

TOWN OF COLORADO CITY, ARIZONA



FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Honorable Mayor and Town Council
Town of Colorado City, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colorado City, Arizona (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 49 through 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


HintonBurdick, PLLC
St. George, Utah
March 30, 2021

**COLORADO CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the Town of Colorado City (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$1,005,875, which resulted in total assets in excess of total liabilities (net position) of \$11,818,232 at the close of the fiscal year.
- Total governmental expenses exceeded total governmental revenues by \$1,002,583.
- Total business-type revenues were more than total business-type expenses by \$3,292, which includes affiliate net income of \$3,292.
- The Town's equity in affiliates increased from \$2,757,933 at June 30, 2019 to \$2,761,225 at June 30, 2020.
- Total revenues from all sources were approximately \$8.1 million, including revenue from affiliates of approximately \$1.5 million.
- The total cost of all Town programs was approximately \$7.1 million, including expenses from affiliates of approximately \$1.5 million.
- The general fund reported an excess of revenues over expenditures of \$287,312 before other financing sources and uses and a net increase of \$80,768 after other financing sources and uses.
- Actual revenues in the general fund were more than the final budget by \$200,657, while actual expenditures were \$215,343 less than the final budget. Transfers out were less than the final budget by \$12,639 and transfers in were more than the final budget by \$259,441.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$937,003 or 35% of total general fund expenditures, excluding transfers (33% including transfers out).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and its change. Net position, essentially the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, community development, and interest on long-term debt. Sales taxes, state revenue sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover all of most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for certain amounts held for a specific purpose for others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The Town is responsible for ensuring that the assets are used for their intended purpose. Therefore, fiduciary activities are excluded from the Town's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$11,818,232 as of June 30, 2020 as shown in the following condensed statement of net position. The Town has chosen to account for its investment in affiliates and contract services operations in enterprise funds, which are shown as Business-type Activities.

Colorado City Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 3,106,424	\$ 1,915,264	\$ 66,976	\$ 50,225	\$ 3,173,400	\$ 1,965,489
Capital assets	7,336,151	6,841,912	-	-	7,336,151	6,841,912
Investment in affiliates	-	-	2,761,225	2,757,933	2,761,225	2,757,933
Total assets	<u>10,442,575</u>	<u>8,757,176</u>	<u>2,828,201</u>	<u>2,808,158</u>	<u>13,270,776</u>	<u>11,565,334</u>
Long-term liabilities outstanding	336,637	491,338	-	-	336,637	491,338
Other liabilities	1,049,124	211,607	66,783	50,032	1,115,907	261,639
Total liabilities	<u>1,385,761</u>	<u>702,945</u>	<u>66,783</u>	<u>50,032</u>	<u>1,452,544</u>	<u>752,977</u>
Net position:						
Net investment in capital assets and affiliates	7,075,572	6,425,368	2,761,225	2,757,933	9,836,797	9,183,301
Restricted	72,189	23,592	-	-	72,189	23,592
Unrestricted	1,909,053	1,605,271	193	193	1,909,246	1,605,464
Total net position	<u>\$ 9,056,814</u>	<u>\$ 8,054,231</u>	<u>\$ 2,761,418</u>	<u>\$ 2,758,126</u>	<u>\$ 11,818,232</u>	<u>\$ 10,812,357</u>

Governmental Activities

The cost of all governmental activities this year was \$3,807,279 as shown on the statement of changes in net position on the following page—\$664,470 of this cost was paid for by those who directly benefited from the programs, \$1,925,287 was subsidized by grants received from other governmental organizations and others for both capital and operating activities. Overall, governmental program revenues, including intergovernmental aid and fees for services, but excluding general revenues, were \$2,589,757. General revenues totaled \$2,223,293.

The Town's programs include: General Government, Public Safety, Public Works/Airport/Streets, Culture/Parks and Recreation, and Community Development. Program revenues and each program's expenses are presented on the following page.

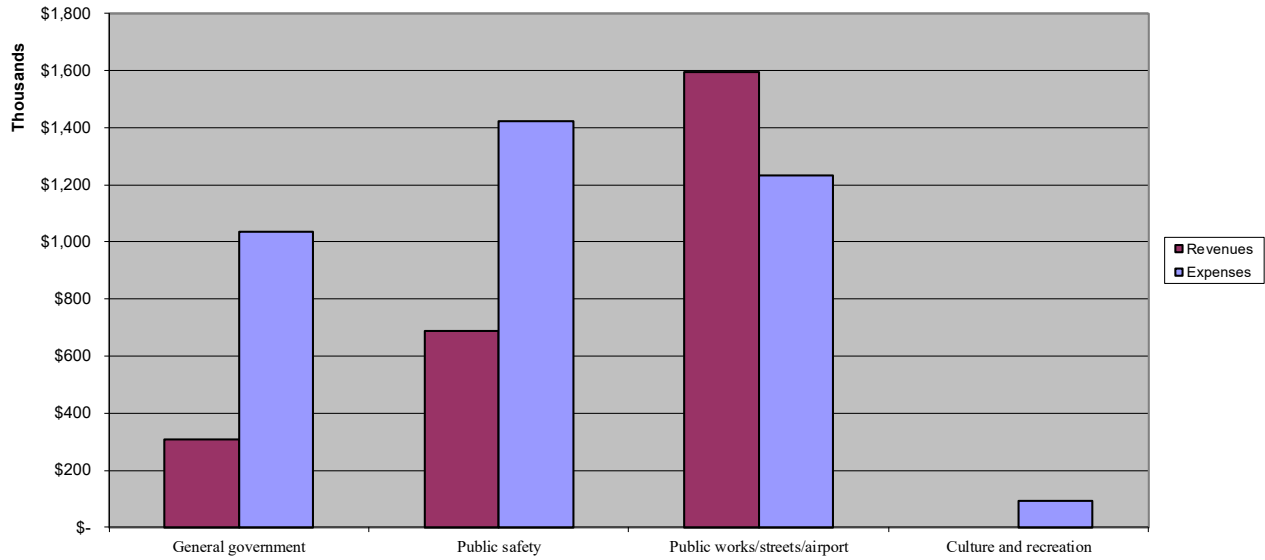
**Colorado City
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program revenues:						
Charges for services	\$ 664,470	\$ 614,554	\$ 1,786,106	\$ 1,428,526	\$ 2,450,576	\$ 2,043,080
Operating grants and contributions	930,867	482,455	-	-	930,867	482,455
Capital grants and contributions	994,420	197,274	-	-	994,420	197,274
General revenues:						
Taxes	1,575,747	1,399,884	-	-	1,575,747	1,399,884
State revenue sharing	628,080	585,760	-	-	628,080	585,760
Other revenue (expense)	19,466	26,831	-	-	19,466	26,831
Affiliate revenue	-	-	1,550,197	1,403,854	1,550,197	1,403,854
Total revenues	<u>4,813,050</u>	<u>3,306,758</u>	<u>3,336,303</u>	<u>2,832,380</u>	<u>8,149,353</u>	<u>6,139,138</u>
Expenses:						
General government	1,036,592	920,473	-	-	1,036,592	920,473
Public safety	1,421,462	1,401,807	-	-	1,421,462	1,401,807
Public works/streets/airport	1,233,947	1,188,749	-	-	1,233,947	1,188,749
Culture and recreation	90,758	138,811	-	-	90,758	138,811
Interest on long-term debt	24,520	29,511	-	-	24,520	29,511
Contract service	-	-	1,789,294	1,425,051	1,789,294	1,425,051
Affiliate expenses	-	-	1,546,905	1,433,603	1,546,905	1,433,603
Total expenses	<u>3,807,279</u>	<u>3,679,351</u>	<u>3,336,199</u>	<u>2,858,654</u>	<u>7,143,478</u>	<u>6,538,005</u>
Increase (decrease) in net position before transfers	1,005,771	(372,593)	104	(26,274)	1,005,875	(398,867)
Transfers	(3,188)	3,475	3,188	(3,475)	-	-
Increase (decrease) in net position	1,002,583	(369,118)	3,292	(29,749)	1,005,875	(398,867)
Net position, beginning	<u>8,054,231</u>	<u>8,423,349</u>	<u>2,758,126</u>	<u>2,787,875</u>	<u>10,812,357</u>	<u>11,211,224</u>
Net position, ending	<u>\$ 9,056,814</u>	<u>\$ 8,054,231</u>	<u>\$ 2,761,418</u>	<u>\$ 2,758,126</u>	<u>\$ 11,818,232</u>	<u>\$ 10,812,357</u>

