

TOWN OF COLORADO CITY, ARIZONA



FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
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, 2021, 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, 2021, 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.

Change in Accounting Principle


As described in Note 1 to the financial statements, in fiscal year 2021, the Town implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Investment in Affiliate

As described in Note 9 to the financial statements, the affiliate information relating to the Arizona Strip Governmental Financing Corporation is presented on a one year lag. Given the circumstances, our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, 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
June 8, 2022

**COLORADO CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$1,591,544, which resulted in total assets in excess of total liabilities (net position) of \$13,409,776 at the close of the fiscal year.
- Total governmental expenses exceeded total governmental revenues by \$1,246,895.
- Total business-type revenues were more than total business-type expenses by \$344,649, which includes affiliate net income of \$344,649.
- The Town's equity in affiliates increased from \$2,761,225 at June 30, 2020 to \$3,105,874 at June 30, 2021.
- Total revenues from all sources were approximately \$9.5 million, including revenue from affiliates of approximately \$1.9 million.
- The total cost of all Town programs was approximately \$7.9 million, including expenses from affiliates of approximately \$1.5 million.
- The general fund reported an excess of revenues over expenditures of \$834,357 before other financing sources and uses and a net increase of \$768,248 after other financing sources and uses.
- Actual revenues in the general fund were more than the final budget by \$147,455, while actual expenditures were \$237,254 less than the final budget. Transfers out were more than the final budget by \$102,477 and transfers in were more than the final budget by \$325,441.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,641,614 or 63% of total general fund expenditures, excluding transfers (55% 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.

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 \$13,409,776 as of June 30, 2021 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	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current and other assets	\$ 3,285,246	\$ 3,106,424	\$ 69,949	\$ 66,976	\$ 3,355,195	\$ 3,173,400
Capital assets	8,344,863	7,336,151	-	-	8,344,863	7,336,151
Investment in affiliates	-	-	3,105,874	2,761,225	3,105,874	2,761,225
Total assets	<u>11,630,109</u>	<u>10,442,575</u>	<u>3,175,823</u>	<u>2,828,201</u>	<u>14,805,932</u>	<u>13,270,776</u>
Long-term liabilities outstanding	861,915	336,637	-	-	861,915	336,637
Other liabilities	464,485	1,049,124	69,756	66,783	534,241	1,115,907
Total liabilities	<u>1,326,400</u>	<u>1,385,761</u>	<u>69,756</u>	<u>66,783</u>	<u>1,396,156</u>	<u>1,452,544</u>
Net position:						
Net investment in capital assets and affiliates	7,569,740	7,075,572	3,105,874	2,761,225	10,675,614	9,836,797
Restricted	65,327	72,189	-	-	65,327	72,189
Unrestricted	2,668,642	1,909,053	193	193	2,668,835	1,909,246
Total net position	<u>\$ 10,303,709</u>	<u>\$ 9,056,814</u>	<u>\$ 3,106,067</u>	<u>\$ 2,761,418</u>	<u>\$ 13,409,776</u>	<u>\$ 11,818,232</u>

Governmental Activities

The cost of all governmental activities this year was \$4,453,890 as shown on the statement of changes in net position on the following page—\$796,467 of this cost was paid for by those who directly benefited from the programs, \$2,138,202 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 \$2,934,669. General revenues totaled \$2,743,533.

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.

