	732,051	185,504	917,555
2023	744,526	172,924	917,450
2024	757,212	160,129	917,341
2025-2029	3,984,058	600,959	4,585,017
2030-2034	4,335,268	246,758	4,582,026
2035	699,293	5,958	705,251
Total	\$ 12,679,921	\$ 1,780,142	\$ 14,460,063

2015 Pledged Revenue Bonds

On June 16, 2015, the City issued Pledged Revenue Obligations, Series 2015, in the amount of \$11,360,000, maturing through 2034 in annual principal payments ranging in amounts from \$460,000 to \$3,350,000. Interest is payable semi-annually ranging from 2.00% to 5.00%. The proceeds of the bonds provided financing for ongoing capital projects and were allocated between governmental activities (\$8.1 million) and business-type activities (\$3.2 million).

The City has pledged state shared and excise tax revenues to repay a total of \$11.4 million in revenue bonds issued in 2015. The government activities portion of the bonds are payable from revenues received from state shared and excise tax revenues. The business-type activities portion of the bonds are payable from net revenues received from the City Water System.

The bonds are payable through 2034. The total principal and interest remaining to be paid on the governmental portion of the bonds is \$11.0 million and the total principal and interest remaining to be paid on the business type portion of the bonds is \$4.4 million. The 2015 bonds requires that the City maintain a 2.0 times coverage ratio of limited sales tax, inclusive of excise tax revenues and state shared revenues, all within and for the most recently completed fiscal year, to current year debt service payments. The City has met its coverage requirements.

The annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 135,661	\$ 126,056	\$ 261,717
2021	138,517	121,930	260,447
2022	144,229	117,357	261,586
2023	148,512	113,327	261,839
2024	152,797	107,279	260,076
2025-2029	885,360	410,906	1,296,266
2030-2034	1,122,410	171,024	1,293,434
2035	252,750	5,055	257,805
Total	\$ 2,980,236	\$ 1,172,934	\$ 4,153,170

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick leave) has been accrued and amounts to \$1,519,980 at June 30, 2019. Summary of changes in compensated absences for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Classification	
					Due within One Year	Due in More Than One Year
Compensated absences:						
Governmental Activities	\$ 1,796,180	\$ 1,039,353	\$ (1,477,582)	1,357,951	\$ 919,203	\$ 438,748
Business-Type Activities	122,125	139,224	(99,320)	162,029	65,526	96,503
Total compensated absences	\$ 1,918,305	\$ 1,178,577	\$ (1,576,902)	\$ 1,519,980	\$ 984,729	\$ 535,251

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

Note 9 – 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.

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits

A. Summary – Pension and OPEB

Deferred Outflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred outflows of resources:			
Pension contributions made after measurement date:			
ASRS	\$ 749,661	\$ 165,258	\$ 914,919
PSPRS - Police Plan - Tier 1 & 2	940,547	-	940,547
PSPRS - Fire Plan - Tier 1 & 2	442,193	-	442,193
PSPRS - Police Plan - Tier 3	8,220	-	8,220
PSPRS - Fire Plan - Tier 3	9,090	-	9,090
Total pension contributions made after measurement date	2,149,711	165,258	2,314,969
Projected earnings on pension plan investments in excess of actual earnings:			
PSPRS - Police Plan - Tier 1 & 2	24,787	-	24,787
PSPRS - Fire Plan - Tier 1 & 2	40,543	-	40,543
PSPRS - Police Plan - Tier 3	4	-	4
Total projected earnings on pension plan investments in excess of actual earnings	65,334	-	65,334
Change in assumptions:			
ASRS	243,393	53,655	297,048
PSPRS - Police Plan - Tier 1 & 2	862,909	-	862,909
PSPRS - Fire Plan - Tier 1 & 2	701,246	-	701,246
Total change in assumption	1,807,548	53,655	1,861,203
Difference between expected and actual experience			
ASRS	253,395	55,859	309,254
PSPRS - Police Plan - Tier 1 & 2	457,223	-	457,223
PSPRS - Fire Plan - Tier 1 & 2	47,524	-	47,524
PSPRS - Police Plan - Tier 3	8,101	-	8,101
PSPRS - Fire Plan - Tier 3	723	-	723
Total difference between expected and actual experience	766,966	55,859	822,825
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS	142,183	31,343	173,526
Total change in proportion and differences between employer contributions and proportionate share of contributions	142,183	31,343	173,526
Total pension-related deferred outflows of resources			
ASRS	1,388,632	306,115	1,694,747
PSPRS - Police Plan - Tier 1 & 2	2,285,466	-	2,285,466
PSPRS - Fire Plan - Tier 1 & 2	1,231,506	-	1,231,506
PSPRS - Police Plan - Tier 3	16,325	-	16,325
PSPRS - Fire Plan - Tier 3	9,813	-	9,813
Total pension-related deferred outflows of resources	<u>\$ 4,931,742</u>	<u>\$ 306,115</u>	<u>\$ 5,237,857</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Deferred Outflows of Resources (Continued)

OPEB-related deferred outflows of resources:	Governmental Activities	Business-Type Activities	Total
OPEB contributions made after measurement date:			
ASRS - Health Benefit Supplement Plan	\$ 30,845	\$ 6,799	\$ 37,644
ASRS - Long-Term Disability Plan	10,729	2,365	13,094
PSPRS - Police Plan - Tier 1 & 2	6,482	-	6,482
PSPRS - Fire Plan - Tier 1 & 2	12,937	-	12,937
PSPRS - Police Plan - Tier 3	47	-	47
PSPRS - Fire Plan - Tier 3	93	-	93
Total OPEB contributions made after measurement date	61,133	9,164	70,297
Change in assumptions:			
ASRS - Health Benefit Supplement Plan	46,408	10,230	56,638
ASRS - Long-Term Disability Plan	7,480	1,649	9,129
Total change in assumption	53,888	11,879	65,767
Difference between expected and actual experience			
ASRS - Long-Term Disability Plan	883	195	1,078
PSPRS - Fire Plan - Tier 1 & 2	3,967	-	3,967
PSPRS - Police Plan - Tier 3	176	-	176
PSPRS - Fire Plan - Tier 3	16	-	16
Total difference between expected and actual experience	5,042	195	5,237
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	11	2	13
ASRS - Long-Term Disability Plan	175	38	213
Total change in proportion and differences between employer contributions and proportionate share of contributions	186	40	226
Total OPEB-related deferred outflows of resources			
ASRS - Health Benefit Supplement Plan	77,264	17,031	94,295
ASRS - Long-Term Disability Plan	19,267	4,247	23,514
PSPRS - Police Plan - Tier 1 & 2	6,482	-	6,482
PSPRS - Fire Plan - Tier 1 & 2	16,904	-	16,904
PSPRS - Police Plan - Tier 3	223	-	223
PSPRS - Fire Plan - Tier 3	109	-	109
Total OPEB-related deferred outflows of resources	\$ 120,249	\$ 21,278	\$ 141,527

Pension/OPEB Assets and Liabilities

Net Pension liability	Governmental Activities	Business-Type Activities	Total
ASRS	\$ 9,197,903	\$ 2,027,619	\$ 11,225,522
PSPRS - Police Plan - Tier 1 & 2	10,333,548	-	10,333,548
PSPRS - Fire Plan - Tier 1 & 2	2,714,897	-	2,714,897
PSPRS - Police Plan - Tier 3	933	-	933
PSPRS - Fire Plan - Tier 3	1,923	-	1,923
Total net pension liability	\$ 22,249,204	\$ 2,027,619	\$ 24,276,823

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Pension/OPEB Assets and Liabilities (Continued)

	Governmental Activities	Business-Type Activities	Total
Net OPEB asset			
ASRS - Health Benefit Supplement Plan	\$ 24,064	\$ 5,305	\$ 29,369
PSPRS - Police Plan - Tier 1 & 2	41,362	-	41,362
PSPRS - Police Plan - Tier 3	20	-	20
PSPRS - Fire Plan - Tier 3	2	-	2
Total Net OPEB asset	<u>\$ 65,448</u>	<u>\$ 5,305</u>	<u>\$ 70,753</u>
Net OPEB liability			
ASRS - Long-Term Disability Plan	\$ 34,533	\$ 7,612	\$ 42,145
PSPRS - Fire Plan - Tier 1 & 2	83,212	-	83,212
Total Net OPEB liability	<u>\$ 117,745</u>	<u>\$ 7,612</u>	<u>\$ 125,357</u>

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
Pension-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS	\$ 221,188	\$ 48,759	\$ 269,947
Total projected earnings on pension plan investments in excess of actual earnings	<u>221,188</u>	<u>48,759</u>	<u>269,947</u>
Change in assumptions:			
ASRS	\$ 815,521	\$ 179,776	\$ 995,297
Total change in assumption	<u>815,521</u>	<u>179,776</u>	<u>995,297</u>
Difference between expected and actual experience			
ASRS	50,706	11,178	61,884
PSPRS - Police Plan - Tier 1 & 2	16,220	-	16,220
PSPRS - Fire Plan - Tier 1 & 2	553,107	-	553,107
Total difference between expected and actual experience	<u>620,033</u>	<u>11,178</u>	<u>631,211</u>
Total pension-related deferred inflows of resources			
ASRS	1,087,415	239,713	1,327,128
PSPRS - Police Plan - Tier 1 & 2	16,220	-	16,220
PSPRS - Fire Plan - Tier 1 & 2	553,107	-	553,107
Total pension-related deferred inflows of resources	<u>\$ 1,656,742</u>	<u>\$ 239,713</u>	<u>\$ 1,896,455</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

Deferred Inflows of Resources

	Governmental Activities	Business-Type Activities	Total
OPEB-related deferred inflows of resources:			
Projected earnings on pension plan investments in excess of actual earnings:			
ASRS - Health Benefit Supplement Plan	\$ 48,072	\$ 10,597	\$ 58,669
ASRS - Long-Term Disability Plan	3,345	737	4,082
PSPRS - Police Plan - Tier 1 & 2	6,263	-	6,263
PSPRS - Fire Plan - Tier 1 & 2	2,956	-	2,956
Total projected earnings on pension plan investments in excess of actual earnings	60,636	11,334	71,970
Change in assumptions:			
PSPRS - Police Plan - Tier 1 & 2	9,468	-	9,468
PSPRS - Fire Plan - Tier 1 & 2	3,467	-	3,467
Total change in assumption	12,935	-	12,935
Difference between expected and actual experience			
ASRS - Health Benefit Supplement Plan	22,210	4,896	27,106
PSPRS - Police Plan - Tier 1 & 2	13,950	-	13,950
PSPRS - Fire Plan - Tier 1 & 2	20,153	-	20,153
Total difference between expected and actual experience	56,313	4,896	61,209
Change in proportion and differences between employer contributions and proportionate share of contributions			
ASRS - Health Benefit Supplement Plan	34	8	42
ASRS - Long-Term Disability Plan	2	1	3
Total change in proportion and differences between employer contributions and proportionate share of contributions	36	9	45
Total OPEB-related deferred inflows of resources			
ASRS - Health Benefit Supplement Plan	70,316	15,501	85,817
ASRS - Long-Term Disability Plan	3,347	738	4,085
PSPRS - Police Plan - Tier 1 & 2	29,681	-	29,681
PSPRS - Fire Plan - Tier 1 & 2	26,576	-	26,576
Total OPEB-related deferred inflows of resources	\$ 129,920	\$ 16,239	\$ 146,159

Pension/OPEB Expenses

	Governmental Activities	Business-Type Activities	Total
Pension expenses:			
ASRS	\$ 387,891	\$ 85,516	\$ 473,407
PSPRS - Police Plan - Tier 1 & 2	1,823,275	-	1,823,275
PSPRS - Fire Plan - Tier 1 & 2	868,738	-	868,738
PSPRS - Police Plan - Tier 3	3,440	-	3,440
PSPRS - Fire Plan - Tier 3	307	-	307
Total net pension expenses	\$ 3,083,651	\$ 85,516	\$ 3,169,167

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

A. Summary – Pension and OPEB (Continued)

OPEB expenses/(income):	Governmental Activities	Business-Type Activities	Total
ASRS - Health Benefit Supplement Plan	\$ 23,942	\$ 5,278	\$ 29,220
ASRS - Long-Term Disability Plan	12,508	2,757	15,265
PSPRS - Police Plan - Tier 1 & 2	(2,824)	-	(2,824)
PSPRS - Fire Plan - Tier 1 & 2	10,624	-	10,624
PSPRS - Police Plan - Tier 3	(95)	-	(95)
PSPRS - Fire Plan - Tier 3	(8)	-	(8)
Total net OPEB expenses	<u>\$ 44,147</u>	<u>\$ 8,035</u>	<u>\$ 52,182</u>

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

Plan Description

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

Benefits Provided

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Sum of years and age equals		
Years of credited service	80 or more	30 years age 55
and age required to	10 years age 62	25 years age 60
receive benefit	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Benefits Provided (Continued)

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

Employees Covered

At June 30, 2019 the City had 148 active and contributing employees were covered by the benefit terms the Plan. As of the date of the audit report, the City was unable to determine the number of transferred/separated employees not receiving benefits or the number of retired employees receiving benefits.