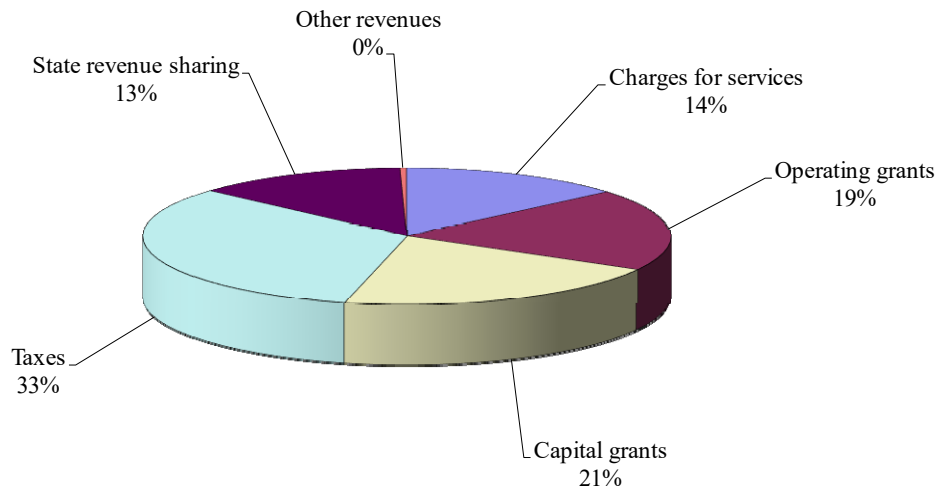
Total resources available during the year to finance governmental operations were \$12,867,281 consisting of net position at July 1, 2019 of \$8,054,231, program revenues of \$2,589,757, and general revenues and transfers of \$2,223,293. Total expenses and transfers out of governmental activities during the year were \$3,810,467; thus governmental net position increased by \$1,002,583 to \$9,056,814.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities (in Thousands)

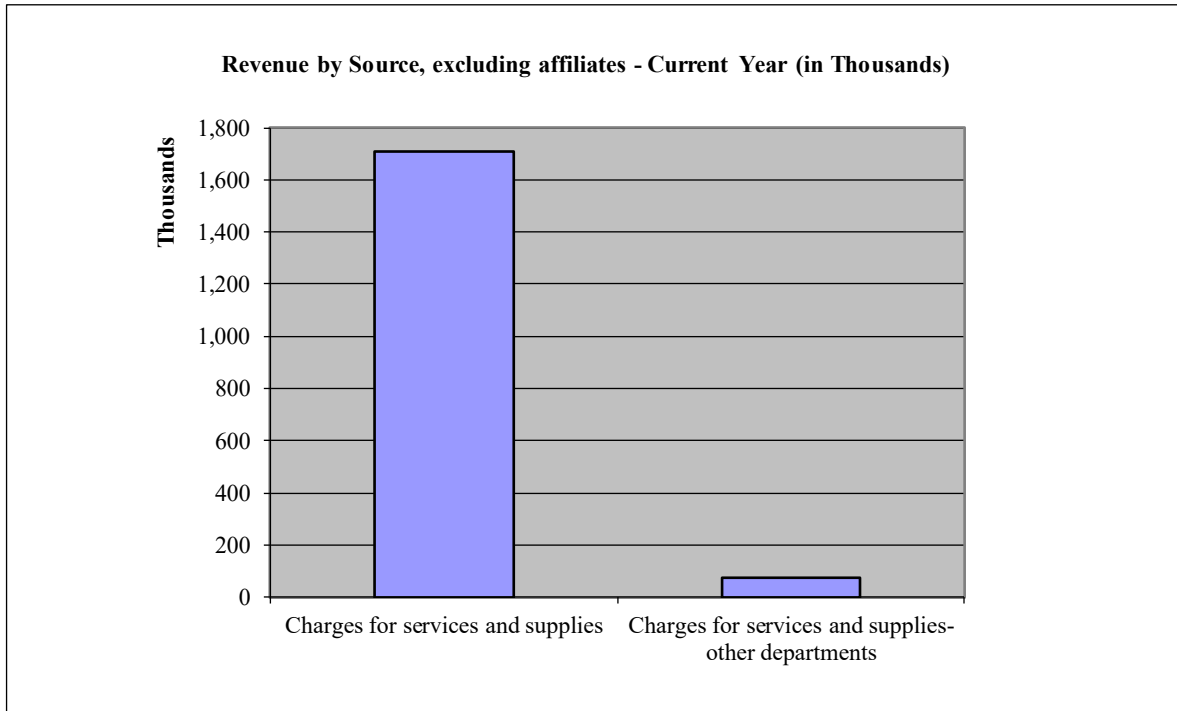


Revenue By Source - Governmental Activities

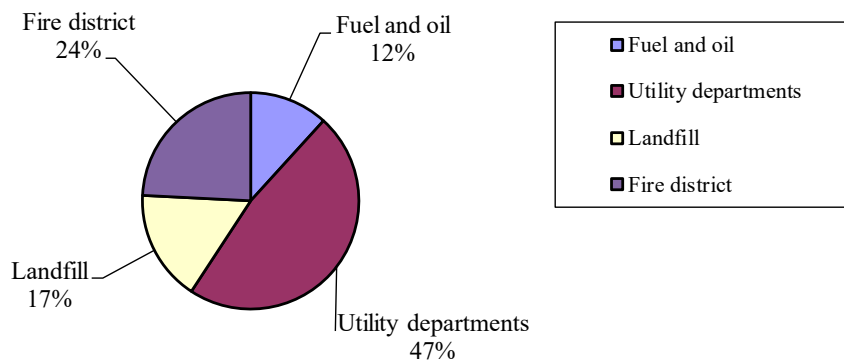


Business-type Activities

Net position of the business-type activities at June 30, 2020, as reflected in the statement of net position was \$2,761,418. The cost of providing all proprietary (business-type) activities this year was approximately \$3.3 million, which includes approximately \$1.5 million of affiliate expenses. As shown in the statement of changes in net position, the amounts paid by users of the system were approximately \$1.8 million, and revenues from affiliates were approximately \$1.5 million. Net position increased by \$3,292.