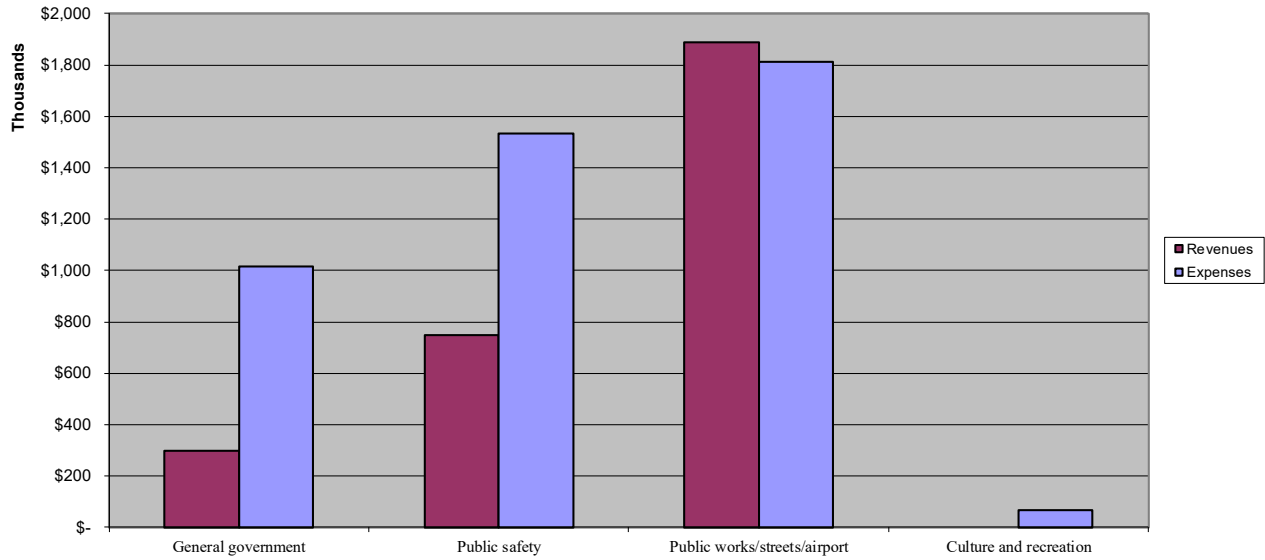
**Colorado City
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Revenues:						
Program revenues:						
Charges for services	\$ 796,467	\$ 664,470	\$ 1,964,700	\$ 1,786,106	\$ 2,761,167	\$ 2,450,576
Operating grants and contributions	820,683	930,867	-	-	820,683	930,867
Capital grants and contributions	1,317,519	994,420	-	-	1,317,519	994,420
General revenues:						
Taxes	2,050,567	1,575,747	-	-	2,050,567	1,575,747
State revenue sharing	691,132	628,080	-	-	691,132	628,080
Other revenue (expense)	1,834	19,466	-	-	1,834	19,466
Affiliate revenue	-	-	1,878,034	1,550,197	1,878,034	1,550,197
Total revenues	<u>5,678,202</u>	<u>4,813,050</u>	<u>3,842,734</u>	<u>3,336,303</u>	<u>9,520,936</u>	<u>8,149,353</u>
Expenses:						
General government	1,015,964	1,036,592	-	-	1,015,964	1,036,592
Public safety	1,531,759	1,421,462	-	-	1,531,759	1,421,462
Public works/streets/airport	1,814,050	1,233,947	-	-	1,814,050	1,233,947
Culture and recreation	65,066	90,758	-	-	65,066	90,758
Interest on long-term debt	27,051	24,520	-	-	27,051	24,520
Contract service	-	-	1,942,117	1,789,294	1,942,117	1,789,294
Affiliate expenses	-	-	1,533,385	1,546,905	1,533,385	1,546,905
Total expenses	<u>4,453,890</u>	<u>3,807,279</u>	<u>3,475,502</u>	<u>3,336,199</u>	<u>7,929,392</u>	<u>7,143,478</u>
Increase (decrease) in net position before transfers	1,224,312	1,005,771	367,232	104	1,591,544	1,005,875
Transfers	22,583	(3,188)	(22,583)	3,188	-	-
Increase (decrease) in net position	1,246,895	1,002,583	344,649	3,292	1,591,544	1,005,875
Net position, beginning	9,056,814	8,054,231	2,761,418	2,758,126	11,818,232	10,812,357
Net position, ending	<u>\$ 10,303,709</u>	<u>\$ 9,056,814</u>	<u>\$ 3,106,067</u>	<u>\$ 2,761,418</u>	<u>\$ 13,409,776</u>	<u>\$ 11,818,232</u>

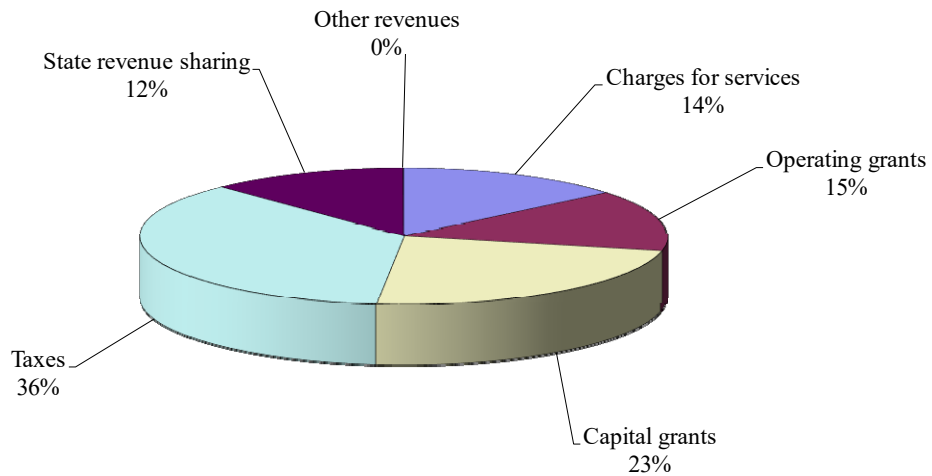
Total resources available during the year to finance governmental operations were \$14,735,016 consisting of net position at July 1, 2020 of \$9,056,814, program revenues of \$2,934,669, and general revenues and transfers of \$2,766,116. Total expenses and transfers out of governmental activities during the year were \$4,453,890; thus governmental net position increased by \$1,246,895 to \$10,303,709.