Contributions

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were:

	Contributions - employer
Pension Plan	\$ 914,919
Health Benefit Supplement Plan	37,644
Long-Term Disability Plan	13,094
Total	<u>\$ 965,657</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Contributions (Continued)

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 82 percent from the Governmental Funds, 12 percent from the Water Fund, and 6 percent from the Wastewater Fund.

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

At June 30, 2019, the City’s reported proportionate share of pension and OPEB liability/(asset)’s for the City was:

	Net pension/OPEB
Pension Plan	\$ 11,225,522
Health Benefit Supplement Plan	(29,369)
Long-Term Disability Plan	42,145
Total	<u>\$ 11,238,298</u>

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates. The City’s proportion of the net asset or net liability was based on the City’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2018. The City’s proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Proportion June 30, 2017	0.0798000%	0.0806100%	0.0800100%
Proportion June 30, 2018	0.0804900%	0.0815600%	0.0806600%
Change - Increase (Decrease)	<u>0.00069000%</u>	<u>0.00095000%</u>	<u>0.00065000%</u>

As of June 30, 2019, the City reported net pension and OPEB liability/(asset) for its proportionate shares of the net pension and OPEB liability/(asset) of the Arizona State Retirement System Plans as follows:

	Plan’s Net Pension and OPEB Liability/(Asset)		
	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
Balance at: 6/30/17 (Valuation date)	\$ 12,431,284	\$ (43,884)	\$ 29,002
Balance at: 6/30/18 (Measurement date)	11,225,522	(29,369)	42,145
Net Changes during 2016-2017	<u>1,205,762</u>	<u>(14,515)</u>	<u>(13,143)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

The City recognized the following pension/OPEB expenses for the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019:

	Pension/OPEB expenses
Pension Plan	\$ 473,407
Health Benefit Supplement Plan	29,220
Long-Term Disability Plan	15,265
Total	<u>\$ 517,892</u>

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension Plan		Health Benefit Supplement Plan		Long-Term Disability Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made subsequent to measurement date	\$ 914,919	\$ -	\$ 37,644	\$ -	\$ 13,094	\$ -
Difference between projected and actual earning on pension plan investments	-	(269,947)	-	(58,669)	-	(4,082)
Changes in assumptions	297,048	(995,297)	56,638	-	9,129	-
Difference between actual and expected experience	309,254	(61,884)	-	(27,106)	1,078	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	173,526	-	13	(42)	213	(3)
Total	<u>\$ 1,694,747</u>	<u>\$ (1,327,128)</u>	<u>\$ 94,295</u>	<u>\$ (85,817)</u>	<u>\$ 23,514</u>	<u>\$ (4,085)</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	Deferred Outflows/ (Inflows) of Resources		
Year Ended June 30,	Pension Plan	Health Benefit Supplement Plan	Long-Term Disability Plan
2020	\$ 215,129	\$ (11,379)	\$ 152
2021	(231,878)	(11,379)	153
2022	(409,490)	(11,379)	153
2023	(121,061)	1,119	1,247
2024	-	3,852	1,448
Thereafter	-	-	3,182
	<u>\$ (547,300)</u>	<u>\$ (29,166)</u>	<u>\$ 6,335</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. Both the June 30, 2016 and the June 30, 2017 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68/
Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial Assumptions:	
Investment rate of return	7.5%
Projected salary increases	2.7–7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	50.00%	5.50%	2.75%
Fixed Income	30.00%	3.83%	1.15%
Real Estate	20.00%	5.85%	1.17%
Total	100%		5.07%

Discount Rate

At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Discount Rate (Continued)

Sensitivity of the County’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the County’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	Aggregate Net Pension and OPEB Liability/(Asset)		
	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Pension Plan	\$ 16,002,240	\$ 11,225,522	\$ 7,234,652
Health Benefit Supplement Plan	\$ 104,061	\$ (29,369)	\$ (143,025)
Long-Term Disability Plan	\$ 47,762	\$ 42,145	\$ 36,695
Total	\$ 16,154,063	\$ 11,238,298	\$ 7,128,322

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued report at www.azasrs.gov.

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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

Plan Description

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

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

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Benefits Provided

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

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

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

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

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Police Plan (Tier 1 & 2)		Fire Plan (Tier 1 & 2)		Police Plan (Tier 3)		Fire Plan (Tier 3)	
	Pension	Health	Pension	Health	Pension	Health	Pension	Health
Active employees	27	27	25	25	1	1	2	2
Transferred and terminated employees	6	1	1	1	1	1	0	0
Retired employees and beneficiaries	18	18	4	4	0	0	0	0
Total	51	46	30	30	2	2	2	2

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Contributions

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Police Plan (Tier 1 & 2)	Fire Plan (Tier 1 & 2)	Police Plan (Tier 3)	Fire Plan (Tier 3)
	(Tier 1) 7.65%			
Active members - pension	(Tier 2 - hired after 7/2011) 11.65%		11.65%	
City of Cottonwood, Arizona:				
Pension	47.88%	26.66%	45.85%	25.44%
Health Insurance	0.33%	0.78%	0.26%	0.26%

Also statutes required the City was required to contribute at the actuarially determined rate for Police Tier 1 & 2, Police Tier 3, Fire Tier 1 & 2, Fire Tier 3 of 48.21%, 45.54%, 27.44%, and 22.70%, respectively, of annual covered payroll for Police Plan and Fire Plan retired members, respectively who worked in positions that would typically be filled by an employee who contributes to the PSPRS.

For the year ended June 30, 2019, the City’s contributions made for each Plan was as follows:

	Police Plan (Tier 1 & 2)		Fire Plan (Tier 1 & 2)		Police Plan (Tier 3)		Fire Plan (Tier 3)	
	Pension	Health	Pension	Health	Pension	Health	Pension	Health
Contributions - employer	\$ 940,547	\$ 6,482	\$ 442,193	\$ 12,937	\$ 8,220	\$ 47	\$ 9,090	\$ 93

During fiscal year 2019, the City paid for the total PSPRS pension and OPEB contributions from the general fund.

Net Pension and OPEB Liability/(Asset)

The City’s net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

The City’s proportions measured as of June 30, 2018, for the PSPRS Tier 3 Police and Fire Pension/OPEB plans, were:

	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
Proportion June 30, 2018	0.4733520%	0.4733280%	0.0422340%	0.0422270%

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Actuarial Assumptions

The total pension and liabilities/(assets) in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	3.00%; No explicit price inflation assumption
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.50%, net of investment and administrative expenses
Mortality Rate Table	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Post Retirement Benefit Increase	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Real Rate of Return ¹
Short term investments	2.00%	0.25%
Risk parity	4.00%	5.00%
Fixed income	5.00%	1.25%
Real assets	9.00%	4.52%
GTS	12.00%	3.96%
Private credit	16.00%	6.75%
Real estate	10.00%	3.75%
Private equity	12.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
	100.00%	

¹An expected inflation of 3.0% used for this period

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Discount Rate

At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension and OPEB Liability/(Asset)

The following table shows the changes in net pension liability recognized over the measurement period:

	Police Plan - 066					
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2018 (Valuation Date)	\$ 16,508,301	\$ 6,293,544	\$ 10,214,757	\$ 285,295	\$ 317,394	\$ (32,099)
Changes in the year:						
Service cost	390,296	-	390,296	6,462	-	6,462
Interest on the total pension liabilities	1,210,011	-	1,210,011	21,101	-	21,101
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	208,299	-	208,299	(12,591)	-	(12,591)
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(703,893)	(703,893)	-	(6,760)	(6,760)	-
Contributions - employer	-	1,384,711	(1,384,711)	-	2,588	(2,588)
Contributions - employee	-	171,124	(171,124)	-	-	-
Net investment income	-	487,040	(487,040)	-	21,981	(21,981)
Administrative expenses	-	(8,113)	8,113	-	(335)	335
Other changes	-	(344,947)	344,947	-	1	(1)
Net changes	1,104,713	985,922	118,791	8,212	17,475	(9,263)
Balance at June 30, 2018 (Measurement Date)	<u>\$ 17,613,014</u>	<u>\$ 7,279,466</u>	<u>\$ 10,333,548</u>	<u>\$ 293,507</u>	<u>\$ 334,869</u>	<u>\$ (41,362)</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Changes in the Net Pension and OPEB Liability/(Asset) (Continued)

Fire Plan - 102						
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2017 (Valuation Date)	\$ 8,914,739	\$ 6,105,849	\$ 2,808,890	\$ 252,573	\$ 154,001	\$ 98,572
Changes in the year:						
Service cost	368,524	-	368,524	6,551	-	6,551
Interest on the total pension liabilities	666,698	-	666,698	18,603	-	18,603
Changes of Benefit Terms	-	-	-	-	-	-
Differences between expected and actual experience	(223,813)	-	(223,813)	(22,528)	-	(22,528)
Changes of Assumptions	-	-	-	-	-	-
Benefit payments, including refunds of members contributions	(179,128)	(179,128)	-	(8,901)	(8,901)	-
Contributions - employer	-	704,801	(704,801)	-	7,543	(7,543)
Contributions - employee	-	145,107	(145,107)	-	-	-
Net investment income	-	446,127	(446,127)	-	10,605	(10,605)
Administrative expenses	-	(7,490)	7,490	-	(161)	161
Other changes	-	(383,143)	383,143	-	(1)	1
Net changes	632,281	726,274	(93,993)	(6,275)	9,085	(15,360)
Balance at June 30, 2018 (Measurement Date)	<u>\$ 9,547,020</u>	<u>\$ 6,832,123</u>	<u>\$ 2,714,897</u>	<u>\$ 246,298</u>	<u>\$ 163,086</u>	<u>\$ 83,212</u>

Sensitivity of the Net Pension and OPEB Liability/(Asset) to Changes in the Discount Rate

Sensitivity of the City’s net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the City’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the City’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	Plan's Aggregate Net Pension/OPEB (Asset) Liability		
	Discount Rate - 1% (6.40%)	Current Discount Rate (7.40%)	Discount Rate + 1% (8.40%)
Police Pension Plan (Tier 1 & 2)	\$ 12,969,217	\$ 10,333,548	\$ 8,212,035
Police OPEB Plan (Tier 1 & 2)	\$ (2,566)	\$ (41,362)	\$ (73,493)
Fire Pension Plan (Tier 1 & 2)	\$ 4,230,105	\$ 2,714,897	\$ 1,491,635
Fire OPEB Plan (Tier 1 & 2)	\$ 117,096	\$ 83,212	\$ 55,253
Aggregate Total	<u>\$ 17,313,852</u>	<u>\$ 13,090,295</u>	<u>\$ 9,703,670</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

Sensitivity of the Net Pension and OPEB Liability/(Asset) to Changes in the Discount Rate (Continued)

