



Cottonflower Community Facilities District
Annual Financial Report
Year Ended June 30, 2020

Cottonflower Community Facilities District

Annual Financial Report
Year Ended June 30, 2020

Issued by:
Financial Services Division

COTTONFLOWER COMMUNITY FACILITIES DISTRICT

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Independent Auditors' Report

Board of Directors
Cottonflower Community Facilities District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cottonflower Community Facilities District (District), a component unit of the City of Goodyear, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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. 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 and each major fund of the Cottonflower Community Facilities District, as of June 30, 2020, and the respective changes in financial position and the budgetary comparison information for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



HintonBurdick, PLLC
Gilbert, Arizona
November 30, 2020



BASIC FINANCIAL STATEMENTS

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 43,564
Receivables (net of allowance)	5,541
Temporarily restricted assets:	
Cash and cash equivalents	241,987
Total assets	291,092
Deferred Outflows of Resources	
Deferred charge on refunding	15,170
Total deferred outflows	15,170
Liabilities	
Accounts payable	173,717
Interest payable	24,820
Noncurrent liabilities:	
Due within one year	175,000
Due in more than one year	1,355,000
Total liabilities	1,728,537
Net Position	
Restricted for:	
Debt service	49,229
Unrestricted	(1,471,504)
Total net position	\$ (1,422,275)

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
Governmental activities:				
General government	\$ 16,342	\$ -	\$ -	\$ (16,342)
Interest on long-term debt	51,618	-	-	(51,618)
Total governmental activities	<u>\$ 67,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(67,960)</u>
General Revenues:				
Taxes:				
Property tax				248,724
Unrestricted investment earnings				<u>3,268</u>
Total general revenues & transfers				<u>251,992</u>
Change in net position				184,032
Net position - beginning				<u>(1,606,307)</u>
Net position - ending				<u>\$ (1,422,275)</u>

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 43,564	\$ -	\$ 43,564
Receivables:			
Taxes	592	4,949	5,541
Restricted cash and investments	-	241,987	241,987
Total assets	<u>\$ 44,156</u>	<u>\$ 246,936</u>	<u>\$ 291,092</u>
LIABILITIES			
Accounts payable	\$ 449	\$ -	\$ 449
Accrued liabilities	381	2,887	3,268
Bonds payable	-	170,000	170,000
Bonds interest payable	-	24,820	24,820
Total liabilities	<u>830</u>	<u>197,707</u>	<u>198,537</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	310	2,838	3,148
Total deferred inflows of resources	<u>310</u>	<u>2,838</u>	<u>3,148</u>
FUND BALANCES			
Restricted:			
Debt service	-	46,391	46,391
Unassigned	43,016	-	43,016
Total fund balances	<u>43,016</u>	<u>46,391</u>	<u>89,407</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,156</u>	<u>\$ 246,936</u>	<u>\$ 291,092</u>

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Total governmental fund balances	\$	89,407
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
Property taxes	\$ 3,148	3,148
<p>Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	\$ (1,530,000)	
Deferred charge on refunding	15,170	(1,514,830)
Total net position of governmental activities	\$	(1,422,275)

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

REVENUES	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Taxes	\$ 29,283	\$ 219,441	\$ 248,724
Interest	569	2,699	3,268
Total revenues	<u>29,852</u>	<u>222,140</u>	<u>251,992</u>
 EXPENDITURES			
Current:			
General government	16,342	-	16,342
Debt service			
Principal	-	170,000	170,000
Interest and fiscal charges	-	49,722	49,722
Total expenditures	<u>16,342</u>	<u>219,722</u>	<u>236,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,510</u>	<u>2,418</u>	<u>15,928</u>
 OTHER FINANCING SOURCES (USES)			
Net change in fund balances	13,510	2,418	15,928
Fund balances, beginning of year	<u>29,506</u>	<u>43,973</u>	<u>73,479</u>
Fund balances, end of year	<u>\$ 43,016</u>	<u>\$ 46,391</u>	<u>\$ 89,407</u>

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

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$ 15,928
Repayment of long-term debt (e.g., bonds) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	170,000
Premiums, discounts, and losses on refunding are sources and uses of current financial resources for governmental fund reporting, but are amortized over the life of the debt in the statement of activities.	(1,896)
Change in net position of governmental activities	\$ 184,032