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)

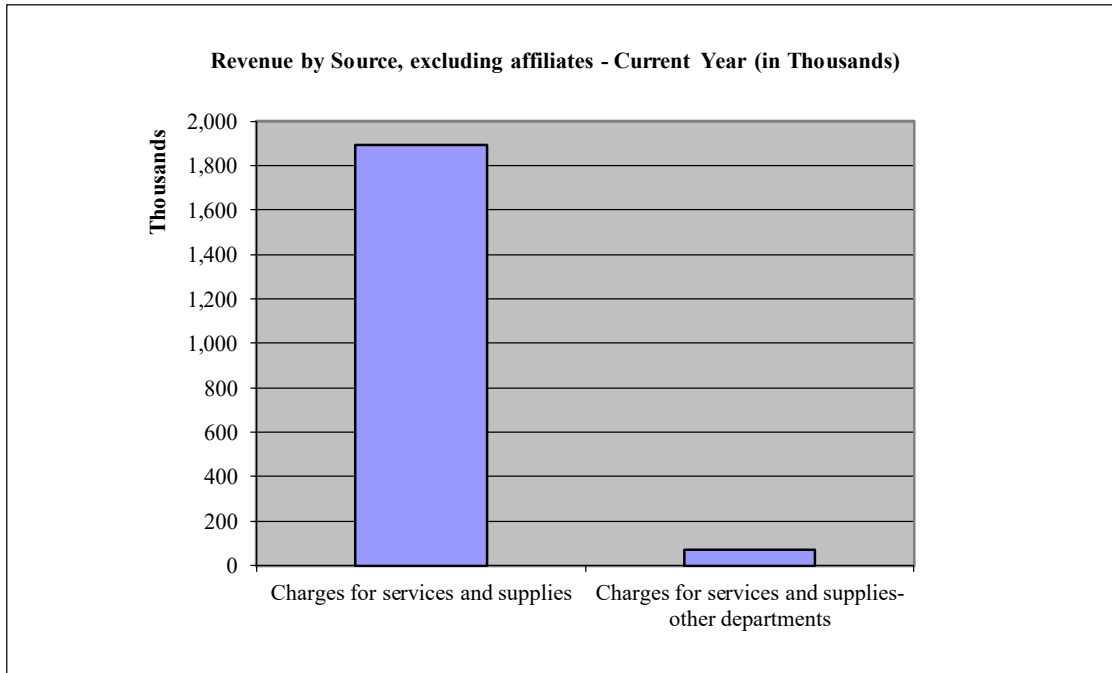


Revenue By Source - Governmental Activities

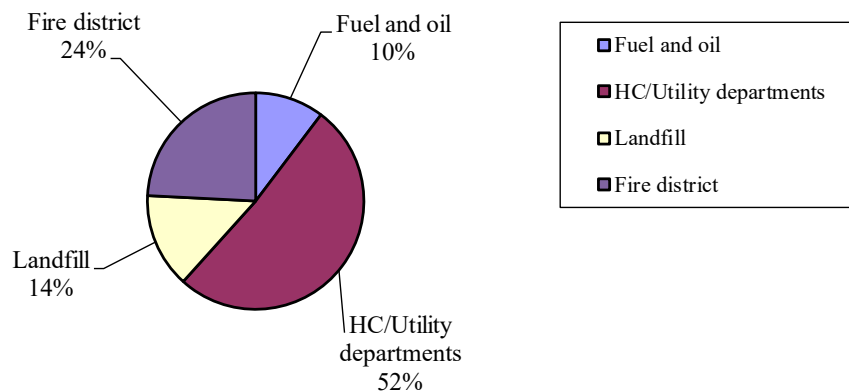


Business-type Activities

Net position of the business-type activities at June 30, 2021, as reflected in the statement of net position was \$3,106,067. The cost of providing all proprietary (business-type) activities this year was approximately \$3.5 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 \$2.0 million, and revenues from affiliates were approximately \$1.9 million. Net position increased by \$344,649.



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 \$2,785,287 an increase of \$761,386 from the prior year. Approximately 59% of this total amount, or \$1,641,614, 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 \$1,641,614 and total fund balance is \$2,719,960. 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 105% and 63%, respectively, of total general fund expenditures before interfund transfers. During the fiscal year, the Town's general fund balance increased by \$768,248. Key factors in this increase are as follows:

- The Town budgeted for a \$160,575 increase.
- Actual revenues were over budget by \$147,455 and expenditures were under budget by \$237,254.
- Most of the departments were under budget—particularly the administration and contingencies department.
- Transfers out were over budget by \$102,477.
- Transfers in were over budget by \$325,441, primarily as a result of CARES Act funding.

The Highway User Revenue fund has a restricted fund balance of \$0. All activity is for road construction and maintenance. The net revenues (expenditures), before transfers, for the current fiscal year were \$22,931 and \$86,190 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 Grants fund has a fund balance of \$65,327, 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 \$3,106,067, consisting of \$3,105,874 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 \$237,254 less than final appropriations. The budget to actual variance in expenditures was due in part to cost control and a budgeted amount for contingencies. Actual transfers out were \$102,477 more than the final budget. This was primarily due to a significant transfer to the grants fund for a well replacement project. Actual revenues were more than the final budget by \$147,455, 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 2021, net capital assets of the governmental activities totaled \$8,344,863. 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 \$775,123 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 \$514,544, 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 2021/2022, 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 2020/2021. 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, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,070,057	\$ -	\$ 2,070,057
Receivables (net of allowance)	732,857	431,170	1,164,027
Prepays	96,246	20,776	117,022
Inventories	-	4,089	4,089
Internal balances	386,086	(386,086)	-
Investment in affiliates	-	3,105,874	3,105,874
Capital assets (net of accumulated depreciation):			
Land	411,761	-	411,761
Buildings and improvements	1,043,154	-	1,043,154
Improvements other than buildings	2,044,970	-	2,044,970
Automobiles and trucks	280,547	-	280,547
Machinery and equipment	1,052,634	-	1,052,634
Infrastructure	3,414,354	-	3,414,354
Construction in progress	97,443	-	97,443
Total assets	<u>11,630,109</u>	<u>3,175,823</u>	<u>14,805,932</u>
Liabilities			
Accounts payable and other current liabilities	464,485	69,756	534,241
Noncurrent liabilities:			
Due within one year	334,721	-	334,721
Due in more than one year	527,194	-	527,194
Total liabilities	<u>1,326,400</u>	<u>69,756</u>	<u>1,396,156</u>
Net Position			
Net investment in capital assets	7,569,740	-	7,569,740
Net investment in affiliates	-	3,105,874	3,105,874
Restricted for:			
Capital projects	65,327	-	65,327
Unrestricted	2,668,642	193	2,668,835
Total net position	<u>\$ 10,303,709</u>	<u>\$ 3,106,067</u>	<u>\$ 13,409,776</u>