	Plan's Aggregate Proportionate Share of		
	Net Pension/OPEB (Asset) Liability		
	Discount Rate - 1% (6.40%)	Current Discount Rate (7.40%)	Discount Rate + 1% (8.40%)
Police Pension Plan (Tier 3)	\$ 3,598	\$ 933	\$ (1,030)
Police OPEB Plan (Tier 3)	\$ 39	\$ (20)	\$ (62)
Fire Pension Plan (Tier 3)	\$ -	\$ 1,923	\$ -
Fire OPEB Plan (Tier 3)	\$ 3	\$ (2)	\$ (6)
Aggregate Total	\$ 3,640	\$ 2,834	\$ (1,030)

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension/OPEB expense/(income)
Pension Plan - Police (Tier 1 & 2)	\$ 1,823,275
Pension Plan - Fire (Tier 1 & 2)	868,738
Pension Plan - Police (Tier 3)	3,440
Pension Plan - Fire (Tier 3)	307
OPEB Plan - Police (Tier 1 & 2)	(2,824)
OPEB Plan - Fire (Tier 1 & 2)	10,624
OPEB Plan - Police (Tier 3)	(95)
OPEB Plan - Fire (Tier 3)	(8)
Total	\$ 2,703,457

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan (Tier 1 & 2)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 940,547	\$ -	\$ 6,482	\$ -
Difference between projected and actual earning on pension plan investments	24,787	-	-	(6,263)
Changes in assumptions	862,909	-	-	(9,468)
Difference between actual and expected experience	457,223	(16,220)	-	(13,950)
Total	<u>\$ 2,285,466</u>	<u>\$ (16,220)</u>	<u>\$ 6,482</u>	<u>\$ (29,681)</u>

	Fire Plan (Tier 1 & 2)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 442,193	\$ -	\$ 12,937	\$ -
Difference between projected and actual earning on pension plan investments	40,543	-	-	(2,956)
Changes in assumptions	701,246	-	-	(3,467)
Difference between actual and expected experience	47,524	(553,107)	3,967	(20,153)
Total	<u>\$ 1,231,506</u>	<u>\$ (553,107)</u>	<u>\$ 16,904</u>	<u>\$ (26,576)</u>

	Police Plan (Tier 3)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 8,220	\$ -	\$ 47	\$ -
Difference between projected and actual earning on pension plan investments	4	-	-	-
Changes in assumptions	-	-	-	-
Difference between actual and expected experience	8,101	-	176	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Total	<u>\$ 16,325</u>	<u>\$ -</u>	<u>\$ 223</u>	<u>\$ -</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

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

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

	Fire Plan (Tier 3)			
	Pension Plan		OPEB Plan	
	Deferred outflows of Resources	Deferred inflows of Resources	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 9,090	\$ -	\$ 93	\$ -
Difference between projected and actual earning on pension plan investments	-	-	-	-
Changes in assumptions	-	-	-	-
Difference between actual and expected experience	723	-	16	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Total	<u>\$ 9,813</u>	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ -</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources			
	Police Pension Plan (Tier 1 & 2)	Police OPEB Plan (Tier 1 & 2)	Fire Pension Plan (Tier 1 & 2)	Fire OPEB Plan (Tier 1 & 2)
2020	\$ 568,995	\$ 91,863	\$ (7,401)	\$ (3,352)
2021	401,459	53,942	(7,401)	(3,352)
2022	223,657	(17,829)	(7,400)	(3,350)
2023	131,919	33,431	(4,957)	(2,170)
2024	2,669	30,216	(2,522)	(2,317)
Thereafter	-	44,583	-	(8,068)
	<u>\$ 1,328,699</u>	<u>\$ 236,206</u>	<u>\$ (29,681)</u>	<u>\$ (22,609)</u>

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources			
	Police Pension Plan (Tier 3)	Police OPEB Plan (Tier 3)	Fire Pension Plan (Tier 3)	Fire OPEB Plan (Tier 3)
2020	\$ 580	\$ 12	\$ 52	\$ 1
2021	580	12	52	1
2022	580	12	52	1
2023	580	12	52	1
2024	579	12	52	1
Thereafter	5,206	116	463	11
	<u>\$ 8,105</u>	<u>\$ 176</u>	<u>\$ 723</u>	<u>\$ 16</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans and Other Postemployment Benefits (Continued)

D. Firefighters' Relief and Pension Fund

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

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

Each volunteer must contribute at least 5.0 percent of covered compensation which is matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2018, the City did not contribute to the Fund as there were no participants in the plan.

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its volunteer firefighters. The Firefighters' Relief and Pension Fund held no securities of the City or other related parties during the fiscal year or as of the close of the fiscal year. A separate, audited GAAP-basis postemployment benefit plan was not available.

Note 11 – Other Required Disclosures

A. Deficit Fund Balance/Net Position

At June 30, 2019, the Governmental Activities Statement of Net Position had an unrestricted net position deficit of \$(13,832,151).

At June 30, 2019, the following funds had a fund deficit, which will be eliminated through the reduction in future expenditures and/or the use of new funding sources:

<u>Fund</u>	<u>Fund Type</u>	<u>Deficit</u>
Transit Fund	Governmental Fund	<u>\$ 418</u>

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Other Required Disclosures (Continued)

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in the following function(s) of the General Fund:

Fund	Function	Excess Expenditures over Appropriations
General Fund	Public safety	\$ 75,585
General Fund	Culture and leisure	894
General Fund	Capital Outlay	90,872
General Fund	Interest and fiscal charges, net of amortization of deferred loss on refunding	1,103
Grant Fund	Culture and Leisure	422

Note 12 – Classification of Fund Balances

The City classifies fund balances, as shown on the Balance Sheet – Governmental Funds as of June 30, 2019 as follows:

	Major Funds		Other Governmental Funds	Total
	General Fund	Debt Service Fund		
Nonspendable:				
Inventories	\$ 21,568	\$ -	\$ 22,285	\$ 43,853
Prepaid items	-	18,225	-	18,225
Total nonspendable	21,568	18,225	22,285	62,078
Restricted:				
Grants	-	-	11,164	11,164
Highways and streets	-	-	2,093,296	2,093,296
Debt service	-	348,012	-	348,012
Capital Outlay	-	-	557,989	557,989
Total restricted	-	348,012	2,662,449	3,010,461
Assigned:				
Capital outlay	1,000,000	-	-	1,000,000
Total assigned	1,000,000	-	-	1,000,000
Unassigned	3,772,894	-	(418)	3,772,476
Total Fund Balances	\$ 4,794,462	\$ 366,237	\$ 2,684,316	\$ 7,845,015

City of Cottonwood
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 – Commitments and Contingencies

A. *Litigation*

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

B. *Grants*

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

C. *Construction Commitments*

Various construction projects in all fund types were in progress at June 30, 2019 with a planned cost to complete of approximately \$4,257,520.

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Required Supplementary Information (Unaudited)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Required Supplementary Information (Unaudited)
Budgetary Information
For the Year Ended June 30, 2019

Note 1 – Budgetary Information

The City maintains budgetary controls in order to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains an encumbrance accounting system to provide management with information regarding obligations against appropriations. Budgetary compliance is based on expenditures during the period (GAAP), rather than expenditures and encumbrances (non-GAAP). Because appropriations lapse at June 30, encumbrances outstanding at June 30, 2019 are disclosed in the notes to the financial statements. Appropriations for fiscal year 2019 will provide authority to complete those transactions.

The City is required by its municipal code to adopt an annual budget on or before June 30 for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget."

The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budget amounts within any fund during the budget year as long as it does not increase the total budget within the fund. However, any revisions that alter total expenditures of any fund without coinciding revenue increases must be approved by the City Council.

Per state law, expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for each separate fund and establishes the legal level of local budgetary control at this level. The adopted budget cannot be amended in any way without City Council approval.

Total expenditures are not in excess of the City Council approved Annual Expenditure Limitation adopted with the Budget for fiscal year June 30, 2019, and therefore are properly authorized. The City's total expenditure limit was \$69,528,685.

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	\$ 28,405,693	\$ 27,785,560	\$ 25,512	\$ (25,512)
Indirect cost	<u>1,251,020</u>	<u>1,251,020</u>	<u>-</u>	<u>-</u>
Statement of Revenues, Expenditures and				
Changes in Fund Balances - Budget and Actual -				
General Fund	<u>\$ 29,656,713</u>	<u>\$ 29,036,580</u>	<u>\$ 25,512</u>	<u>\$ (25,512)</u>

City of Cottonwood
Required Supplementary Information (Unaudited) (Continued)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 13,137,160	\$ 14,294,080	\$ 14,369,751	\$ 75,671
Intergovernmental	4,147,745	4,088,355	4,107,684	19,329
Licenses and permits	309,000	434,910	568,297	133,387
Fines and forfeitures	152,000	172,350	213,450	41,100
Rents and royalties	179,100	141,230	159,879	18,649
Investment income	25,045	32,040	83,736	51,696
Charges for services	1,983,580	2,236,130	2,121,852	(114,278)
Contributions	5,500	27,460	30,935	3,475
Miscellaneous	1,184,530	1,277,675	1,300,823	23,148
Total revenues	21,123,660	22,704,230	22,956,407	252,177
EXPENDITURES:				
Current:				
General government	6,130,010	6,292,825	6,139,003	153,822
Public safety	11,808,055	10,996,030	11,071,615	(75,585)
Culture and leisure	3,412,260	3,301,780	3,302,674	(894)
Capital outlay	246,040	1,587,895	1,678,767	(90,872)
Debt service:				
Principal	374,320	374,320	374,313	7
Interest and fiscal charges, net of amortization of deferred loss on refunding	463,740	121,235	122,338	(1,103)
Total expenditures	22,434,425	22,674,085	22,688,710	(14,625)
REVENUES OVER (UNDER) EXPENDITURES	(1,310,765)	30,145	267,697	237,552
OTHER FINANCING SOURCES (USES):				
Proceeds from debt issuance	-	-	1,285,928	1,285,928
Sales of property	58,000	83,320	82,369	(951)
Transfers In	-	(66,505)	-	66,505
Transfers out	(700,000)	(23,505)	(25,512)	(2,007)
Total other financing sources (uses)	(642,000)	(6,690)	1,342,785	1,349,475
Net change in fund balances	\$ (1,952,765)	\$ 23,455	1,610,482	\$ 1,587,027
FUND BALANCES:				
Beginning of year			3,183,980	
End of year			\$ 4,794,462	

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
City's Proportion of the Net Pension Liability	0.08049%	0.07980%	0.07865%	0.07549%
City's Proportionate Share of the Net Pension Liability	\$ 11,225,522	\$ 12,431,284	\$ 12,694,900	\$ 11,759,105
City's Covered-Employee Payroll	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077	\$ 6,954,444
City's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	<u>147.72%</u>	<u>168.49%</u>	<u>177.23%</u>	<u>169.09%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>73.40%</u>	<u>69.92%</u>	<u>67.06%</u>	<u>68.35%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016 ¹
City's Proportion of the Net OPEB (Asset) Liability	0.08156%	0.08061%	0.08061%
City's Proportionate Share of the Net OPEB (Asset) Liability	\$ (29,369)	\$ (43,884)	\$ 23,309
City's Covered-Employee Payroll	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>-0.39%</u>	<u>-0.59%</u>	<u>0.33%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>102.20%</u>	<u>103.57%</u>	<u>103.57%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016 ¹
City's Proportion of the Net OPEB (Asset) Liability	0.08066%	0.08001%	0.08001%
City's Proportionate Share of the Net OPEB (Asset) Liability	\$ 42,145	\$ 29,002	\$ 28,753
City's Covered-Employee Payroll	\$ 7,599,309	\$ 7,377,970	\$ 7,163,077
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	0.55%	0.39%	0.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	77.83%	84.44%	84.44%