Operating Expenses, excluding affiliates- Current Year



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$2,023,901, an increase of \$416,677 from the prior year. Approximately 46% of this total amount, or \$937,003, constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is in nonspendable form (e.g. prepaids), committed, or restricted because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other purposes.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was \$937,003 and total fund balance is \$1,951,712. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance and unassigned fund balance represents 73% and 35%, respectively, of total general fund expenditures before interfund transfers. During the fiscal year, the Town's general fund balance increased by \$368,080. Key factors in this increase are as follows:

- The Town budgeted for a \$320,000 decrease.
- Actual revenues were over budget by \$200,657 and expenditures were under budget by \$215,343.
- Most of the departments were under budget—particularly the administration and contingencies and community development departments. The law enforcement department was over budget.
- Transfers out were under budget by \$12,639.
- Transfers in were over budget by \$259,441 as a result of CARES Act funding.

The highway user revenue fund has a restricted fund balance of 25,670. All activity is for road construction and maintenance. The net revenues (expenditures), before transfers, for the current fiscal year were \$86,190 and (\$18,881) for the prior fiscal year. The general fund budgets to transfer and cover any of the excess expenditures in the fund in order to maintain a zero fund balance. The town received additional one-time funding for the year ended June 30, 2020.

The miscellaneous grants fund has a fund balance of \$46,519, all of which is restricted for capital outlay (primarily flood control related). Essentially all activity is for various capital projects of the Town that are primarily funded by grants. The general fund budgets to transfer any grant matching requirements relating to these projects.

Proprietary funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Total net position of the contract service fund and affiliates were \$2,761,418, consisting of \$2,761,225 in net investment in affiliates and \$193 in unrestricted net position.

General Fund Budgetary Highlights

The actual expenditures for the general fund at fiscal year-end were \$215,343 less than final appropriations. The budget to actual variance in expenditures was due in part to cost control and a budgeted amount for contingencies and community development. Actual transfers out were \$12,639 less than the final budget. This was primarily due to the transfer to the HURF fund being less than budgeted. Actual revenues were more than the final budget by \$200,657, which is primarily due to taxes. Department budget line item adjustments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations (not in total) for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2020, net capital assets of the governmental activities totaled \$7,336,151. Depreciation on capital assets is recognized in the government-wide financial statements (see notes to the financial statements).

Debt

At fiscal year-end, the Town had \$260,579 in governmental-type debt and \$0 in business-type debt, excluding all affiliate debt. The debt is a liability of the government. During the current fiscal year, the Town's total debt increased by \$155,965, excluding all affiliate debt. See the notes to the financial statements for further details.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town's budget for fiscal year 2020/2021, the Town Council and management expect a year with little or no growth of revenues and expenditures. Overall, general fund operating expenditures were budgeted so as to anticipate a minimal or no cost increase from the level of fiscal year 2019/2020. The Town is currently not experiencing significant growth, which could affect future revenue sharing; therefore, the Town intends to budget and control expenses so that excess fund balances can be carried forward for expenditure in future years. The Town intends to continue to assign and/or commit some of these excess funds as contingency reserves.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vance Barlow, Town Manager, Colorado City, P.O. Box 70, Colorado City, AZ, 86021.

BASIC FINANCIAL STATEMENTS

COLORADO CITY, ARIZONA
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,828,986	\$ -	\$ 1,828,986
Receivables (net of allowance)	902,637	339,805	1,242,442
Prepays	84,496	-	84,496
Inventories	-	17,476	17,476
Internal balances	290,305	(290,305)	-
Investment in affiliates	-	2,761,225	2,761,225
Capital assets (net of accumulated depreciation):			
Land	299,981	-	299,981
Buildings and improvements	1,097,553	-	1,097,553
Improvements other than buildings	2,239,699	-	2,239,699
Automobiles and trucks	229,122	-	229,122
Machinery and equipment	589,815	-	589,815
Office furniture and equipment	3,409	-	3,409
Infrastructure	2,133,368	-	2,133,368
Construction in progress	743,204	-	743,204
Total assets	<u>10,442,575</u>	<u>2,828,201</u>	<u>13,270,776</u>
Liabilities			
Accounts payable and other current liabilities	753,683	66,783	820,466
Unearned revenue	295,441	-	295,441
Noncurrent liabilities:			
Due within one year	140,382	-	140,382
Due in more than one year	196,255	-	196,255
Total liabilities	<u>1,385,761</u>	<u>66,783</u>	<u>1,452,544</u>
Net Position			
Net investment in capital assets	7,075,572	-	7,075,572
Net investment in affiliates	-	2,761,225	2,761,225
Restricted for:			
Streets	25,670	-	25,670
Capital projects	46,519	-	46,519
Unrestricted	1,909,053	193	1,909,246
Total net position	<u>\$ 9,056,814</u>	<u>\$ 2,761,418</u>	<u>\$ 11,818,232</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,036,592	\$ 306,162	\$ -	\$ -	\$ (730,430)	\$ -	\$ (730,430)
Public safety	1,421,462	358,308	259,764	71,333	(732,057)	-	(732,057)
Public works/streets/airport	1,233,947	-	671,103	923,087	360,243	-	360,243
Culture and recreation	90,758	-	-	-	(90,758)	-	(90,758)
Interest on long-term debt	24,520	-	-	-	(24,520)	-	(24,520)
Total governmental activities	<u>3,807,279</u>	<u>664,470</u>	<u>930,867</u>	<u>994,420</u>	<u>(1,217,522)</u>	<u>-</u>	<u>(1,217,522)</u>
Business-type activities:							
Contract service fund	1,789,294	1,786,106	-	-	-	(3,188)	(3,188)
Investment in affiliate	1,546,905	1,550,197	-	-	-	3,292	-
Total business-type activities	<u>3,336,199</u>	<u>3,336,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>104</u>
Total primary government	<u>\$ 7,143,478</u>	<u>\$ 4,000,773</u>	<u>\$ 930,867</u>	<u>\$ 994,420</u>	<u>(1,217,522)</u>	<u>104</u>	<u>(1,217,418)</u>
General Revenues:							
Taxes:							
State sales taxes					501,492	-	501,492
City sales taxes					753,396	-	753,396
Fee-in-lieu					320,859	-	320,859
State revenue sharing					628,080	-	628,080
Unrestricted investment earnings					19,466	-	19,466
Transfers					(3,188)	3,188	-
Total general revenues and transfers					<u>2,220,105</u>	<u>3,188</u>	<u>2,223,293</u>
Change in net position					1,002,583	3,292	1,005,875
Net position - beginning					8,054,231	2,758,126	10,812,357
Net position - ending					<u>\$ 9,056,814</u>	<u>\$ 2,761,418</u>	<u>\$ 11,818,232</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,493,651	\$ -	\$ 331,450	\$ 3,885	\$ 1,828,986
Receivables (net of allowance)	450	-	-	-	450
Due from other governments	277,134	40,004	551,650	-	868,788
Due from other funds	293,776	-	-	-	293,776
Prepays	84,496	-	-	-	84,496
Total assets	<u>\$ 2,149,507</u>	<u>\$ 40,004</u>	<u>\$ 883,100</u>	<u>\$ 3,885</u>	<u>\$ 3,076,496</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 37,528	\$ 9,343	\$ 537,749	\$ 3,885	\$ 588,505
Accrued liabilities	160,267	4,911	-	-	165,178
Due to other funds	-	80	3,391	-	3,471
Unearned revenue	-	-	295,441	-	295,441
Total liabilities	<u>197,795</u>	<u>14,334</u>	<u>836,581</u>	<u>3,885</u>	<u>1,052,595</u>
Fund balances:					
Nonspendable - prepaids	84,496	-	-	-	84,496
Restricted for:					
Capital outlay	-	-	46,519	-	46,519
HURF	-	25,670	-	-	25,670
Committed for:					
Risk management	930,213	-	-	-	930,213
Unassigned	937,003	-	-	-	937,003
Total fund balances	<u>1,951,712</u>	<u>25,670</u>	<u>46,519</u>	<u>-</u>	<u>2,023,901</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,149,507</u>	<u>\$ 40,004</u>	<u>\$ 883,100</u>	<u>\$ 3,885</u>	<u>\$ 3,076,496</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2020