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

COLORADO CITY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2021

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	\$ 1,015,964	\$ 293,048	\$ 6,000	\$ -	\$ (716,916)	\$ -	\$ (716,916)
Public safety	1,531,759	379,881	295,441	71,867	(784,570)	-	(784,570)
Public works/streets/airport	1,814,050	123,538	519,242	1,245,652	74,382	-	74,382
Culture and recreation	65,066	-	-	-	(65,066)	-	(65,066)
Interest on long-term debt	27,051	-	-	-	(27,051)	-	(27,051)
Total governmental activities	<u>4,453,890</u>	<u>796,467</u>	<u>820,683</u>	<u>1,317,519</u>	<u>(1,519,221)</u>	<u>-</u>	<u>(1,519,221)</u>
Business-type activities:							
Contract service fund	1,942,117	1,964,700	-	-	-	22,583	22,583
Investment in affiliate	1,533,385	1,878,034	-	-	-	344,649	-
Total business-type activities	<u>3,475,502</u>	<u>3,842,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367,232</u>	<u>367,232</u>
Total primary government	<u>\$ 7,929,392</u>	<u>\$ 4,639,201</u>	<u>\$ 820,683</u>	<u>\$ 1,317,519</u>	<u>(1,519,221)</u>	<u>367,232</u>	<u>(1,151,989)</u>
General Revenues:							
Taxes:							
State sales taxes					573,710	-	573,710
City sales taxes					1,073,621	-	1,073,621
Fee-in-lieu					403,236	-	403,236
State revenue sharing					691,132	-	691,132
Unrestricted investment earnings					1,834	-	1,834
Transfers					22,583	(22,583)	-
Total general revenues and transfers					<u>2,766,116</u>	<u>(22,583)</u>	<u>2,743,533</u>
Change in net position					1,246,895	344,649	1,591,544
Net position - beginning					9,056,814	2,761,418	11,818,232
Net position - ending					<u>\$ 10,303,709</u>	<u>\$ 3,106,067</u>	<u>\$ 13,409,776</u>

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

COLORADO CITY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Highway User Revenue Fund	Grants Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,939,309	\$ -	\$ 130,748	\$ -	\$ 2,070,057
Receivables (net of allowance)	450	-	-	-	450
Due from other governments	306,749	147,813	242,371	-	696,933
Due from other funds	509,674	-	-	-	509,674
Prepays	96,246	-	-	-	96,246
Total assets	<u>\$ 2,852,428</u>	<u>\$ 147,813</u>	<u>\$ 373,119</u>	<u>\$ -</u>	<u>\$ 3,373,360</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 57,740	\$ 16,714	\$ 307,792	\$ -	\$ 382,246
Accrued liabilities	74,728	7,511	-	-	82,239
Due to other funds	-	123,588	-	-	123,588
Total liabilities	<u>132,468</u>	<u>147,813</u>	<u>307,792</u>	<u>-</u>	<u>588,073</u>
Fund balances:					
Nonspendable - prepaids	96,246	-	-	-	96,246
Restricted for:					
Capital outlay	-	-	65,327	-	65,327
Committed for:					
Risk management	982,100	-	-	-	982,100
Unassigned	<u>1,641,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,641,614</u>
Total fund balances	<u>2,719,960</u>	<u>-</u>	<u>65,327</u>	<u>-</u>	<u>2,785,287</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,852,428</u>	<u>\$ 147,813</u>	<u>\$ 373,119</u>	<u>\$ -</u>	<u>\$ 3,373,360</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, 2021

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

Total fund balances - total governmental funds	\$ 2,785,287	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	\$ 16,019,351	
Accumulated depreciation	<u>(7,674,488)</u>	8,344,863
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	(861,915)	
Reimbursement receivable relating to comp. absences	<u>35,474</u>	<u>(826,441)</u>
Net position of governmental activities		<u><u>\$ 10,303,709</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, 2021