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	<u>June 30, 2018¹</u>
City's Proportion of the Net Pension (Asset) Liability	0.47335%
City's Proportionate Share of the Net Pension (Asset) Liability	\$ 933
City's Covered-Employee Payroll	<u>\$ 100,345</u>
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>0.93%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>89.24%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	<u>June 30, 2018¹</u>
City's Proportion of the Net Pension (Asset) Liability	0.04223%
City's Proportionate Share of the Net Pension (Asset) Liability	\$ 1,923
City's Covered-Employee Payroll	<u>\$ 75,628</u>
City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>2.54%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>89.24%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	<u>June 30, 2018¹</u>
City's Proportion of the Net OPEB (Asset) Liability	0.47333%
City's Proportionate Share of the Net OPEB (Asset) Liability	\$ (20)
City's Covered-Employee Payroll	<u>\$ 100,345</u>
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>-0.02%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>110.51%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of the Proportionate Share of the Net Pension/OPEB Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

Measurement Period	<u>June 30, 2018¹</u>
City's Proportion of the Net OPEB (Asset) Liability	0.04223%
City's Proportionate Share of the Net OPEB (Asset) Liability	\$ (2)
City's Covered-Employee Payroll	<u>\$ 75,628</u>
City's Proportionate Share of the Net OPEB (Asset) Liability as a Percentage of Its Covered-Employee Payroll	<u>0.00%</u>
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>110.51%</u>

Notes to Schedule:

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

City of Cottonwood
Schedules of Changes in the Net Pension/OPEB Asset/(Liability) and Related Ratios
Last Ten Years
For the Year Ended June 30, 2019

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

Total Pension Liability	2017-18	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 390,296	\$ 466,156	\$ 377,687	\$ 363,471	\$ 354,387
Interest on total pension liability	1,210,011	1,109,897	1,005,947	943,940	773,831
Changes in assumptions	-	297,828	604,633	-	1,448,801
Differences between expected and actual experience	208,299	52,873	358,438	186,411	(74,185)
Changes in benefit terms	-	355,721	367,613	-	258,918
Benefit payments, including refunds of employee contributions	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Net change in total pension liability	1,104,713	1,603,028	1,844,693	941,394	2,115,565
Total pension liability - beginning	16,508,301	14,905,273	13,060,580	12,119,186	10,003,621
Total pension liability - ending (a)	\$ 17,613,014	\$ 16,508,301	\$ 14,905,273	\$ 13,060,580	\$ 12,119,186
Plan fiduciary net position					
Contributions - employer	\$ 1,384,711	\$ 911,276	\$ 910,441	\$ 601,731	\$ 562,803
Contributions - employee	171,124	217,925	235,544	227,682	199,451
Investment income (net of administrative expenses)	487,040	666,184	31,475	167,936	531,085
Benefit payments	(703,893)	(679,447)	(869,625)	(552,428)	(646,187)
Administrative expenses	(8,113)	(6,295)	(4,929)	(4,475)	-
Other	(344,947)	63	(7,369)	(12,483)	(211,221)
Net change in plan fiduciary net position	985,922	1,109,706	295,537	427,963	435,931
Plan fiduciary net position - beginning	6,293,544	5,183,838	4,888,301	4,460,338	4,024,407
Plan fiduciary net position - ending (b)	\$ 7,279,466	\$ 6,293,544	\$ 5,183,838	\$ 4,888,301	\$ 4,460,338
Net pension liability - ending (a)-(b)	\$ 10,333,548	\$ 10,214,757	\$ 9,721,435	\$ 8,172,279	\$ 7,658,848
Plan fiduciary net position as a percentage of the total pension liability					
	41.33%	38.12%	34.78%	37.43%	36.80%
Covered-employee payroll	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913	\$ 2,034,987	\$ 1,913,359
Net pension liability as a percentage of covered-employee payroll					
	498.00%	507.04%	497.03%	401.59%	400.28%

Notes to Schedule:

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

City of Cottonwood
Schedules of Changes in the Net Pension/OPEB Asset/(Liability) and Related Ratios
Last Ten Years
For the Year Ended June 30, 2019

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

Total Pension Liability	2017-18	2016-17	2015-16	2014-15	2013-14
Service cost	\$ 368,524	\$ 384,392	\$ 310,941	\$ 311,663	\$ 303,278
Interest on total pension liability	666,698	596,244	511,500	477,670	392,718
Changes in assumptions	-	133,242	326,086	-	379,456
Differences between expected and actual experience	(223,813)	(178,835)	(118,267)	(191,635)	84,144
Changes in benefit terms	-	309,205	556,936	-	45,070
Benefit payments, including refunds of employee contributions	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Net change in total pension liability	632,281	1,069,791	1,381,797	470,323	1,078,710
Total pension liability - beginning	8,914,739	7,844,948	6,463,151	5,992,828	4,914,118
Total pension liability - ending (a)	\$ 9,547,020	\$ 8,914,739	\$ 7,844,948	\$ 6,463,151	\$ 5,992,828
Plan fiduciary net position					
Contributions - employer	\$ 704,801	\$ 355,006	\$ 344,528	\$ 247,248	\$ 261,908
Contributions - employee	145,107	183,748	195,245	187,916	171,178
Investment income (net of administrative expenses)	446,127	651,916	29,391	167,246	505,572
Benefit payments	(179,128)	(174,457)	(205,399)	(127,375)	(125,956)
Administrative expenses	(7,490)	(6,168)	(4,629)	(4,470)	-
Other	(383,143)	64	(88,820)	(78,930)	(22,265)
Net change in plan fiduciary net position	726,274	1,010,109	270,316	391,635	790,437
Plan fiduciary net position - beginning	6,105,849	5,095,740	4,825,424	4,433,789	3,643,352
Plan fiduciary net position - ending (b)	\$ 6,832,123	\$ 6,105,849	\$ 5,095,740	\$ 4,825,424	\$ 4,433,789
Net pension liability - ending (a)-(b)	\$ 2,714,897	\$ 2,808,890	\$ 2,749,208	\$ 1,637,727	\$ 1,559,039
Plan fiduciary net position as a percentage of the total pension liability	71.56%	68.49%	64.96%	74.66%	73.98%
Covered-employee payroll	\$ 1,929,297	\$ 1,873,104	\$ 1,818,548	\$ 1,604,216	\$ 1,689,214
Net pension liability as a percentage of covered-employee payroll	140.72%	149.96%	166.38%	102.09%	92.29%

Notes to Schedule:

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

City of Cottonwood
Schedules of Changes in the Net Pension/OPEB Asset/(Liability) and Related Ratios
Last Ten Years
For the Year Ended June 30, 2019

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

	2017-18	2016-17
Total OPEB Liability		
Service cost	\$ 6,462	\$ 8,171
Interest on total OPEB liability	21,101	21,172
Changes in assumptions	-	253
Differences between expected and actual experience	(12,591)	(5,210)
Changes in benefit terms	-	(13,866)
Benefit payments, including refunds of employee contributions	(6,760)	(6,868)
Net change in total OPEB liability	8,212	3,652
Total OPEB liability - beginning	285,295	281,643
Total OPEB liability - ending (a)	\$ 293,507	\$ 285,295
Plan fiduciary net position		
Contributions - employer	\$ 2,588	\$ 5,612
Contributions - employee	-	-
Investment income (net of administrative expenses)	21,981	33,569
Benefit payments	(6,760)	(6,868)
Administrative expenses	(335)	(297)
Other	1	-
Net change in plan fiduciary net position	17,475	32,016
Plan fiduciary net position - beginning	317,394	285,378
Plan fiduciary net position - ending (b)	\$ 334,869	\$ 317,394
Net OPEB asset - ending (a)-(b)	\$ (41,362)	\$ (32,099)
Plan fiduciary net position as a percentage of the total OPEB liability	114.09%	111.25%
Covered-employee payroll	\$ 2,075,028	\$ 2,014,590
Net OPEB liability as a percentage of covered-employee payroll	-1.99%	-1.59%

Notes to Schedule:

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

City of Cottonwood
Schedules of Changes in the Net Pension/OPEB Asset/(Liability) and Related Ratios
Last Ten Years
For the Year Ended June 30, 2019

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

	2017-18	2016-17
Total OPEB Liability		
Service cost	\$ 6,551	\$ 6,493
Interest on total OPEB liability	18,603	17,608
Changes in assumptions	-	1,094
Differences between expected and actual experience	(22,528)	4,879
Changes in benefit terms	-	(4,263)
Benefit payments, including refunds of employee contributions	(8,901)	(9,522)
Net change in total OPEB liability	(6,275)	16,289
Total OPEB liability - beginning	252,573	236,284
Total OPEB liability - ending (a)	\$ 246,298	\$ 252,573
Plan fiduciary net position		
Contributions - employer	\$ 7,543	\$ 9,935
Contributions - employee	-	-
Investment income (net of administrative expenses)	10,605	16,231
Benefit payments	(8,901)	(9,522)
Administrative expenses	(161)	(143)
Other	(1)	-
Net change in plan fiduciary net position	9,085	16,501
Plan fiduciary net position - beginning	154,001	137,500
Plan fiduciary net position - ending (b)	\$ 163,086	\$ 154,001
Net OPEB liability - ending (a)-(b)	\$ 83,212	\$ 98,572
Plan fiduciary net position as a percentage of the total OPEB liability	66.21%	60.97%
Covered-employee payroll	\$ 1,929,297	\$ 1,873,104
Net OPEB liability as a percentage of covered-employee payroll	4.31%	5.26%

Notes to Schedule:

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

City of Cottonwood
Schedules of Contributions
Last Ten Years
For the Year Ended June 30, 2019

Arizona State Retirement System ("ASRS") Pension Plan

	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14¹
Statutorily required contribution	\$ 914,919	\$ 882,838	\$ 810,358	\$ 815,999	\$ 271,845	\$ 623,008
Contributions in relation to the statutorily required contributions	(914,919)	(882,838)	(810,358)	(815,999)	(271,845)	(623,008)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286	\$ 3,556,588	\$ 3,452,998	\$ 3,478,615
Contributions as a percentage of covered-employee payroll	23.54%	23.40%	22.12%	22.94%	7.87%	17.91%

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

Notes to Schedule

Valuation date: 6/30/2017

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17¹</u>
Statutorily required contribution	\$ 37,644	\$ 34,932	\$ 43,396
Contributions in relation to the statutorily required contributions	<u>(37,644)</u>	<u>(34,932)</u>	<u>(43,396)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
Contributions as a percentage of covered- employee payroll	0.97%	0.93%	1.18%

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

Notes to Schedule

Valuation date: 6/30/2017

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17¹</u>
Statutorily required contribution	\$ 13,094	\$ 12,706	\$ 10,882
Contributions in relation to the statutorily required contributions	<u>(13,094)</u>	<u>(12,706)</u>	<u>(10,882)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 3,886,380	\$ 3,773,184	\$ 3,663,286
 employee payroll	 0.34%	 0.34%	 0.30%

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

Notes to Schedule

Valuation date: 6/30/2017

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 940,547	\$ 974,192	\$ 879,100	\$ 910,441	\$ 601,731	\$ 562,803
Contributions in relation to the actuarially determined contributions	<u>(940,547)</u>	<u>(974,192)</u>	<u>(879,100)</u>	<u>(910,441)</u>	<u>(601,731)</u>	<u>(562,803)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590	\$ 1,955,913	\$ 2,034,987	\$ 1,913,359
Contributions as a percentage of covered-employee payroll	44.01%	46.95%	43.64%	46.55%	29.57%	29.41%

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

Notes to Schedule

Valuation date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed market; 20% corridor
Wage inflation	4.00%
Price inflation	3.00%
Salary increases	4.00% to 8.00% including inflation.
Investment rate of return	7.50%, net of investment and administrative expenses
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 442,193	\$ 430,827	\$ 324,450	\$ 323,156	\$ 243,520	\$ 268,585
Contributions in relation to the actuarially determined contributions	<u>(442,193)</u>	<u>(430,827)</u>	<u>(324,450)</u>	<u>(323,156)</u>	<u>(243,520)</u>	<u>(268,585)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104	\$ 1,818,548	\$ 1,604,216	\$ 1,689,214
Contributions as a percentage of covered-employee payroll	22.25%	22.33%	17.32%	17.77%	15.18%	15.90%

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

Notes to Schedule

Valuation date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed market; 20% corridor
Payroll growth	4.00%
Salary increases	3.00%
Salary increases	4.00% to 8.00% including inflation.
Investment rate of return	7.50%, net of investment and administrative expenses
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	2018-19	2017-18	2016-17 ¹
Actuarially determined contribution	\$ 6,482	\$ 8,256	\$ 5,612
Contributions in relation to the actuarially determined contributions	(6,482)	(8,256)	(5,612)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,137,279	\$ 2,075,028	\$ 2,014,590
Contributions as a percentage of covered-employee payroll	0.30%	0.40%	0.28%

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

Notes to Schedule

Valuation date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2016 actuarial valuation.