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - total governmental funds		\$ 2,023,901
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 14,260,345	
Accumulated depreciation	<u>(6,924,194)</u>	7,336,151
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Notes/leases payable and compensated absences	(336,637)	
Reimbursement receivable relating to comp. absences	<u>33,399</u>	<u>(303,238)</u>
Net position of governmental activities		<u><u>\$ 9,056,814</u></u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

Revenues	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
Taxes	\$ 1,575,748	\$ -	\$ -	\$ -	\$ 1,575,748
Licenses and permits	40,579	-	-	-	40,579
Intergovernmental revenue	628,080	671,104	1,254,183	-	2,553,367
Charges for services	552,893	-	-	-	552,893
Interest income	19,138	-	328	-	19,466
Fines and forfeitures	29,226	-	-	-	29,226
Miscellaneous	110,704	-	-	-	110,704
Total revenues	<u>2,956,368</u>	<u>671,104</u>	<u>1,254,511</u>	<u>-</u>	<u>4,881,983</u>
Expenditures					
Current:					
General government	1,005,186	-	-	-	1,005,186
Public safety	1,459,505	-	-	-	1,459,505
Public works/streets/airport	116,754	477,366	-	-	594,120
Culture and recreation	87,611	-	-	-	87,611
Debt service:					
Principal	-	-	-	155,965	155,965
Interest	-	-	-	24,520	24,520
Capital outlay	-	107,548	1,027,663	-	1,135,211
Total expenditures	<u>2,669,056</u>	<u>584,914</u>	<u>1,027,663</u>	<u>180,485</u>	<u>4,462,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,312</u>	<u>86,190</u>	<u>226,848</u>	<u>(180,485)</u>	<u>419,865</u>
Other financing sources (uses):					
Transfers in	259,441	-	55,520	180,485	495,446
Transfers out	<u>(178,673)</u>	<u>(60,520)</u>	<u>(259,441)</u>	<u>-</u>	<u>(498,634)</u>
Total other financing sources (uses)	<u>80,768</u>	<u>(60,520)</u>	<u>(203,921)</u>	<u>180,485</u>	<u>(3,188)</u>
Net change in fund balances	368,080	25,670	22,927	-	416,677
Fund balances - beginning of year	<u>1,583,632</u>	<u>-</u>	<u>23,592</u>	<u>-</u>	<u>1,607,224</u>
Fund balances - end of year	<u>\$ 1,951,712</u>	<u>\$ 25,670</u>	<u>\$ 46,519</u>	<u>\$ -</u>	<u>\$ 2,023,901</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	416,677
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$	1,145,094
Depreciation expense	<u>(650,855)</u>	494,239
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		(68,933)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount relates to compensated absences.</p>		
		4,635
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal paid on debt	<u>155,965</u>	<u>155,965</u>
Change in net position of governmental activities		<u>\$ 1,002,583</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Contract Service Fund</u>	<u>Affiliates</u>	<u>Total</u>
Assets			
Current assets:			
Due from other governments	\$ 339,805	\$ -	\$ 339,805
Fuel inventory	17,476	-	17,476
Total current assets	<u>357,281</u>	<u>-</u>	<u>357,281</u>
Noncurrent assets:			
Investment in joint venture	-	2,761,225	2,761,225
Total assets	<u>357,281</u>	<u>2,761,225</u>	<u>3,118,506</u>
Liabilities			
Current liabilities:			
Accounts payable	18,828	-	18,828
Accrued liabilities	47,955	-	47,955
Due to other funds	290,305	-	290,305
Total current liabilities	<u>357,088</u>	<u>-</u>	<u>357,088</u>
Net position			
Net investment in affiliates	-	2,761,225	2,761,225
Unrestricted	193	-	193
Total net position	<u>\$ 193</u>	<u>\$ 2,761,225</u>	<u>\$ 2,761,418</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