Revenues	General Fund	Highway User Revenue Fund	Grants Fund	Debt Service Fund	Total Governmental Funds
Taxes	\$ 2,050,567	\$ -	\$ -	\$ -	\$ 2,050,567
Licenses and permits	57,830	-	-	-	57,830
Intergovernmental revenue	691,132	519,244	1,612,959	-	2,823,335
Charges for services	528,588	23,852	-	-	552,440
Interest income	1,802	-	32	-	1,834
Fines and forfeitures	24,582	-	-	-	24,582
Miscellaneous	67,928	99,686	-	-	167,614
Total revenues	<u>3,422,429</u>	<u>642,782</u>	<u>1,612,991</u>	<u>-</u>	<u>5,678,202</u>
Expenditures					
Current:					
General government	996,330	-	-	-	996,330
Public safety	1,420,998	-	-	-	1,420,998
Public works/streets/airport	108,825	499,157	-	-	607,982
Culture and recreation	61,919	-	-	-	61,919
Debt service:					
Principal	-	-	-	175,715	175,715
Interest	-	-	-	27,051	27,051
Capital outlay	-	120,694	1,528,710	690,259	2,339,663
Total expenditures	<u>2,588,072</u>	<u>619,851</u>	<u>1,528,710</u>	<u>893,025</u>	<u>5,629,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>834,357</u>	<u>22,931</u>	<u>84,281</u>	<u>(893,025)</u>	<u>48,544</u>
Other financing sources (uses):					
Capital leases	-	-	-	690,259	690,259
Transfers in	325,441	21,572	259,968	202,766	809,747
Transfers out	(391,550)	(70,173)	(325,441)	-	(787,164)
Total other financing sources (uses)	<u>(66,109)</u>	<u>(48,601)</u>	<u>(65,473)</u>	<u>893,025</u>	<u>712,842</u>
Net change in fund balances	768,248	(25,670)	18,808	-	761,386
Fund balances - beginning of year	1,951,712	25,670	46,519	-	2,023,901
Fund balances - end of year	<u>\$ 2,719,960</u>	<u>\$ -</u>	<u>\$ 65,327</u>	<u>\$ -</u>	<u>\$ 2,785,287</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, 2021

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

Net change in fund balances - total governmental funds	\$	761,386
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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.

Capital outlay	\$	1,759,006	
Depreciation expense		<u>(750,294)</u>	1,008,712

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.		(8,659)
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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.

Debt issued, including capital lease financing		(690,259)	
Principal paid on debt		<u>175,715</u>	<u>(514,544)</u>

Change in net position of governmental activities	\$	<u><u>1,246,895</u></u>
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The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2021

	Contract Service Fund	Affiliates	Total
Assets			
Current assets:			
Due from other governments	\$ 431,170	\$ -	\$ 431,170
Fuel inventory	4,089	-	4,089
Prepays	20,776	-	20,776
Total current assets	<u>456,035</u>	<u>-</u>	<u>456,035</u>
Noncurrent assets:			
Investment in joint venture	-	3,105,874	3,105,874
Total assets	<u>456,035</u>	<u>3,105,874</u>	<u>3,561,909</u>
Liabilities			
Current liabilities:			
Accounts payable	27,375	-	27,375
Accrued liabilities	42,381	-	42,381
Due to other funds	386,086	-	386,086
Total current liabilities	<u>455,842</u>	<u>-</u>	<u>455,842</u>
Net position			
Net investment in affiliates	-	3,105,874	3,105,874
Unrestricted	193	-	193
Total net position	<u>\$ 193</u>	<u>\$ 3,105,874</u>	<u>\$ 3,106,067</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, 2021

Operating revenues	Contract Service Fund	Affiliates	Total
Charges for services and supplies	\$ 1,891,381	\$ -	\$ 1,891,381
Charges for services and supplies-other departments	73,319	-	73,319
Total operating revenues	<u>1,964,700</u>	<u>-</u>	<u>1,964,700</u>
Operating expenses			
Costs of sales and services:			
Fuel and oil	200,210	-	200,210
HC/Utility departments	997,551	-	997,551
Landfill	274,334	-	274,334
Fire district	470,022	-	470,022
Total operating expenses	<u>1,942,117</u>	<u>-</u>	<u>1,942,117</u>
Operating income (loss)	<u>22,583</u>	<u>-</u>	<u>22,583</u>
Nonoperating revenues (expenses)			
Net income (loss) from affiliates	<u>-</u>	<u>344,649</u>	<u>344,649</u>
Total nonoperating revenue (expenses)	<u>-</u>	<u>344,649</u>	<u>344,649</u>
Income (loss) before transfers	22,583	344,649	367,232
Transfers in	33,843	-	33,843
Transfers out	<u>(56,426)</u>	<u>-</u>	<u>(56,426)</u>
Change in net position	<u>-</u>	<u>344,649</u>	<u>344,649</u>
Total net position, beginning of year	<u>193</u>	<u>2,761,225</u>	<u>2,761,418</u>
Total net position, end of year	<u>\$ 193</u>	<u>\$ 3,105,874</u>	<u>\$ 3,106,067</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, 2021