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed market; 20% corridor
Payroll growth	4.00%
Salary increases	3.00%
Salary increases	4.00% to 8.00% including inflation.
Investment rate of return	7.50%, net of investment and administrative expenses.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	2018-19	2017-18	2016-17¹
Actuarially determined contribution	\$ 12,937	\$ 12,495	\$ 9,935
Contributions in relation to the actuarially determined contributions	(12,937)	(12,495)	(9,935)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,987,177	\$ 1,929,298	\$ 1,873,104
Contributions as a percentage of covered-employee payroll	0.65%	0.65%	0.53%

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

Notes to Schedule

Valuation date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2012 public agency valuations.

Methods and assumptions used to actuarially determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-Year smoothed market; 20% corridor
Payroll growth	4.00%
Salary increases	3.00%
Salary increases	4.00% to 8.00% including inflation.
Investment rate of return	7.50%, net of investment and administrative expenses.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 8,220	\$ 3,731
Contributions in relation to the statutorily required contributions	<u>(8,220)</u>	<u>(3,731)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 103,355	\$ 100,345
Contributions as a percentage of covered- employee payroll	7.95%	3.72%

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

Notes to Schedule

Valuation date: 6/30/2018

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 9,090	\$ 333
Contributions in relation to the statutorily required contributions	<u>(9,090)</u>	<u>(333)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 77,897	\$ 75,628
Contributions as a percentage of covered- employee payroll	11.67%	0.44%

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

Notes to Schedule

Valuation date: 6/30/2018

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 47	\$ 100
Contributions in relation to the statutorily required contributions	<u>(47)</u>	<u>(100)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 103,355	\$ 100,345
Contributions as a percentage of covered- employee payroll	0.05%	0.10%

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

Notes to Schedule

Valuation date: 6/30/2018

City of Cottonwood
Schedules of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

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

	<u>2018-19</u>	<u>2017-18¹</u>
Statutorily required contribution	\$ 93	\$ 9
Contributions in relation to the statutorily required contributions	<u>(93)</u>	<u>(9)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 77,897	\$ 75,628
Contributions as a percentage of covered- employee payroll	0.12%	0.01%

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

Notes to Schedule

Valuation date: 6/30/2018

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Supplementary Information

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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Non-Major Governmental Funds

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

HURF Special Revenue Fund - This fund accounts for the City's share of state taxes on gasoline, diesel fuels and other transportation related fees to be used solely for street and highway purposes. Eligible expenditures include the cost of personnel, right-of-way acquisitions, construction, reconstruction, maintenance, repair, roadside development of city roads, streets and bridges and the payment of the principal and interest on highway and street bonds.

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

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

City of Cottonwood
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

		Special Revenue Fund		
		Grants Fund	HURF Fund	Transit Fund
ASSETS				
Cash and cash investments		\$ 12,956	\$ 1,611,462	\$ -
Restricted cash and cash investments		-	701,240	-
Receivables:				
Accounts		-	476	82,108
Taxes		-	50,087	-
Intergovernmental		-	96,804	279,292
Inventories		-	22,285	-
Total assets		<u>\$ 12,956</u>	<u>\$ 2,482,354</u>	<u>\$ 361,400</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable		\$ 1,792	\$ 65,344	\$ 50,682
Accrued payroll and related liabilities		-	5,032	22,141
Due to other funds		-	-	288,995
Interest payable - current portion		-	94,712	-
Principal payable - current portion		-	201,685	-
Total liabilities		<u>1,792</u>	<u>366,773</u>	<u>361,818</u>
Fund Balances:				
Nonspendable		-	22,285	-
Restricted		11,164	2,093,296	-
Unassigned		-	-	(418)
Total fund balances		<u>11,164</u>	<u>2,115,581</u>	<u>(418)</u>
Total liabilities and fund balances		<u>\$ 12,956</u>	<u>\$ 2,482,354</u>	<u>\$ 361,400</u>

City of Cottonwood
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2019

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
ASSETS		
Cash and cash investments	\$ 380,759	\$ 2,005,177
Restricted cash and cash investments	174,332	875,572
Receivables:		
Accounts	-	82,584
Taxes	-	50,087
Intergovernmental	3,776	379,872
Inventories	-	22,285
Total assets	\$ 558,867	\$ 3,415,577
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 878	\$ 118,696
Accrued payroll and related liabilities	-	27,173
Due to other funds	-	288,995
Interest payable - current portion	-	94,712
Principal payable - current portion	-	201,685
Total liabilities	878	731,261
Fund Balances:		
Nonspendable	-	22,285
Restricted	557,989	2,662,449
Unassigned	-	(418)
Total fund balances	557,989	2,684,316
Total liabilities and fund balances	\$ 558,867	\$ 3,415,577

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue Fund		
	Grants Fund	HURF Fund	Transit Fund
REVENUES:			
Taxes	\$ -	\$ 738,664	\$ 394,495
Intergovernmental	165,758	1,054,486	1,186,526
Investment income	3	26,950	-
Charges for services	-	-	211,490
	<u>165,761</u>	<u>1,820,100</u>	<u>1,792,511</u>
EXPENDITURES:			
Current:			
Highways and streets	-	908,747	-
Transportation	-	-	1,789,161
Culture and leisure	422	-	-
Capital outlay	164,078	328,677	28,860
Debt service:			
Principal	-	221,313	-
Interest and fiscal charges, net of amortization of deferred loss on refunding	-	211,630	-
Total expenditures	<u>164,500</u>	<u>1,670,367</u>	<u>1,818,021</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,261</u>	<u>149,733</u>	<u>(25,510)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	420	-	25,092
Total other financing sources (uses)	<u>420</u>	<u>-</u>	<u>25,092</u>
Net changes in fund balances	1,681	149,733	(418)
FUND BALANCES:			
Beginning of year	9,483	1,965,848	-
End of year	<u>\$ 11,164</u>	<u>\$ 2,115,581</u>	<u>\$ (418)</u>

City of Cottonwood
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2019

	Capital Project Fund	Total Non-major Governmental Funds
	City Capital Projects Fund	
REVENUES:		
Taxes	\$ -	\$ 1,133,159
Intergovernmental	3,776	2,410,546
Investment income	22,240	49,193
Charges for services	-	211,490
	<u>26,016</u>	<u>3,804,388</u>
EXPENDITURES:		
Current:		
Highways and streets	-	908,747
Transportation	-	1,789,161
Culture and leisure	-	422
Capital outlay	-	521,615
Debt service:		
Principal	-	221,313
Interest and fiscal charges, net of amortization of deferred loss on refunding	5,991	217,621
Total expenditures	<u>5,991</u>	<u>3,658,879</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>20,025</u>	<u>145,509</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	25,512
Total other financing sources (uses)	<u>-</u>	<u>25,512</u>
Net changes in fund balances	20,025	171,021
FUND BALANCES:		
Beginning of year	537,964	2,513,295
End of year	<u>\$ 557,989</u>	<u>\$ 2,684,316</u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 1,645,220	\$ 1,645,220	\$ 1,643,708	\$ (1,512)
Investment income	400	650	1,190	540
Total revenues	<u>1,645,620</u>	<u>1,645,870</u>	<u>1,644,898</u>	<u>(972)</u>
EXPENDITURES:				
Debt service:				
Principal	1,147,655	1,147,655	948,984	198,671
Interest and fiscal charges, net of amortization of deferred loss on refunding	<u>499,415</u>	<u>501,765</u>	<u>488,987</u>	<u>12,778</u>
Total expenditures	<u>1,647,070</u>	<u>1,649,420</u>	<u>1,437,971</u>	<u>211,449</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(1,450)</u>	<u>(3,550)</u>	<u>206,927</u>	<u>210,477</u>
Net change in fund balances	<u><u>\$ (1,450)</u></u>	<u><u>\$ (3,550)</u></u>	<u>206,927</u>	<u><u>\$ 210,477</u></u>
FUND BALANCE:				
Beginning of year			<u>159,310</u>	
End of year			<u><u>\$ 366,237</u></u>	

City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Grant Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Intergovernmental	\$ 709,220	\$ 165,760	\$ 165,758	\$ (2)
Investment income	5	-	3	3
Total revenues	<u>709,225</u>	<u>165,760</u>	<u>165,761</u>	<u>1</u>
EXPENDITURES:				
Current:				
Culture and leisure	-	-	422	(422)
Capital outlay	<u>871,815</u>	<u>265,255</u>	<u>164,078</u>	<u>101,177</u>
Total expenditures	<u>871,815</u>	<u>265,255</u>	<u>164,500</u>	<u>100,755</u>
REVENUE OVER				
(UNDER) EXPENDITURES	<u>(162,590)</u>	<u>(99,495)</u>	<u>1,261</u>	<u>100,756</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>-</u>	<u>90,010</u>	<u>420</u>	<u>(89,590)</u>
Total other financing sources (uses)	<u>-</u>	<u>90,010</u>	<u>420</u>	<u>(89,590)</u>
Net change in fund balances	<u><u>\$ (162,590)</u></u>	<u><u>\$ (9,485)</u></u>	<u>1,681</u>	<u><u>\$ 11,166</u></u>
FUND BALANCE:				
Beginning of year			<u>9,483</u>	
End of year			<u><u>\$ 11,164</u></u>	

City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
HURF Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ 646,110	\$ 429,610	\$ 738,664	\$ 309,054
Intergovernmental	1,005,475	1,025,500	1,054,486	28,986
Investment income	5,000	12,600	26,950	14,350
Miscellaneous	115,000	-	-	-
Total revenues	1,771,585	1,467,710	1,820,100	352,390
EXPENDITURES:				
Current:				
Highways and streets	911,045	1,009,490	908,747	100,743
Capital outlay	2,862,000	1,020,520	328,677	691,843
Debt service:				
Principal	241,100	241,100	221,313	19,787
Interest and fiscal charges, net of amortization of deferred loss on refunding	191,850	191,845	211,630	(19,785)
Total expenditures	4,205,995	2,462,955	1,670,367	792,588
REVENUE OVER (UNDER) EXPENDITURES	(2,434,410)	(995,245)	149,733	1,144,978
OTHER FINANCING SOURCES (USES):				
Transfers in	207,520	500,000	-	(500,000)
Total other financing sources (uses)	207,520	500,000	-	(500,000)
Net change in fund balances	\$ (2,226,890)	\$ (495,245)	149,733	\$ 644,978
FUND BALANCE:				
Beginning of year			1,965,848	
End of year			\$ 2,115,581	

City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Transit Special Revenue Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES:				
Taxes	\$ -	\$ 383,900	\$ 394,495	\$ 10,595
Intergovernmental	1,240,860	1,359,270	1,186,526	(172,744)
Charges for services	206,400	235,630	211,490	(24,140)
Total revenues	1,447,260	1,978,800	1,792,511	(186,289)
EXPENDITURES:				
Current:				
Transportation	1,804,740	1,850,900	1,789,161	61,739
Capital outlay	135,000	127,900	28,860	99,040
Total expenditures	1,939,740	1,978,800	1,818,021	160,779
REVENUE OVER				
(UNDER) EXPENDITURES	(492,480)	-	(25,510)	(25,510)
OTHER FINANCING SOURCES (USES):				
Transfers in	492,480	-	25,092	25,092
Total other financing sources (uses)	492,480	-	25,092	25,092
Net change in fund balances	\$ -	\$ -	(418)	\$ (418)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ (418)	