Operating revenues	Contract Service Fund	Affiliates	Total
Charges for services and supplies	\$ 1,708,974	\$ -	\$ 1,708,974
Charges for services and supplies-other departments	77,132	-	77,132
Total operating revenues	<u>1,786,106</u>	<u>-</u>	<u>1,786,106</u>
Operating expenses			
Costs of sales and services:			
Fuel and oil	210,299	-	210,299
Utility departments	849,516	-	849,516
Landfill	296,660	-	296,660
Fire district	432,819	-	432,819
Total operating expenses	<u>1,789,294</u>	<u>-</u>	<u>1,789,294</u>
Operating income (loss)	<u>(3,188)</u>	<u>-</u>	<u>(3,188)</u>
Nonoperating revenues (expenses)			
Net income (loss) from affiliates	<u>-</u>	<u>3,292</u>	<u>3,292</u>
Total nonoperating revenue (expenses)	<u>-</u>	<u>3,292</u>	<u>3,292</u>
Income (loss) before transfers	(3,188)	3,292	104
Transfers in	17,088	-	17,088
Transfers out	<u>(13,900)</u>	<u>-</u>	<u>(13,900)</u>
Change in net position	<u>-</u>	<u>3,292</u>	<u>3,292</u>
Total net position, beginning of year	<u>193</u>	<u>2,757,933</u>	<u>2,758,126</u>
Total net position, end of year	<u>\$ 193</u>	<u>\$ 2,761,225</u>	<u>\$ 2,761,418</u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	<u>Contract Service Fund</u>
Cash flows from operating activities	
Cash received from customers, service fees	\$ 1,523,951
Cash received from quasi-external transfers	77,132
Cash paid to suppliers	(239,940)
Cash paid to employees	<u>(1,364,331)</u>
Net cash flows from operating activities	<u>(3,188)</u>
Cash flows from noncapital financing activities	
Transfers from (to) other funds	<u>3,188</u>
Net cash flows from noncapital financing activities	<u>3,188</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:	
Net operating income (loss)	(3,188)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	-
Changes in operating assets and liabilities:	
(Increase)/decrease in due from other governments	(173,553)
(Increase)/decrease in fuel inventory	(11,470)
Increase/(decrease) in due to other funds	168,272
Increase/(decrease) in accounts payable	(10,111)
Increase/(decrease) in accrued liabilities	<u>26,862</u>
Net cash flows from operating activities	<u><u>\$ (3,188)</u></u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Fiduciary Net Position
Agency Fund
June 30, 2020

	<u>Fiduciary Fund Types Trust/Agency</u>
Assets	
Current assets:	
Cash and cash equivalents	<u>\$ 47,830</u>
Total assets	<u><u>\$ 47,830</u></u>
Liabilities	
Current liabilities:	
Trust/agency liabilities	<u>\$ 47,830</u>
Total liabilities	<u><u>47,830</u></u>
Net position	
Total net position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The Town of Colorado City, Arizona (the Town) is a municipal entity governed by an elected mayor and governing council. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. There are no separate component units combined to form the reporting entity. However, the Town has a joint venture equity interest in the Arizona Strip Landfill Governmental Financing Corporation, the Water Departments of Hildale/Colorado City and the Gas Departments of Hildale/Colorado City.

Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Highway User Special Revenue Fund** accounts for revenue sources that are legally restricted for road construction and maintenance.

The **Miscellaneous Grants Special Revenue Fund** accounts for federal and state grants and other contributions that are restricted to expenditure for particular purposes.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The Town reports the following major proprietary funds:

The **Contract Service Fund** accounts for operations that provide services to other departments or other agencies of the Town, or to other governments, on a cost-reimbursement basis.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, state shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Town's policy allows for the investment of funds in the state treasurer's pool and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Receivables

All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. However, the costs of any governmental fund-type inventories are deemed immaterial and are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20-40 years
Improvements	20 years
Automobiles and trucks	5-10 years
Machinery and equipment	5-20 years
Infrastructure	20 years

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town does not have any such items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The one item that qualifies for reporting in this category arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The town council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The town manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy. The town council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

The Town does not currently have any primary or secondary real property tax levies.

Compensated Absences

For governmental funds, amounts of accumulated personal leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Accumulated personal leave and compensatory time in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New Pronouncements

For the year ended June 30, 2020, the Town did not implement the provisions of GASB Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date of GASB Statement No. 84 by one year (COVID-19 pandemic relief), and the Town plans to implement for the year ending June 30, 2021.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provides the Town with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town 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. The Town complied with this law during the year.

Supplementary budgetary appropriations were made during the year.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual schedules of revenues, expenditures and changes in fund balances – budget to actual reports as listed in the table of contents present all of the departments, if any, which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2020.

NOTE 4. Deposits and Investments

The Town’s central treasury consists of the following at fiscal year-end:

Cash on hand	\$ 350
Cash in bank	63,978
Cash in State Treasurer's Investment Pool	<u>1,812,488</u>
Total deposits and investments	<u><u>\$ 1,876,816</u></u>

A reconciliation of cash and investments as shown in the basic financial statements follows:

Cash and cash equivalents	\$ 1,828,986
Fiduciary fund cash and cash equivalents	<u>47,830</u>
Total	<u><u>\$ 1,876,816</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the Town’s deposit may not be returned to it. Colorado City does not have a formal policy for custodial credit risk. As of June 30, 2020, none of the Town’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Arizona State Treasurer’s Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 4. Deposits and Investments, Continued

The provisions of State law (A.R.S. 35-323) govern the investment of fund in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2020 the Town had the following deposits, investments, ratings and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 63,978	N/A	N/A
Cash on hand	350	N/A	N/A
Local Governments Investment Pool 5	1,812,488	AAA f/S1+	36.5 days
	\$ 1,876,816		

- (1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.
(2) Interest rate risk is estimated using the weighted average days to maturity.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the Town’s investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town’s policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s and Moody’s Investor Services.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 4. Deposits and Investments, Continued

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's local governments investment pool, as listed above, is valued using inputs that are observable other than quoted market prices (Level 2 inputs).

NOTE 5. Receivables

Receivables, including due from other governments, in the governmental funds consist primarily of revenues relating to the following: sales taxes, vehicle taxes, highway urban revenues and affiliate and other reimbursements. No allowance for uncollectible accounts has been established as collection of all amounts is expected. Receivables (due from other governments) in the contract service proprietary fund consist of revenues relating to affiliate reimbursements. No allowance for uncollectible accounts has been established as collection of all amounts is expected.

In November 2017, the Town and Hildale City, Utah entered into a litigation settlement contribution agreement for Hildale City's share of certain legal settlements. Hildale City made a down payment within 15 days of the agreement and agreed to pay the Town the remaining \$188,000 within 30 months. Hildale City is required to pay the Town a minimum monthly amount of \$6,267 from December 2017 through May 2020 (or until the outstanding balance is paid off). This balance was paid off during the year ended June 30, 2020.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 6. Capital Assets

The following summarizes the changes in capital assets for governmental activities for the year ended June 30, 2020:

Governmental Activities:	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2020</u>
Capital assets, not being depreciated:				
Land	\$ 299,981	\$ -	\$ -	\$ 299,981
Construction in progress	271,215	1,095,069	(623,080)	743,204
Total capital assets, not being depreciated	<u>571,196</u>	<u>1,095,069</u>	<u>(623,080)</u>	<u>1,043,185</u>
Capital assets, being depreciated:				
Buildings and improvements	1,428,526	216,705	-	1,645,231
Improvements other than buildings	3,853,798	20,435	-	3,874,233
Machinery, equipment and furniture	2,189,620	50,025	-	2,239,645
Automobiles and trucks	1,218,990	-	-	1,218,990
Infrastructure	3,853,121	385,940	-	4,239,061
Total capital assets, being depreciated	<u>12,544,055</u>	<u>673,105</u>	<u>-</u>	<u>13,217,160</u>
Less accumulated depreciation for:				
Buildings and improvements	(506,306)	(41,372)	-	(547,678)
Improvements other than buildings	(1,441,053)	(193,481)	-	(1,634,534)
Machinery, equipment and furniture	(1,541,286)	(105,135)	-	(1,646,421)
Automobiles and trucks	(878,089)	(111,779)	-	(989,868)
Infrastructure	(1,906,605)	(199,088)	-	(2,105,693)
Total accumulated depreciation	<u>(6,273,339)</u>	<u>(650,855)</u>	<u>-</u>	<u>(6,924,194)</u>
Total capital assets, being depreciated, net	<u>6,270,716</u>	<u>22,250</u>	<u>-</u>	<u>6,292,966</u>
Governmental activities capital assets, net	<u>\$ 6,841,912</u>	<u>\$ 1,117,319</u>	<u>\$ (623,080)</u>	<u>\$ 7,336,151</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 33,028
Public safety	87,463
Public works/streets/airport	527,217
Parks and recreation	3,147
Total depreciation expense - governmental activities	<u>\$ 650,855</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 7. Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