	<u>Contract Service Fund</u>
Cash flows from operating activities	
Cash received from customers, service fees	\$ 1,813,403
Cash received from quasi-external transfers	73,319
Cash paid to suppliers	(281,312)
Cash paid to employees	<u>(1,582,827)</u>
Net cash flows from operating activities	<u>22,583</u>
Cash flows from noncapital financing activities	
Transfers from (to) other funds	<u>(22,583)</u>
Net cash flows from noncapital financing activities	<u>(22,583)</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)	22,583
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	(91,365)
(Increase)/decrease in fuel inventory	13,387
(Increase)/decrease in prepaids	(20,776)
Increase/(decrease) in due to other funds	95,781
Increase/(decrease) in accounts payable	8,547
Increase/(decrease) in accrued liabilities	<u>(5,574)</u>
Net cash flows from operating activities	<u><u>\$ 22,583</u></u>

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

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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. Separate statements for each fund category, governmental and proprietary, 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, 2021

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 **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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, the Town implemented 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. Implementation of this new statement resulted in the Town's agency fund reported in prior years being eliminated. It was determined that the activity in the fund was not fiduciary activity and the remaining balance of \$47,899 is recognized as miscellaneous revenue in the general fund to cover employee health insurance.

For the year ended June 30, 2021, the Town did not implement the provisions of GASB Statement No. 87, *Leases*. GASB Statement No. 87 improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement also establishes a single model for lease accounting based on the foundation principle that leases are financings of the right to use an underlying asset. GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date of GASB Statement No. 87 by 18 months (COVID-19 pandemic relief), and the Town plans to implement for the year ending June 30, 2022.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
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, 2021

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, 2021

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, 2021.

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	45,377
Cash in State Treasurer's Investment Pool	<u>2,024,330</u>
Total deposits and investments	<u><u>\$ 2,070,057</u></u>

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

Cash and cash equivalents	<u>\$ 2,070,057</u>
Total	<u><u>\$ 2,070,057</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, 2021, 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, 2021

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, 2021 the Town had the following deposits, investments, ratings and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 45,377	N/A	N/A
Cash on hand	350	N/A	N/A
Local Governments Investment Pool 5	2,024,330	AAA f/S1+	< 90 days
	\$ 2,070,057		

- (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, 2021

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.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

NOTE 6. Capital Assets

The following summarizes the changes in capital assets for governmental activities for the year ended June 30, 2021:

Governmental Activities:	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Capital assets, not being depreciated:				
Land	\$ 299,981	\$ 111,780	\$ -	\$ 411,761
Construction in progress	743,204	1,008,231	(1,653,992)	97,443
Total capital assets, not being depreciated	<u>1,043,185</u>	<u>1,120,011</u>	<u>(1,653,992)</u>	<u>509,204</u>
Capital assets, being depreciated:				
Buildings and improvements	1,645,231	10,010	-	1,655,241
Improvements other than buildings	3,874,233	-	-	3,874,233
Machinery, equipment and furniture	2,239,645	591,304	-	2,830,949
Automobiles and trucks	1,218,990	149,460	-	1,368,450
Infrastructure	4,239,061	1,542,213	-	5,781,274
Total capital assets, being depreciated	<u>13,217,160</u>	<u>2,292,987</u>	<u>-</u>	<u>15,510,147</u>
Less accumulated depreciation for:				
Buildings and improvements	(547,678)	(64,409)	-	(612,087)
Improvements other than buildings	(1,634,534)	(194,729)	-	(1,829,263)
Machinery, equipment and furniture	(1,646,421)	(131,894)	-	(1,778,315)
Automobiles and trucks	(989,868)	(98,035)	-	(1,087,903)
Infrastructure	(2,105,693)	(261,227)	-	(2,366,920)
Total accumulated depreciation	<u>(6,924,194)</u>	<u>(750,294)</u>	<u>-</u>	<u>(7,674,488)</u>
Total capital assets, being depreciated, net	<u>6,292,966</u>	<u>1,542,693</u>	<u>-</u>	<u>7,835,659</u>
Governmental activities capital assets, net	<u>\$ 7,336,151</u>	<u>\$ 2,662,704</u>	<u>\$ (1,653,992)</u>	<u>\$ 8,344,863</u>

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

Governmental Activities:	
General government	\$ 26,613
Public safety	112,593
Public works/streets/airport	607,941
Parks and recreation	3,147
Total depreciation expense - governmental activities	<u>\$ 750,294</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

NOTE 7. Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2021</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt:					
Capital leases	\$ 260,579	\$ 690,259	\$ 175,715	\$ 775,123	\$ 300,070
Compensated absences	<u>76,058</u>	<u>84,269</u>	<u>73,535</u>	<u>86,792</u>	<u>34,651</u>
Total governmental activities	<u>336,637</u>	<u>774,528</u>	<u>249,250</u>	<u>861,915</u>	<u>334,721</u>
Total long-term liabilities	<u>\$ 336,637</u>	<u>\$ 774,528</u>	<u>\$ 249,250</u>	<u>\$ 861,915</u>	<u>\$ 334,721</u>

The following is a listing of long-term liabilities as of June 30, 2021:

Lease Obligations:

Governmental activities:

 Leases payable in various installment methods through
 fiscal year 2026, at interest ranging from 1.57% to 9.25%.