City of Cottonwood
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES:				
Intergovernmental	\$ 143,000	\$ -	\$ 3,776	\$ 3,776
Investment income	1,500	538,965	22,240	(516,725)
Total revenues	<u>144,500</u>	<u>538,965</u>	<u>26,016</u>	<u>(512,949)</u>
EXPENDITURES:				
Capital outlay	143,000	-	-	-
Debt service:				
Interest and fiscal charges, net of amortization of deferred loss on refunding	<u>9,000</u>	<u>7,000</u>	<u>5,991</u>	<u>1,009</u>
Total expenditures	<u>152,000</u>	<u>7,000</u>	<u>5,991</u>	<u>1,009</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(7,500)</u>	<u>531,965</u>	<u>20,025</u>	<u>(511,940)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,878,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,878,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><u>\$ (1,886,010)</u></u>	<u><u>\$ 531,965</u></u>	<u>20,025</u>	<u><u>\$ (511,940)</u></u>
FUND BALANCE:				
Beginning of year			<u>537,964</u>	
End of year			<u><u>\$ 557,989</u></u>	

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Comprehensive Annual Financial Report
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City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

Statistical Section

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood

Statistical Section

Overview

This part of the City of Cottonwood's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

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City of Cottonwood
Net Position by Component
Last Ten Fiscal Years Ended June 30, 2019
(accrual basis of accounting)

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

City of Cottonwood
Net Position by Component (Continued)
Last Ten Fiscal Years Ended June 30, 2019
(accrual basis of accounting)

	Fiscal Year				
	2014	2013	2012	2011	2010
Governmental activities					
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>\$ 43,177,059</u>	<u>\$ 43,557,809</u>	<u>\$ 44,692,092</u>	<u>\$ 45,772,986</u>	<u>\$ 46,991,604</u>
Business-type activities					
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>\$ 23,350,353</u>	<u>\$ 22,339,280</u>	<u>\$ 24,693,571</u>	<u>\$ 25,315,562</u>	<u>\$ 25,943,648</u>
Primary government					
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 primary government net position	<u>\$ 66,527,412</u>	<u>\$ 65,897,089</u>	<u>\$ 69,385,663</u>	<u>\$ 71,088,548</u>	<u>\$ 72,935,252</u>

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

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

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Expenses					
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
Highway and streets	3,468,654	3,134,571	2,373,133	2,409,649	3,520,748
Transportation	-	-	-	-	-
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 expenses	<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
Wastewater	2,377,111	2,423,868	2,176,959	2,083,265	2,020,026
Total business-type activities expenses	<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 primary government expenses	<u><u>\$ 30,050,579</u></u>	<u><u>\$ 29,180,165</u></u>	<u><u>\$ 27,356,630</u></u>	<u><u>\$ 27,200,197</u></u>	<u><u>\$ 26,308,181</u></u>
Program Revenues					
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
Transportation	-	-	-	-	-
Culture and leisure	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 program revenues	<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>
Program Revenues					
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 program revenues	<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 primary government program revenues	<u><u>\$ 14,566,719</u></u>	<u><u>\$ 12,927,301</u></u>	<u><u>\$ 11,644,056</u></u>	<u><u>\$ 11,468,909</u></u>	<u><u>\$ 12,351,317</u></u>
Net (Expense) Revenue					
Governmental activities	\$ (16,125,238)	\$ (14,707,050)	\$ (14,695,341)	\$ (14,699,456)	\$ (12,525,166)
Business-type activities	641,378	(1,545,814)	(1,017,233)	(1,031,832)	(1,431,698)
Total primary government	<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
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2019	2018	2017	2016	2015
General Revenue and					
Other Changes in Net Position					
Net Revenue/(Expense)	-	(13,492,277)	(18,416,278)	(18,465,519)	(15,893,320)
Governmental Activities					
Taxes:					
Sales taxes	16,453,665	14,275,812	\$ 13,982,967	\$ 13,385,256	\$ 12,774,860
Motor vehicle in-lieu tax	848,579	781,103	758,271	710,155	660,786
Franchise taxes	404,620	416,542	370,646	349,537	368,062
Transit occupancy tax	288,333	243,347	214,976	-	-
State shared revenue	2,666,814	2,637,072	2,528,894	2,422,844	2,393,192
Investment Income	135,426	75,947	17,668	175,351	146,102
Miscellaneous	48,496	278,646	445,770	-	-
Gain on sale of assets	74,936	12,466	3,603	-	-
Transfers	-	(8,715,709)	-	(700,000)	-
Total governmental activities	20,920,869	10,005,226	18,322,795	16,343,143	16,343,002
Business-type activities:					
Impact fees	-	-	-	-	-
Investment income	364,451	119,643	374,976	327,656	305,896
Miscellaneous	78,225	60,644	28,288	-	-
Gain of disposal of capital assets	(27,685)	(95,441)	4,975	-	-
Transfers	-	8,715,709	-	700,000	-
Total business activities	414,991	8,800,555	408,239	1,027,656	305,896
Total primary government	\$ 21,335,860	\$ 18,805,781	\$ 18,731,034	\$ 17,370,799	\$ 16,648,898
Change in Net Position	\$ 21,335,860	\$ 5,313,504	\$ 314,756	\$ (1,094,720)	\$ 755,578

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

	Fiscal Year				
	2014	2013	2012	2011	2010
General Revenue and Other Changes in Net Position	(15,893,320)	(16,252,864)	(15,712,574)	(15,731,288)	(13,956,864)
Governmental Activities					
Taxes:					
Sales taxes	\$ 12,774,860	\$ 11,329,353	\$ 10,579,983	\$ 10,624,971	\$ 10,212,304
Motor Vehicle in-lieu tax	660,786	563,851	602,832	582,707	590,201
Franchise taxes	368,062	363,653	359,871	240,140	233,128
Transit occupancy tax	-	-	-	-	-
Unrestricted state shared revenue	2,393,192	2,088,713	1,831,024	1,890,634	2,199,106
Investment earnings	146,102	(71,463)	240,737	142,386	275,152
Miscellaneous	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-
Transfers	-	(398,256)	-	-	-
Total governmental activities	16,343,002	13,875,851	13,614,447	13,480,838	13,509,891
Business-type activities:					
Impact fees	-	-	-	-	-
Investment income	305,896	328,570	395,242	390,179	543,340
Miscellaneous	-	-	-	-	-
Gain of disposal of capital assets	-	-	-	13,567	832
Transfers	-	398,256	-	-	-
Total business activities	305,896	726,826	395,242	403,746	544,172
Total primary government	\$ 16,648,898	\$ 14,602,677	\$ 14,009,689	\$ 13,884,584	\$ 14,054,063
Change in Net Position	<u>\$ 755,578</u>	<u>\$ (1,650,187)</u>	<u>\$ (1,702,885)</u>	<u>\$ (1,846,704)</u>	<u>\$ 97,199</u>

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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

	Fiscal Year							
	2019	2018	2017	2016	2015	2014	2013	2012
General Fund								
Nonspendable	\$ 21,568	\$ 29,225	\$ 21,397	\$ 40,249	46,261	20,608	5,095	35,436
Restricted	-	-	-	-	144,477	1,287,757	-	-
Assigned	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,259,750	2,214,190
Unassigned	3,772,894	2,154,755	4,206,786	4,187,934	4,599,804	3,674,772	4,624,668	4,177,319
Total general fund	<u>\$ 4,794,462</u>	<u>\$ 3,183,980</u>	<u>\$ 5,228,183</u>	<u>\$ 5,228,183</u>	<u>\$ 5,790,542</u>	<u>\$ 5,983,137</u>	<u>\$ 5,889,513</u>	<u>\$ 6,426,945</u>
All Other Governmental Funds								
Nonspendable	\$ 40,510	\$ 50,131	\$ 22,275	\$ 15,311	\$ 15,311	\$ 18,988	\$ 21,233	\$ 31,164
Restricted	3,010,461	2,622,474	4,287,185	5,708,599	9,421,521	1,210,126	2,241,263	2,034,245
Assigned	-	-	5,674,582	5,592,044	3,650,405	8,318,189	9,658,940	12,906,562
Unassigned	(418)	-	-	-	-	(488,916)	(465,433)	(479,188)
Total all other governmental funds	<u>\$ 3,050,553</u>	<u>\$ 2,672,605</u>	<u>\$ 9,984,042</u>	<u>\$11,315,954</u>	<u>\$13,087,237</u>	<u>\$ 9,058,387</u>	<u>\$11,456,003</u>	<u>\$14,492,783</u>

	Fiscal Year	
	2011	2010
General Fund		
Nonspendable	\$ 36,961	
Unassigned	\$ 7,018,946	
Reserved		\$ 17,389
Unreserved		7,105,988
Total general fund	<u>7,055,907</u>	<u>7,123,377</u>
All Other Governmental Funds		
Nonspendable	\$ 11,450	
Restricted	15,540,936	
Reserved		2,567,487
Unreserved, reported in:		
Special revenue funds		1,096,519
Capital projects funds		14,152,370
Debt service funds		(1,357,358)
Total all other governmental funds	<u>\$15,552,386</u>	<u>\$16,459,018</u>

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

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues:					
Taxes	\$ 17,146,618	\$ 14,935,701	\$ 14,568,589	\$ 13,734,793	\$ 13,142,922
Intergovernmental revenues	6,518,230	8,704,128	7,862,119	5,742,590	5,724,063
Licenses and permits	568,297	327,452	279,814	279,698	229,810
Fines and forfeits	213,450	178,504	147,698	149,459	160,813
Rents and royalties	159,879	118,756	257,931	181,608	143,578
Investment income	134,119	75,947	17,668	174,473	145,268
Charges for services	2,333,342	2,547,571	2,481,394	2,454,952	1,906,025
Contributions	30,935	36,419	31,725	73,607	1,076
Miscellaneous	1,300,823	1,595,475	1,740,887	157,256	267,215
Total revenues	28,405,693	28,519,953	27,387,825	22,948,436	21,720,770
Expenditures:					
Current:					
General government	6,139,003	6,103,437	5,705,624	4,665,822	4,510,920
Public safety	11,071,615	10,801,786	10,657,958	9,251,574	8,254,360
Highways and street	908,747	1,059,037	2,429,760	2,816,635	3,111,725
Transportation	1,789,161	1,598,318	-	-	-
Culture and recreation	3,303,096	3,401,603	3,222,539	3,198,799	3,059,962
Redevelopment and housing	-	-	-	-	-
Capital outlay	2,200,382	3,672,088	5,157,047	2,341,365	5,498,903
Debt service:					
Principal retirement	1,544,610	1,783,911	1,776,500	1,322,010	1,332,649
Interest on long-term debt	828,946	752,170	999,972	985,873	695,238
Bond issuance costs	-	-	-	-	137,693
Total expenditures	27,785,560	29,172,350	29,949,400	24,582,078	26,601,450
Excess of revenues over (under) expenditures	620,133	(652,397)	(2,561,575)	(1,633,642)	(4,880,680)
Other Financing Sources (Uses)					
Issuance of long-term debt	1,285,928	-	13,544,732	-	8,115,584
Premium on issuance of long-term debt	-	-	1,524,485	-	601,351
Deposit to escrow for bond refunding	-	-	(13,613,249)	-	-
Cost of issuance	-	-	(238,961)	-	-
Sales of Property	82,369	12,466	12,656	-	-
Capital lease agreements	-	-	-	-	-
Transfers in	25,512	5,146,961	1,112,808	4,216	3,119,148
Transfers out	(25,512)	(13,862,670)	(1,112,808)	(704,216)	(3,119,048)
Total other financing sources (uses)	1,368,297	(8,703,243)	1,229,663	(700,000)	8,717,035
Net change in fund balances	\$ 1,988,430	\$ (9,355,640)	\$ (1,331,912)	\$ (2,333,642)	\$ 3,836,355