	<u>Balance 6/30/2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2020</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt:					
Capital leases	\$ 416,544	\$ -	\$ 155,965	\$ 260,579	\$ 110,613
Compensated absences	74,794	64,935	63,671	76,058	29,769
Total governmental activities	<u>491,338</u>	<u>64,935</u>	<u>219,636</u>	<u>336,637</u>	<u>140,382</u>
Total long-term liabilities	<u>\$ 491,338</u>	<u>\$ 64,935</u>	<u>\$ 219,636</u>	<u>\$ 336,637</u>	<u>\$ 140,382</u>

The following is a listing of long-term liabilities as of June 30, 2020:

Lease Obligations:

Governmental activities:

 Leases payable in various installment methods through
 fiscal year 2022, at interest ranging from 5.05% to 9.25%.

\$ 260,579

Compensated Absences

76,058

Total long-term liabilities

336,637

Less current portions:

 Governmental activities

(140,382)

Net long-term liabilities

\$ 196,255

There are no significant unused lines of credit as of June 30, 2020.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 8. Lease Obligations

Capital Leases

The Town has entered into a number of lease agreements that are considered capital leases in accordance with accounting standards. The leases are for the acquisition of the items listed below and have varying annual payments through fiscal year 2022. The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

	2017 Ford F150 Crew Cab	950GC Cat Wheel Loader	2019 Chevy Tahoes	2019 GMC Trucks	Total
2021	\$ 8,100	\$ 43,327	\$ 44,458	\$ 27,801	\$ 123,686
2022	8,100	130,752	-	20,850	159,702
Total remaining lease payments:	16,200	174,079	44,458	48,651	283,388
Less: amount representing interest:	2,083	13,502	2,194	5,030	22,809
Present value of net remaining minimum lease payments:	<u>\$ 14,117</u>	<u>\$ 160,577</u>	<u>\$ 42,264</u>	<u>\$ 43,621</u>	<u>\$ 260,579</u>

A summary of assets acquired through capital leases as of June 30, 2020 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery, equipment and furniture	\$ 452,545	\$ 38,207	\$ 290,973
Automobiles and trucks	356,097	71,219	157,200
Total	<u>\$ 808,642</u>	<u>\$ 109,426</u>	<u>\$ 448,173</u>

Operating Leases

The Town leases a vehicle and the total costs for the lease was \$9,108 for the year ended June 30, 2020. The future minimum lease payments for this lease is as follows:

Year Ending June 30,	
2021	9,108
	<u>\$ 9,108</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates

The Town has the following investments that are accounted for using the equity method:

Water Departments of Hildale/Colorado City

The Twin City Water Joint Management, Operations and Maintenance Agreement (the Water Departments) was formed on February 22, 1996 by the Town of Colorado City, Arizona and Hildale City, Utah (the Cities).

The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the “Arizona Joint Exercise of Powers Act”) and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Utah Interlocal Co-operation Act”) entered into the “Inter-Governmental Agreement.” An updated intergovernmental cooperative agreement for utilities systems management, operations and maintenance became effective in May 2014.

The Water Departments’ proportionate shares are based on the proportionate amount of water system utility customers and usage for each of the municipalities. The proportionate shares allocation did not change as of and for the year ended June 30, 2020 resulting in no proportionate shares allocation percentage adjustment. There is an offsetting adjustment in the financial statements of Hildale City, Utah, when applicable. See further details in the Water Departments’ financial statements for the year ended June 30, 2020.

The board of trustees consists of nine members—four members appointed by the mayor and council of Hildale City, four members appointed by the mayor and council of Colorado City and one member appointed by the joint designation of both municipalities. Each member is entitled to one vote. The Hildale City council consists of a mayor and five council members. The Colorado City council consists of a mayor and six council members. Budgeting and financing is done by the board and is ratified by each municipality’s council.

The Water Departments' audited financial statements as of June 30, 2020 are available at the following address:

Hildale City
320 E. Newel Avenue
Hildale, Utah 84784

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Water Departments, Continued

Notes payable for the Waters Departments consist of the following at June 30, 2020:

	Hildale City	Colorado City	Total
Note payable to Hildale City/Colorado City Gas Departments, bearing interest at 2.50%, due in monthly principal and interest installments of \$3,258, maturing June 25, 2026.	<u>\$ 76,166</u>	<u>\$ 141,452</u>	<u>\$ 217,618</u>

Maturities of notes payable are as follows:

Year Ending June 30,	Combined	
	Principal	Interest
2021	\$ 34,043	\$ 5,053
2022	34,904	4,192
2023	35,787	3,309
2024	36,692	2,404
2025	37,620	1,476
2026	38,572	524
	<u>\$ 217,618</u>	<u>\$ 16,958</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Water Departments, Continued

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Water Departments and the allocation between the municipalities for the year ended June 30, 2020:

	Hildale City	Colorado City	Total
Total assets	\$ 816,558	\$ 1,516,467	\$ 2,333,025
Current liabilities	\$ 125,396	\$ 232,879	\$ 358,275
Long-term liabilities	65,186	121,061	186,247
Total liabilities	190,582	353,940	544,522
Net position	625,976	1,162,527	1,788,503
Total net position	625,976	1,162,527	1,788,503
Total liabilities and net assets	\$ 816,558	\$ 1,516,467	\$ 2,333,025
Total operating revenues	\$ 282,274	\$ 524,224	\$ 806,498
Total operating expenses	260,134	483,104	743,238
Operating income (loss)	22,140	41,120	63,260
Nonoperating revenue (expense)	36,321	67,452	103,773
Capital contributions	8,714	16,182	24,896
Change in net position	\$ 67,175	\$ 124,754	\$ 191,929

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Gas Departments of Hildale/Colorado City

The Gas Distribution Systems Management, Operations and Maintenance Agreement (the Gas Departments) was formed on June 22, 2009 by the Town of Colorado City, Arizona and Hildale City, Utah (the Cities). The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the “Arizona Joint Exercise of Powers Act”) and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Utah Interlocal Cooperation Act”) entered into the “Inter-Governmental Agreement.” An updated intergovernmental cooperative agreement for utilities systems management, operations and maintenance became effective in May 2014.