\$ 775,123

Compensated Absences

86,792

Total long-term liabilities

861,915

Less current portions:

 Governmental activities

(334,721)

Net long-term liabilities

\$ 527,194

There are no significant unused lines of credit as of June 30, 2021.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 2026. 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	Motorola Dispatch	Western Equip GMC Trucks	PACCAR Garbage Truck	950GC Cat Wheel Loader	2019 GMC Trucks	Total
2022	\$ 8,100	\$ 73,932	\$ 27,396	\$ 42,004	\$ 130,752	20,850	\$ 303,034
2023	-	73,932	54,793	42,004	-	-	170,729
2024	-	73,932	54,793	42,004	-	-	170,729
2025	-	73,932	27,396	42,004	-	-	143,332
2026	-	73,932	-	-	-	-	73,932
Total remaining lease payments:	8,100	369,660	164,378	168,016	130,752	20,850	861,756
Less: amount representing interest:	(715)	(16,811)	(38,017)	(22,070)	(6,166)	(2,854)	(86,633)
Present value of net remaining minimum lease payments:	<u>\$ 7,385</u>	<u>\$ 352,849</u>	<u>\$ 126,361</u>	<u>\$ 145,946</u>	<u>\$ 124,586</u>	<u>\$ 17,996</u>	<u>\$ 775,123</u>

A summary of assets acquired through capital leases as of June 30, 2021 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery, equipment and furniture	\$ 768,799	\$ 60,570	\$ 128,427
Automobiles and trucks	378,451	68,217	137,273
Total	<u>\$ 1,147,250</u>	<u>\$ 128,787</u>	<u>\$ 265,700</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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, 2021 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, 2021.

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, 2021 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, 2021

NOTE 9. Investment in Affiliates, Continued

Water Departments, Continued

Notes payable for the Waters Departments consist of the following at June 30, 2021:

	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>\$ 64,251</u>	<u>\$ 119,324</u>	<u>\$ 183,575</u>

Maturities of notes payable are as follows:

Year Ending June 30,	Combined	
	Principal	Interest
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>\$ 183,575</u>	<u>\$ 11,905</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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, 2021:

	Hildale City	Colorado City	Total
Total assets	\$ 968,250	\$ 1,798,177	\$ 2,766,427
Current liabilities	\$ 115,055	\$ 213,672	\$ 328,727
Long-term liabilities	53,345	99,068	152,413
Total liabilities	168,400	312,740	481,140
Net position	799,850	1,485,437	2,285,287
Total net position	799,850	1,485,437	2,285,287
Total liabilities and net assets	\$ 968,250	\$ 1,798,177	\$ 2,766,427
Total operating revenues	\$ 323,296	\$ 600,408	\$ 923,704
Total operating expenses	320,115	594,501	914,616
Operating income (loss)	3,181	5,907	9,088
Nonoperating revenue (expense)	11,262	20,916	32,178
Capital contributions	159,431	296,087	455,518
Change in net position	\$ 173,874	\$ 322,910	\$ 496,784

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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, 2021 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, 2021.

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, 2021 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, 2021

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, 2021:

	Hildale City	Colorado City	Total
Total assets	\$ 890,563	\$ 1,335,843	\$ 2,226,406
Current liabilities	\$ 1,510	\$ 2,264	\$ 3,774
Long-term liabilities	499	748	1,247
Total liabilities	2,009	3,012	5,021
Net position	888,554	1,332,831	2,221,385
Total net position	888,554	1,332,831	2,221,385
Total liabilities and net position	\$ 890,563	\$ 1,335,843	\$ 2,226,406
Total operating revenues	\$ 290,654	\$ 435,981	\$ 726,635
Total operating expenses	293,422	440,135	733,557
Operating income (loss)	(2,768)	(4,154)	(6,922)
Nonoperating revenue (expense)	673	1,010	1,683
Capital contributions	16,588	24,883	41,471
Change in net position	\$ 14,493	\$ 21,739	\$ 36,232

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 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 Corporation's fiscal year 2021 financial information was not available as of the date these financial statements were available to be issued. The following is the Town's estimated proportionate share (76%) of the Corporation's future minimum lease payments as of June 30, 2020:

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

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 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 (the Corporation's fiscal year 2021 audited financial statements were not available as of the date these financial statements were available to be issued):

	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)
Affiliate adjustment*	21,871	69,260	91,131
Change in net position	\$ -	\$ -	\$ -

*Since the Corporation's fiscal year 2020 financial information is presented and included in these financial statements rather than fiscal year 2021, the fiscal year 2020 net amount previously recognized in the Town's fiscal year 2020 financial statement is not included again. The \$69,260 affiliate adjustment is shown above to reflect this.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

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 (see Note 9 regarding the one year lag) 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, 2021 the Town's restricted fund balance consists of the following:

Grants Fund - SRF	
County Flood Control	\$ 65,252
Economic development	<u>75</u>
Total	<u><u>65,327</u></u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2021

NOTE 12. Interfund Balances and Transfers

As of June 30, 2021 the Town's interfund balances consist of the following:

Due To	Due From		Total
	Highway User Revenue Fund	Contract Service Fund	
General Fund	\$ 123,588	\$ 386,086	\$ 509,674
Total	\$ 123,588	\$ 386,086	\$ 509,674

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, 2021:

Transfers in	Transfers out				Total
	General fund	Highway user revenue fund	Grants fund	Contract service fund	
General fund	\$ -	\$ -	\$ 325,441	\$ -	\$ 325,441
Highway user revenue fund	21,572	-	-	-	21,572
Grants fund	259,968	-	-	-	259,968
Contract service fund	33,843	-	-	-	33,843
Debt service fund	76,167	70,173	-	56,426	202,766
Total	\$ 391,550	\$ 70,173	\$ 325,441	\$ 56,426	\$ 843,590

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, 2021

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 (beginning 2017) or until otherwise ordered by the court.