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

	Fiscal Year				
	2014	2013	2012	2011	2010
Revenues:					
Taxes	\$ 12,648,502	\$ 10,939,854	\$ 10,939,854	\$ 10,865,111	\$ 10,445,432
Intergovernmental revenues	5,714,445	3,953,440	3,953,440	4,618,408	6,634,866
Licenses and permits	292,341	120,239	120,239	141,637	164,880
Fines and forfeits	176,208	220,557	220,557	167,312	144,122
Rents and royalties	162,606	95,311	95,311	114,985	113,126
Investment income	211,420	239,608	239,608	142,754	272,061
Charges for services	1,739,844	2,322,410	2,322,410	1,780,365	1,767,486
Contributions	9,292	133,894	133,894	8,343	783
Miscellaneous	129,968	83,810	83,810	123,955	137,220
Total revenues	21,084,626	18,109,123	18,109,123	17,962,870	19,679,976
Expenditures:					
Current:					
General government	4,347,532	4,909,750	4,909,750	4,561,617	5,207,435
Public safety	7,888,166	6,843,873	6,843,873	6,908,826	6,634,825
Highways and street	2,565,264	1,788,597	1,788,597	1,940,247	3,078,858
Transportation	-	-	-	-	-
Culture and recreation	2,869,610	2,437,903	2,437,903	2,269,302	1,685,493
Redevelopment and housing	-	113,931	113,931	96,565	89,036
Capital outlay	4,598,404	1,872,067	1,872,067	738,814	14,438,028
Debt service:					
Principal retirement	1,241,480	1,612,775	1,612,775	1,513,413	1,501,347
Interest on long-term debt	728,162	819,827	819,827	908,188	970,202
Bond issuance costs	-	-	-	-	-
Total expenditures	24,238,618	20,398,723	20,398,723	18,936,972	33,605,224
Excess of revenues over (under) expenditures	(3,153,992)	(2,289,600)	(2,289,600)	(974,102)	(13,925,248)
Other Financing Sources (Uses)					
Issuance of long-term debt	-	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-	-
Deposit to escrow for bond refunding	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Sales of Property	-	-	-	-	-
Capital lease agreements	850,000	601,035	601,035	-	379,450
Transfers in	305,268	-	-	-	807,565
Transfers out	(305,268)	-	-	-	(807,565)
Total other financing sources (uses)	850,000	601,035	601,035	-	379,450
Net change in fund balances	\$ (2,303,992)	\$ (1,688,565)	\$ (1,688,565)	\$ (974,102)	\$ (13,545,798)

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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

Fiscal Year	Sales Tax	Occupancy Tax	Franchise Tax	Utility Taxes	Total
2019	16,136,973	288,333	404,620	316,692	17,146,618
2018	14,453,403	243,347	416,542	252,417	15,365,709
2017	13,982,967	214,976	370,646	224,390	14,792,979
2016	12,967,957	187,211	349,537	230,088	13,734,793
2015	12,390,295	161,960	368,062	222,605	13,142,922
2014	11,930,653	129,820	371,886	216,143	12,648,502
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

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

Overlapping Rates

<u>Fiscal Year</u>	<u>City of Cottonwood</u>	<u>Yavapai County</u>	<u>State of Arizona</u>
2019	3.50	0.75	5.6
2018	3.00	0.75	5.60
2017	3.00	0.75	5.60
2016	3.00	0.75	5.60
2015	3.00	0.75	5.60
2014	3.00	0.75	5.60
2013	3.00	0.75	5.60
2012	3.00	0.75	5.60
2011	3.00	0.75	5.60
2010	3.00	0.75	5.60

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

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

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

City of Cottonwood
Taxable Sales By Category (Continued)
Last Ten Calendar Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Construction	\$ 19,609	\$ 19,783	\$ 19,783	\$ 12,410	\$ 14,738
Manufacturing	7,055	6,146	6,146	5,803	6,026
Communications and utilities	12,115	12,293	12,293	12,786	12,226
Wholesale Trade	2,465	2,270	2,270	2,005	2,321
Retail Trade	268,377	260,464	260,464	236,753	227,250
Restaurants and Bars	34,066	31,607	31,607	29,636	27,550
Real estate, rental and lease	39,539	36,120	36,120	31,397	33,370
Hotels and Other Lodging	8,816	7,754	7,754	7,443	7,172
Services	9,924	9,402	9,402	8,359	8,127
All Others Not Specified	2,703	5,292	5,292	5,347	5,566
Total	<u><u>\$ 404,669</u></u>	<u><u>\$ 391,129</u></u>	<u><u>\$ 391,129</u></u>	<u><u>\$ 351,939</u></u>	<u><u>\$ 344,346</u></u>

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

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

The Department of Revenue has changed the way that they report sales tax to the Cities and some of the categories change in 2016

City of Cottonwood
Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year Ending June 30	General Obligation and Other Bonds	Notes and Loans Payable	Capital Leases	Total
2019	\$ 19,498,151	\$ -	1,844,552	\$ 21,342,703
2018	20,979,005	-	1,140,441	22,119,446
2017	22,531,286	-	1,670,484	24,201,770
2016	8,686,868	14,177,929	895,278	23,760,075
2015	8,716,935	15,070,336	1,307,288	25,094,559
2014	-	15,700,000	1,764,937	17,464,937
2013	150,000	16,865,000	1,316,417	18,331,417
2012	290,000	17,975,000	1,057,258	19,322,258
2011	290,000	17,975,000	819,000	19,084,000
2010	425,000	19,045,000	1,127,000	20,597,000

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

Note: N/A indicates the information was either not available or not applicable.

City of Cottonwood
Outstanding Debt by Type (Continued)
Last Ten Fiscal Years

Business-Type Activites					Total Outstanding Debt		
Fiscal Year Ending June 30	Revenue Bonds	Loans Payable	Capital Leases	Total	Total Debt	Percentage of Personal Income	Per Capita
2019	\$ 3,193,930	\$ 21,011,061	\$ -	\$ 24,204,991	\$ 45,547,694	N/A	\$ -
2018	3,340,090	22,343,732	413,270	26,097,092	48,216,538	N/A	-
2017	3,244,416	22,418,796	820,068	26,483,280	50,685,050	N/A	4,228
2016	23,911,915	23,756,290	1,220,494	48,888,699	72,648,774	18.76	6,147
2015	24,551,327	9,696,290	1,614,650	35,862,267	60,956,826	15.75	5,161
2014	31,750,000	-	2,000,000	33,750,000	51,214,937	13.72	4,337
2013	32,725,000	-	-	32,725,000	51,056,417	13.67	4,323
2012	33,690,000	-	-	33,690,000	53,012,258	14.42	4,668
2011	33,690,000	-	-	33,690,000	52,774,000	14.22	4,685
2010	34,610,000	-	-	34,610,000	55,207,000	13.76	4,533

Source: The source of this information is the City's financial records.Note: N/A

Note: N/A indicates the information was either not available or not applicable.

City of Cottonwood
Ratios of Debt Outstanding
Last Ten Calendar Years

Year	Excise tax Backed Bonds	Taxable Sales	Percentage of outstanding bonds to taxable sales	Population	Net general obligation bonded debt per capita
2019	\$ 17,769,764	\$ 501,274,855	3.54%	12,249	\$ 1,451
2018	19,081,960	484,940,003	3.93	12,133	1,573
2017	20,465,584	473,249,667	4.32	11,990	1,707
2016	11,360,000	439,940,000	2.58	11,818	961
2015	11,360,000	404,669,000	2.81	11,810	962
2014	-	391,129,000	0.00	11,810	-
2013	150,000	372,907,000	0.04	11,810	13
2012	290,000	351,940,000	0.08	11,356	26
2011	290,000	344,346,000	0.08	11,265	26
2010	425,000	358,070,000	0.12	12,180	35

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

City of Cottonwood
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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City of Cottonwood
Direct and Overlapping Governmental Activities Debt
As of June 30, 2019

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Amount Overlapping Debt</u>
Overlapping Debt:			
Yavapai Community College	28,600,000	42.98%	12,292,280
Mingus Union High School District	\$ 14,995,000	11.39%	\$ 1,707,931
Total Overlapping Debt			14,000,211
Direct:			
City of Cottonwood			23,760,075
Total Direct Debt			37,760,286

DIRECT AND OVERLAPPING GENERAL BONDED DEBT RATIOS

Net Direct General Obligation Bonded Debt		
As a Percentage of Net Limited Assessed Valuation		N/A
Net Direct and Overlapping General Bonded Debt		
Per Capita	\$	3,195.00
As a Percentage of Net Limited Assessed Valuation		36.93%
As a Percentage of Gross Full Cash Value		5.51%

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

Notes: 1) Estimated percentage of debt outstanding applicable to the City is calculated based on a portion of the City's net limited assessed valuation as a percentage of the net limited assessed valuation of the overlapping jurisdiction.

2) Outstanding debt as of June 30, 2015 is presented for the overlapping governments as this is the most recent available information.

City of Cottonwood
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

Total Legal Debt Margin Calculation for Fiscal Year 2019:

Net full cash assessed valuation	\$127,935,855
Debt limit (6%)	7,676,151
Debt applicable to limit	-
Legal debt margin	\$135,612,006

	2019	2018	2017	2016	2015
Total 20% Debt Limit	25,587,171	24,009,228	\$19,767,803	\$20,447,479	\$ 18,658,140
Total net debt applicable to 20% limit	0	0	0	0	0
Legal 20% debt margin	<u>\$ 25,587,171</u>	<u>\$ 24,009,228</u>	<u>\$ 19,767,803</u>	<u>\$ 20,447,479</u>	<u>\$ 18,658,140</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
	2019	2018	2017	2016	2015
Total 6% Debt Limit	\$7,676,151	7,202,768	\$5,930,341	\$6,134,244	\$ 5,597,442
Total net debt applicable to 6% limit	0	0	0	0	0
Legal 6% debt margin	<u>\$ 7,676,151</u>	<u>\$ 7,202,768</u>	<u>\$ 5,930,341</u>	<u>\$ 6,134,244</u>	<u>\$ 5,597,442</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

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

Note: For statutory purposes, the City's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the City's bonds outstanding were secured by state shared revenues and sales tax rather than property taxes.

City of Cottonwood
Legal Debt Margin Information (Continued)
Last Ten Fiscal Years
(amounts expressed in thousands)

Total Legal Debt Margin Calculation for Fiscal Year 2019:

Net full cash assessed valuation	\$127,935,855
Debt limit (20%)	25,587,171
Debt application to limit	-
Legal debt margin	\$153,523,026

	2014	2013	2012	2011	2010
Total 20% Debt Limit	\$ 19,360,743	\$ 21,087,938	\$ 24,518,865	\$ 28,743,703	\$ 29,279,209
Total net debt applicable to 20% limit	0	0	0	0	0
Legal 20% debt margin	\$ 19,360,743	\$ 21,087,938	\$ 24,518,865	\$ 28,743,703	\$ 29,279,209
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%
	2014	2013	2012	2011	2010
Total 6% Debt Limit	\$ 5,808,223	\$ 6,326,381	\$ 7,355,660	\$ 8,623,111	\$ 8,783,763
Total net debt applicable to 6% limit	0	0	0	0	0
Legal 6% debt margin	\$ 5,808,223	\$ 6,326,381	\$ 7,355,660	\$ 8,623,111	\$ 8,783,763
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

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

Note: For statutory purposes, the City's outstanding bonds are not considered general obligation bonds subject to the statutory limits listed above because the City's bonds outstanding were secured by state shared revenues and sales tax rather than property taxes.