The Gas Departments’ proportionate shares are based on the proportionate amount of gas system utility customers and usage for each of the municipalities. The proportionate shares allocation did not change as of and for the year ended June 30, 2020 resulting in no proportionate shares allocation percentage adjustment. There is an offsetting adjustment in the financial statements of Hildale City, Utah, when applicable. See further details in the Gas Departments’ financial statements for the year ended June 30, 2020.

The board of trustees consists of nine members—four members appointed by the mayor and council of Hildale City, four members appointed by the mayor and council of Colorado City and one member appointed by the joint designation of both municipalities. Each member is entitled to one vote. The Hildale City council consists of a mayor and five council members. The Colorado City council consists of a mayor and six council members. Budgeting and financing is done by the board and is ratified by each municipality’s council.

The Gas Departments' audited financial statements as of June 30, 2020 are available at the following address:

Hildale City
320 E. Newel Avenue
Hildale, Utah 84784

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Gas Departments, Continued

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Gas Departments and the allocation between the municipalities for the year ended June 30, 2020:

	Hildale City	Colorado City	Total
Total assets	\$ 888,365	\$ 1,332,548	\$ 2,220,913
Current liabilities	\$ 13,893	\$ 20,840	\$ 34,733
Long-term liabilities	411	616	1,027
Total liabilities	14,304	21,456	35,760
Net position	874,061	1,311,092	2,185,153
Total net position	874,061	1,311,092	2,185,153
Total liabilities and net position	\$ 888,365	\$ 1,332,548	\$ 2,220,913
Total operating revenues	\$ 287,828	\$ 431,741	\$ 719,569
Total operating expenses	332,960	499,438	832,398
Operating income (loss)	(45,132)	(67,697)	(112,829)
Nonoperating revenue (expense)	3,104	4,656	7,760
Capital contributions	7,226	10,839	18,065
Change in net position	\$ (34,802)	\$ (52,202)	\$ (87,004)

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Arizona Strip Landfill Governmental Financing Corporation

The Arizona Strip Governmental Financing Corporation (the Corporation) was incorporated on May 4, 1996 pursuant to an interlocal agreement between the Town of Colorado City, Arizona and the Town of Fredonia, Arizona. The Corporation is a nonprofit corporation/joint venture formed by the two towns for the purpose of financing, permitting, constructing and operating a landfill and municipal solid waste collection system. The respective shares of the Corporation as of June 30, 2020 are 76% for the Town and 24% for Fredonia. The Town guarantees the Corporation in case of closure, post-closure, and corrective action.

The Corporation has entered into lease agreements that are considered capital leases in accordance with accounting standards. The following is the Town's estimated proportionate share (76%) of the Corporation's future minimum lease payments with the present value of the net minimum lease payments:

	<u>Year Ending June 30,</u>	<u>Total</u>
	2021	\$ 45,598
	2022	38,677
	2023	38,677
	2024	<u>2,881</u>
Total remaining lease payments		125,833
Less: amount representing interest		<u>8,883</u>
Present value of net remaining minimum lease payments		<u><u>\$ 116,950</u></u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Investment in Affiliates, Continued

Arizona Strip Landfill Governmental Financing Corporation, Continued

Each municipality appoints two members to the board of directors. The board exercises full power to conduct, manage and direct the business and affairs of the Corporation.

The Corporation's financial statements as of June 30, 2020 can be obtained at the following address:

Town of Colorado City
25 South Central Street
Colorado City, Arizona 86021

The following is a summary of the total assets, liabilities, revenues and expenses associated with the Corporation and the allocation between the municipalities for the year ended June 30, 2020.

	Fredonia Town	Colorado City	Total
Total assets	\$ 198,709	\$ 629,239	\$ 827,948
Current liabilities	\$ 50,887	\$ 161,138	\$ 212,025
Long-term liabilities	56,999	180,495	237,494
Total liabilities	107,886	341,633	449,519
Net position	90,823	287,606	378,429
Total net position	90,823	287,606	378,429
Total liabilities and net position	\$ 198,709	\$ 629,239	\$ 827,948
Total operating revenues	\$ 160,201	\$ 507,305	\$ 667,506
Total operating expenses	179,689	569,019	748,708
Operating income (loss)	(19,488)	(61,714)	(81,202)
Nonoperating revenue (expense)	(2,383)	(7,546)	(9,929)
Change in net position	\$ (21,871)	\$ (69,260)	\$ (91,131)

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 10. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the Arizona Strip Landfill Corporation (see Note 9) to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill began accepting waste May 1, 1997. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Arizona Strip Landfill Corporation (the Corporation) reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$139,120 reported as landfill closure and postclosure care liability at June 30, 2020 on the Corporation's financial statements represents the cumulative amount of closure and postclosure costs reported to date based on the use of the estimated capacity of the landfill. An estimated 68% of the landfill capacity had been used by June 30, 2020. The Corporation will recognize the remaining estimated cost of closure and postclosure care of \$65,542 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2020. The Corporation expects to close the landfill in the year 2032. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Corporation will record the remaining estimated cost of closure and postclosure care as the estimated capacity is filled. The Corporation has utilized a local government guarantee rather than establishing a trust fund or other financial mechanism to demonstrate financial responsibility for closure and postclosure care costs.

NOTE 11. Restricted Fund Balance

At June 30, 2020 the Town's restricted fund balance consists of the following:

HURF - SRF	<u>\$ 25,670</u>
Miscellaneous Grant - SRF	
County Flood Control	46,444
Economic development	<u>75</u>
Subtotal	<u>46,519</u>
Total	<u><u>\$ 72,189</u></u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 12. Interfund Balances and Transfers

As of June 30, 2020 the Town's interfund balances consist of the following:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>Highway User Revenue Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>Contract Service Fund</u>	
General Fund	\$ 80	\$ 3,391	\$ 290,305	\$ 293,776
Total	<u>\$ 80</u>	<u>\$ 3,391</u>	<u>\$ 290,305</u>	<u>\$ 293,776</u>

The interfund balances resulted from the lag time between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are expected to be repaid within the next fiscal year.

The Town made the following interfund transfers for the year ended June 30, 2020:

<u>Transfers in</u>	<u>Transfers out</u>				<u>Total</u>
	<u>General fund</u>	<u>Highway user revenue fund</u>	<u>Misc. grants fund</u>	<u>Contract service fund</u>	
General fund	\$ -	\$ -	\$ 259,441	\$ -	\$ 259,441
Misc. grants fund	55,520	-	-	-	55,520
Contract service fund	17,088	-	-	-	17,088
Debt service fund	106,065	60,520	-	13,900	180,485
Total	<u>\$ 178,673</u>	<u>\$ 60,520</u>	<u>\$ 259,441</u>	<u>\$ 13,900</u>	<u>\$ 512,534</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 13. Commitments, Contingencies and Uncertainties

The Town, in connection with Hildale City, Utah and the joint utility departments of Hildale City, Utah and Colorado City, Arizona (see Note 9), is operating under a court ordered injunction (United States Department of Justice). The injunction began in April 2017 and requires the Town to make certain changes to its policies and procedures, hire new police officers and obtain the guidance of a monitor, mentor and consultant. The Town is currently operating under the injunction and implementing the required changes. The injunction remains in effect for ten years or until otherwise ordered by the court.