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 **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, 2021

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes	\$ 1,377,602	\$ 1,377,602	\$ 2,050,567	\$ 672,965
Licenses and permits	27,850	27,850	57,830	29,980
Intergovernmental revenue	1,260,057	1,241,132	691,132	(550,000)
Charges for services	559,890	559,890	528,588	(31,302)
Interest income	6,000	6,000	1,802	(4,198)
Fines and forfeitures	32,500	32,500	24,582	(7,918)
Miscellaneous	30,000	30,000	67,928	37,928
Total revenues	<u>3,293,899</u>	<u>3,274,974</u>	<u>3,422,429</u>	<u>147,455</u>
Expenditures				
Current:				
Administration and contingencies	1,038,877	995,822	888,406	107,416
Airport	176,785	124,935	108,825	16,110
Building department	87,349	63,949	54,471	9,478
Community development	31,000	31,000	-	31,000
Law enforcement	871,702	928,637	917,476	11,161
Parks and recreation	100,456	66,456	61,919	4,537
Dispatch	455,792	473,792	449,051	24,741
Magistrate court	114,290	140,735	107,924	32,811
Total expenditures	<u>2,876,251</u>	<u>2,825,326</u>	<u>2,588,072</u>	<u>237,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>417,648</u>	<u>449,648</u>	<u>834,357</u>	<u>384,709</u>
Other financing sources (uses):				
Transfers in	-	-	325,441	325,441
Transfers out	<u>(289,073)</u>	<u>(289,073)</u>	<u>(391,550)</u>	<u>(102,477)</u>
Total other financing sources and uses	<u>(289,073)</u>	<u>(289,073)</u>	<u>(66,109)</u>	<u>222,964</u>
Net change in fund balance	128,575	160,575	768,248	607,673
Fund balance - beginning of year	<u>1,951,712</u>	<u>1,951,712</u>	<u>1,951,712</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,080,287</u>	<u>\$ 2,112,287</u>	<u>\$ 2,719,960</u>	<u>\$ 607,673</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 395,880	\$ 395,880	\$ 519,244	\$ 123,364
Charges for services	-	-	23,852	23,852
Miscellaneous	60,000	60,000	99,686	39,686
Total revenues	<u>455,880</u>	<u>455,880</u>	<u>642,782</u>	<u>186,902</u>
Expenditures				
Salaries and employee benefits	251,126	281,626	283,561	(1,935)
Service, supplies and other	192,000	214,500	215,596	(1,096)
Capital outlay	220,000	150,000	120,694	29,306
Total expenditures	<u>663,126</u>	<u>646,126</u>	<u>619,851</u>	<u>26,275</u>
Excess of revenues over (under) expenditures	<u>(207,246)</u>	<u>(190,246)</u>	<u>22,931</u>	<u>213,177</u>
Other financing sources (uses):				
Transfers in	289,073	289,073	21,572	(267,501)
Transfers out	(81,827)	(66,827)	(70,173)	(3,346)
Total other financing sources (uses)	<u>207,246</u>	<u>222,246</u>	<u>(48,601)</u>	<u>(270,847)</u>
Net change in fund balance	-	32,000	(25,670)	(57,670)
Fund balance, beginning of year	<u>25,670</u>	<u>25,670</u>	<u>25,670</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 25,670</u></u>	<u><u>\$ 57,670</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (57,670)</u></u>

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Grants Special Revenue Fund
Budget-and-Actual
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 7,264,207	\$ 7,264,207	\$ 1,612,959	\$ (5,651,248)
Interest income	-	-	32	32
Total revenues	<u>7,264,207</u>	<u>7,264,207</u>	<u>1,612,991</u>	<u>(5,651,216)</u>
Expenditures				
Capital outlay	<u>6,636,798</u>	<u>6,636,798</u>	<u>1,528,710</u>	<u>5,108,088</u>
Total expenditures	<u>6,636,798</u>	<u>6,636,798</u>	<u>1,528,710</u>	<u>5,108,088</u>
Excess of revenues over (under) expenditures	627,409	627,409	84,281	(543,128)
Other financing sources (uses):				
Transfers in	-	-	259,968	259,968
Transfers out	-	-	<u>(325,441)</u>	<u>(325,441)</u>
Net change in fund balance	627,409	627,409	18,808	(608,601)
Fund balance, beginning of year	<u>46,519</u>	<u>46,519</u>	<u>46,519</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 673,928</u></u>	<u><u>\$ 673,928</u></u>	<u><u>\$ 65,327</u></u>	<u><u>\$ (608,601)</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, 2021, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated June 8, 2022.

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 June 8, 2022, 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

June 8, 2022



**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, 2021, and have issued our report thereon dated June 8, 2022. 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, 2021.

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.


HintonBurdick, PLLC
St. George, Utah
June 8, 2022