City of Cottonwood
Pledged Revenue Coverage
Last Ten Fiscal Years

	Fiscal Year Ending				
	2019	2018	2017	2016	2015
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 7,744,901	\$ 7,744,901	\$ 7,608,838	\$ 7,819,312	\$ 7,736,434
Less: Operating expenses (2)	5,273,405	4,859,357	4,489,731	3,591,176	3,169,489
Net available revenue	2,471,496	2,885,544	3,119,107	4,228,136	4,566,945
Debt Service					
Principal	1,332,671	-	709,004	610,000	1,000,000
Interest	398,108	-	613,923	1,205,635	1,464,618
Total Annual Requirement	1,730,779	-	1,322,927	1,815,635	2,464,618
Estimated Coverage	1.43	N/A	2.33	2.33	1.85
Excise Tax Revenue/General Obligation Bonds (3)(4)					
Pledged revenues	16,736,469	14,949,167	14,070,668	15,808,100	15,168,053
Debt Service					
Principal	465,000	-	-	-	-
Interest	455,425	-	-	465,916	-
Total Annual Requirement	920,425	-	-	465,916	-
Estimated Coverage	18.18	N/A	N/A	33.93	N/A
General Arizona Development Authority Loan (3)					
Pledged revenues	16,736,469	-	-	15,808,100	15,168,053
Debt Service					
Principal	980,000	-	-	875,000	840,000
Interest	397,675	-	-	631,276	683,076
Total Annual Requirement	1,377,675	-	-	1,506,276	1,523,076
Estimated Coverage	N/A	N/A	N/A	10.49	9.96

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

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

2) Operating expenses do not include depreciation and interest expense.

3) Information prior to 2008 is not available for the General Obligation and General Arizona Development Authority Loans.

4) Final payments on the general obligations bonds were made in fiscal year 2014.

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

	Fiscal Year Ending				
	2014	2013	2012	2011	2010
WIFA Loan/ Water Revenue Bonds:					
Water charges and other (1)	\$ 7,185,880	\$ 6,203,779	\$ 6,046,477	\$ 5,987,454	\$ 5,499,709
Less: Operating expenses (2)	3,754,462	3,855,986	3,627,892	3,109,285	3,296,423
Net available revenue	3,431,418	2,347,793	2,418,585	2,878,169	2,203,286
Debt Service					
Principal	975,000	965,000	920,000	920,000	905,000
Interest	1,482,773	1,559,310	1,592,304	1,561,373	1,624,304
Total Annual Requirement	2,457,773	2,524,310	2,512,304	2,481,373	2,529,304
Estimated Coverage	1.40	0.93	0.96	1.16	0.87
Excise Tax Revenue/General Obligation Bonds (3)(4)					
Pledged revenues	12,276,616	11,329,353	10,579,983	7,794,838	125,000
Debt Service					
Principal	150,000	140,000	135,000	135,000	125,000
Interest	4,150	12,175	23,500	23,500	30,400
Total Annual Requirement	154,150	152,175	158,500	158,500	155,400
Estimated Coverage	79.64	74.45	66.75	49.18	47.98
General Arizona Development Authority Loan (3)					
Pledged revenues	14,512,780	13,418,066	12,411,007	11,576,006	11,853,962
Debt Service					
Principal	1,165,000	1,110,000	1,070,000	1,070,000	1,030,000
Interest	724,776	749,675	977,703	842,577	885,492
Total Annual Requirement	1,889,776	1,859,675	2,047,703	1,912,577	1,915,492
Estimated Coverage	7.68	7.22	6.06	6.05	6.19

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

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

2) Operating expenses do not include depreciation and interest expense.

3) Information prior to 2008 is not available for the General Obligation and General Arizona Development Authority Loans.

4) Final payments on the general obligations bonds were made in fiscal year 2014.

City of Cottonwood
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (3)</u>	<u>School Enrollment</u>	<u>City of Cottonwood Unemployment Rates (4)</u>
2019	12,249	N/A	N/A	3,283	4.90
2018	12,133	N/A	N/A	3,487	4.40
2017	11,974	N/A	N/A	3,331	4.60 2
2016	11,818	8,199,948	36,353	3,060	5.40 2
2015	11,810	7,888,490	35,600	3,191	6.00 2
2014	11,532	7,482,253	34,259	3,351	7.10 2
2013	11,402	6,936,360	32,222	3,102	7.90 2
2012	11,313	6,623,513	31,174	2,889	8.20 2
2011	11,224	6,387,827	30,255	3,108	10.40 2
2010	11,238	6,141,108	29,088	2,722	9.70
2009	11,379	6,301,415	29,840	2,876	9.10
2008	11,399	6,501,350	30,781	3,369	5.10

Source: The City of Cottonwood, Arizona, the Economic Estimates Commissions, and the U.S. Department of Commerce, Bureau of Economic Analysis.

1) U.S. Census Bureau 2010 Census

2) Yavapai County Unemployment Rate

3) Arizona Office of Economic Opportunity

Note: Per capita personal income is based on the calendar year information ending during that fiscal year.

City of Cottonwood
Principal Employers
Current Fiscal Year and Nine Fiscal Years Ago

<u>Employer</u>	<u>2019</u>		<u>2010</u>	
	<u>Employees</u>	<u>Percentage of Total Area Employment</u>	<u>Employees</u>	<u>Percentage of Total Area Employment</u>
Verde Vally Medical Center	1,108	0.010 %	900	0.008 %
Wal-Mart	351	0.003	400	0.004
Cottonwood Oak Creek Schools	300	0.003	257	0.002
City of Cottonwood	209	0.002	189	0.002
Mingus Union High School	136	0.001	160	0.001
Fry's	107	0.001	135	0.001
Spectrum Healthcare	140	0.001	104	0.001
Home Depot		0.000	110	0.001
Safeway	110	0.001	98	0.001
Food City	50	0.000	35	0.000
Total	<u>2,511</u>	<u> </u> %	<u>2,388</u>	<u>2% </u> %
 Total employment	 <u>109568</u>		 <u>97345</u>	

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

Note: Total employment is shown for Yavapai County for 2019

City of Cottonwood
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Full-Time Equivalent Employees as of June 30									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Management Services	20.50	14.00	14.00	18.50	19.50	11.80	15.80	14.80	10.80	11.80
Finance	2.50	2.50	2.50	2.50	2.50	3.20	3.20	4.20	4.20	4.20
Planning	8.00	7.00	7.00	6.00	6.00	6.00	6.00	4.00	6.00	6.00
Building	5.50	5.50	5.50	5.50	-	-	6.50	-	-	-
Legal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	-
Court	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00
Total general government	42.50	35.00	35.00	38.50	34.00	28.00	38.50	30.00	28.00	28.00
Public Safety										
Police	62.00	61.00	64.00	63.50	57.50	57.50	48.50	49.50	46.50	47.50
Firefighters	28.00	28.00	28.00	28.00	28.00	28.00	28.00	28.00	29.00	29.00
Total public safety	90.00	89.00	92.00	91.50	85.50	85.50	76.50	77.50	75.50	76.50
Public Works										
Engineering	3.00	3.00	3.00	5.00	4.00	5.00	5.00	6.00	6.00	6.00
Others	4.00	4.00	4.00	4.00	9.50	5.50	4.00	4.00	3.00	3.00
Streets	4.50	4.50	4.50	4.50	4.50	4.50	5.50	5.50	5.00	6.00
Total public works	11.50	11.50	11.50	13.50	18.00	15.00	14.50	15.50	14.00	15.00
Parks and Recreation	12.00	17.50	17.50	12.00	12.00	12.00	12.00	19.50	21.00	21.00
Library	9.00	9.00	9.00	9.00	9.00	9.00	11.00	11.00	10.00	11.00
Water	19.60	18.60	18.60	18.80	18.30	17.80	18.80	18.10	17.30	16.20
Sewer	10.40	10.40	10.40	10.80	11.30	10.80	10.80	10.40	10.30	10.40
Transit	14.00	14.00	17.00	14.00	13.00	12.00	11.00	-	11.00	11.00
	65.00	69.50	72.50	64.60	63.60	61.60	63.60	59.00	69.60	69.60
Total	209.00	205.00	211.00	208.10	201.10	190.10	193.10	182.00	187.10	189.10

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

City of Cottonwood
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units		34	32	32	28	26	27	20	30	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (miles)	67	52	52	62	63	63	63	63	63	63
Highways (Miles)	12	12	12	12	20	20	20	10	10	10
Streetlights	644	644	644	644	644	644	644	644	644	644
Traffic Signals	1	10	10	10	10	10	10	10	10	10
Recreation and culture										
Acreage	39	39	39	39	125	125	125	125	125	125
Playgrounds	2	2	2	2	5	5	5	5	5	5
Baseball/Softball Diamonds	8	8	8	8	8	8	8	8	8	8
Soccer/Football Fields	1	1	1	1	4	4	4	4	3	3
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (Miles)	189	187	186	186	94	94	94	94	92	92
Fire Hydrants	514	512	496	496	687	579	573	569	558	558
Storage Capacity (Thousands of gallons)	4450	4450	4,450	4,450	3,800	3,800	3,800	3,208	3,208	3,208
Wastewater										
Sanitary Sewers (Miles)	62	61	60	60	51	50	50	49	49	49
Treatment Capacity (Millions of Gallons)	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Transportation										
Buses	20	19	19	19	14	11	11	N/A	N/A	9

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

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

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

	Fiscal Year Ended June 30,					
Function/Program	2019	#	2018	2017	2016	2015
General Government						
Building Permits Issued	590		479	373	379	304
Police						
Physical Arrests			1,921	756	1,703	1,390
Parking Violations			137	N/A	87	177
Traffic Violations			2,037	1,248	2,199	1,450
Fire						
Emergency Responses	3,448		3,655	3,626	3,455	3,080
Fires Extinguished	304		305	315	291	245
Inspections	1,398		1,306	1,543	1,649	1,591
Public Works						
Street Resurfacing (Miles)	0.74		1	N/A	0.8	0.8
Library						
Volumes in Collection	110,034		109,308	133,668	110,385	137,444
Total Volumes Borrowed	197,357		208,580	241,679	264,135	283,432
Water						
New Connections	86		91	N/A	74	29
Water Main Breaks	188		156	N/A	131	120
Average Daily Consumption (Thousands of Gallons)	1821		1,880	N/A	2,800	2,083
Peak Daily Consumption (Thousands of Gallons)	2326		2,470	N/A	3,200	2,625
Wastewater						
Average Daily Sewage Treatment (Thousands of Gallons)	1.012 mgd		1.0 mgd	949	949	949
Transit						
Total Route Miles	455,476		451,022	435,228	416,116	266,688
Passengers	164,930		165,099	150,354	153,889	149,492

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

Notes: 1) N/A indicates the information was either not available or not applicable.

2) *The significant decline was due to the elimination of a portion of the City's transit.

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Government					
Building Permits Issued	301	291	251	208	205
Police					
Physical Arrests	813	1,355	1,564	1,292	1,675
Parking Violations	118	108	75 #	127	86
Traffic Violations	1,827	2,152	1,850	1,607	2,261
Fire					
Emergency Responses	2,756	2,699	2,804	2,550	2,377
Fires Extinguished	241	208	247	242	211
Inspections	1,896	1,650	1,559	2,063	1,865
Public Works					
Street Resurfacing (Miles)	0.3	1.0	N/A	8.3	6.0
Library					
Volumes in Collection	106,713	104,052	96,673	102,015	89,300
Total Volumes Borrowed	228,870	218,391	245,786	246,786	377,110
Water					
New Connections	48	30	12	26	13
Water Main Breaks	183	125	150	237	212
Average Daily Consumption (Thousands of Gallons)	2,235	2,095	2,096	2,073	2,595
Peak Daily Consumption (Thousands of Gallons)	3,147	2,763	2,714	2,654	3,452
Wastewater					
Average Daily Sewage Treatment (Thousands of Gallons)	969	963	983	957	963
Transit					
Total Route Miles	321,387	267,256	N/A	94,804*	180,230
Passengers	122,874	117,519	N/A	2,009*	48,164

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
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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Comprehensive Annual Financial Report

for Year Ending June 30, 2019