The Town has been involved with various matters of litigation. It is the opinion of town officials that no outstanding matters will have a materially adverse effect on the Town's financial condition.

NOTE 14. Risk Management

Town maintains insurance for property damage, general liability, auto liability, airport liability, crime and employee theft, directors and officers employment related practices liability, police errors and omissions and workers compensation.

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Budgetary Comparison Schedules

For the Following Major Funds:

General Fund

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for a particular purpose.

The **Highway User Revenue Fund** accounts for the Town's share of motor fuel tax revenues and lottery proceeds that are set aside for the maintaining, repairing and upgrading of streets.

The **Miscellaneous Grants Fund** accounts for federal and state grants and other contributions that are restricted to expenditures for particular purposes. More specifically, this fund accounts for the following projects:

- The County Flood Control fund accounts for federal and state grants and other contributions that are restricted for use toward flood control.
- The ADOT Aeronautics fund accounts for federal and state grants and other contributions that are restricted for a specific purpose.
- The FAA Airport Grant fund accounts for revenue from FAA grants and expenses related to those revenues.
- The Economic Development fund accounts for federal and state grants and other contributions that are to be used for economic development.
- The CDBG funds account for revenue from CDBG grants for street and water well projects and expenses related to those revenues.

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget-and-Actual
For the Year Ended June 30, 2020

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Taxes	\$ 1,422,764	\$ 1,422,764	\$ 1,575,748	\$ 152,984
Licenses and permits	17,650	17,650	40,579	22,929
Intergovernmental revenue	640,214	640,214	628,080	(12,134)
Charges for services	607,583	607,583	552,893	(54,690)
Interest income	10,000	10,000	19,138	9,138
Fines and forfeitures	32,500	32,500	29,226	(3,274)
Miscellaneous	25,000	25,000	110,704	85,704
Total revenues	<u>2,755,711</u>	<u>2,755,711</u>	<u>2,956,368</u>	<u>200,657</u>
Expenditures				
Current:				
Administration and contingencies	1,024,232	1,011,206	896,596	114,610
Airport	136,323	121,313	116,754	4,559
Building department	50,766	48,716	46,196	2,520
Community development	91,000	91,000	-	91,000
Law enforcement	901,621	1,006,521	1,045,730	(39,209)
Parks and recreation	101,037	92,837	87,611	5,226
Dispatch	449,085	377,485	367,579	9,906
Magistrate court	140,735	135,321	108,590	26,731
Total expenditures	<u>2,894,799</u>	<u>2,884,399</u>	<u>2,669,056</u>	<u>215,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(139,088)</u>	<u>(128,688)</u>	<u>287,312</u>	<u>416,000</u>
Other financing sources (uses):				
Transfers in	-	-	259,441	259,441
Transfers out	(180,912)	(191,312)	(178,673)	12,639
Total other financing sources and uses	<u>(180,912)</u>	<u>(191,312)</u>	<u>80,768</u>	<u>272,080</u>
Net change in fund balance	<u>(320,000)</u>	<u>(320,000)</u>	<u>368,080</u>	<u>688,080</u>
Fund balance - beginning of year	<u>1,583,632</u>	<u>1,583,632</u>	<u>1,583,632</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,263,632</u>	<u>\$ 1,263,632</u>	<u>\$ 1,951,712</u>	<u>\$ 688,080</u>

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget-and-Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 692,407	\$ 692,407	\$ 671,104	\$ (21,303)
Total revenues	<u>692,407</u>	<u>692,407</u>	<u>671,104</u>	<u>(21,303)</u>
Expenditures				
Salaries and employee benefits	270,159	281,659	272,052	9,607
Service, supplies and other	170,682	243,082	205,314	37,768
Capital outlay	<u>350,900</u>	<u>267,000</u>	<u>107,548</u>	<u>159,452</u>
Total expenditures	<u>791,741</u>	<u>791,741</u>	<u>584,914</u>	<u>206,827</u>
Excess of revenues over (under) expenditures	<u>(99,334)</u>	<u>(99,334)</u>	<u>86,190</u>	<u>185,524</u>
Other financing sources (uses):				
Transfers in	161,161	161,161	-	(161,161)
Transfers out	<u>(61,827)</u>	<u>(61,827)</u>	<u>(60,520)</u>	<u>1,307</u>
Total other financing sources (uses)	<u>99,334</u>	<u>99,334</u>	<u>(60,520)</u>	<u>(159,854)</u>
Net change in fund balance	-	-	25,670	25,670
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,670</u>	<u>\$ 25,670</u>

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Miscellaneous Grants Special Revenue Fund
Budget-and-Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 5,642,395	\$ 5,556,395	\$ 1,254,183	\$ (4,302,212)
Interest income	-	-	328	328
Total revenues	<u>5,642,395</u>	<u>5,556,395</u>	<u>1,254,511</u>	<u>(4,301,884)</u>
Expenditures				
Capital outlay	<u>5,545,395</u>	<u>5,545,395</u>	<u>1,027,663</u>	<u>4,517,732</u>
Total expenditures	<u>5,545,395</u>	<u>5,545,395</u>	<u>1,027,663</u>	<u>4,517,732</u>
Excess of revenues over (under) expenditures	97,000	11,000	226,848	215,848
Other financing sources (uses):				
Transfers in	-	-	55,520	55,520
Transfers out	-	-	(259,441)	(259,441)
Net change in fund balance	97,000	11,000	22,927	11,927
Fund balance, beginning of year	<u>23,592</u>	<u>23,592</u>	<u>23,592</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 120,592</u></u>	<u><u>\$ 34,592</u></u>	<u><u>\$ 46,519</u></u>	<u><u>\$ 11,927</u></u>

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Town Council
Town of Colorado City, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colorado City, Arizona (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated March 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in a separate findings and recommendations letter, dated March 30, 2021, that we consider a significant deficiency.

2010-001 Misstatements and Reconciliations

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

St. George, Utah

March 30, 2021



Independent Auditor's Report on State Legal Compliance

The Honorable Mayor and Town Council
Town of Colorado City, Arizona

We have audited the basic financial statements of the Town of Colorado City, Arizona for the year ended June 30, 2020, and have issued our report thereon dated March 30, 2021. Our audit also included test work on the Town of Colorado City's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Colorado City is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town has established separate funds to account for Highway User Revenue funds. Highway user revenue fund monies received by the Town pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with generally accepted accounting principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Colorado City complied, in all material respects, with the requirements identified above for the year ended June 30, 2020.

The results of our auditing procedures disclosed an instance of noncompliance, which is described in a separate schedule of findings and recommendations letter, dated March 30, 2021, as item 2019-001. Our opinion on compliance is not modified with respect to this matter.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

Hinton Burdick, PLLC

HintonBurdick, PLLC

St. George, Utah

March 30, 2021