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 30,400	\$ 30,400	\$ 29,283	\$ (1,117)
Interest	200	200	569	369
Total revenues	<u>30,600</u>	<u>30,600</u>	<u>29,852</u>	<u>(748)</u>
EXPENDITURES				
Current:				
General Government	<u>26,200</u>	<u>26,200</u>	<u>16,342</u>	<u>9,858</u>
Total expenditures	<u>26,200</u>	<u>26,200</u>	<u>16,342</u>	<u>9,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,400</u>	<u>4,400</u>	<u>13,510</u>	<u>9,110</u>
Net change in fund balance	4,400	4,400	13,510	9,110
Fund balance, beginning of year	<u>29,506</u>	<u>29,506</u>	<u>29,506</u>	<u>-</u>
Fund balance, end of year	<u>\$ 33,906</u>	<u>\$ 33,906</u>	<u>\$ 43,016</u>	<u>\$ 9,110</u>

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

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cottonflower Community Facilities District (District) is a special purpose district created specifically to acquire or construct public infrastructure within specific areas of the City of Goodyear, Arizona, and is authorized under state law to issue general obligation (GO) or revenue bonds to be repaid by property (ad valorem) taxes levied on property within the District (for GO debt), or by specific revenues generated within the District (revenue bonds). The District was created by petition to the City Council by property owners within the area to be covered by the District, and debt may be issued only after approval of the voters within the District.

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

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

A. Reporting Entity

The District, a component unit of the City of Goodyear, Arizona (City), was established February 14, 2000, and is a political subdivision of the State of Arizona as well as a municipal corporation by Arizona Law. The City Council serves as the Board of Directors. All transactions of the District are included in the City's financial statements. However, the City has no liability for the debt.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by tax revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District 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 are recorded only when payment is due.

Property taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports all funds as major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds.

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

D. Cash and Investments

Arizona Revised Statutes (A.R.S.) authorize the District to invest public monies in the State Treasurer’s Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents as defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Receivables and Payables

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

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

G. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The District levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Restricted Assets

Certain proceeds of the District’s bonds, as well as certain resources set aside for their repayment, are classified as restricted cash on the statement of net position and on the balance sheet because their use is limited by applicable bond covenants.

I. Deferred Outflows/Inflows of Resources

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

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

K. Net Position Flow Assumption

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

L. Estimates

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

M. Budgetary Data

The District adopts a budget on an annual basis. There were no supplemental budgetary appropriations made during the year.

COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or a management official delegated that authority by the formal Governing Board action. The District has adopted the City's policy on which only the Board of Directors or the District's Treasurer may assign amounts for specific purposes.

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

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

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Position – At year end, the government-wide statements reported a deficit net position of \$1,422,275. The deficit arose because the titles of all capital assets are held by the City of Goodyear.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits and bank balance was \$102,556.

Fair Value Measurements. The District 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 pool is an external investment pool, the Local Government Investment Pool (Pool 7), with no regulatory oversight. The pool as an investment company is not registered with the Securities and Exchange Commission. The activity and performance of the pool is reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

At year end, the District’s investments consisted of the following:

<u>Investment Type</u>	<u>Average Maturities</u>	<u>Fair Value</u>
State Treasurer’s investment pool 7	44 days	\$ 182,995
Total		<u>\$ 182,995</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 – CASH AND INVESTMENTS

Credit Risk. The District has no investment policy that would further limit its investment choices. The State Treasurer’s investment pool was rated AA Af/S1+ by Standard and Poor’s at year end.

Custodial Credit Risk - Investments. The District’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer.

NOTE 5 –GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at year end consisted of the following outstanding general obligation bonds. The bonds are both callable and noncallable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt. Consequences of default for the direct placement bonds would be the legal enforcement of the creditor’s rights.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2020	Due Within One Year
Governmental activities:					
Direct placements:					
General Obligation Refunding					
Bonds, Series 2017	2,170,000	2.92%	7/15/21-28	\$ 1,530,000	\$ 175,000
Total				<u>\$ 1,530,000</u>	<u>\$ 175,000</u>

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows:

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 175,000	\$ 44,676
2022	175,000	39,556
2023	180,000	34,456
2024	185,000	29,200
2025	195,000	23,798
2026-30	620,000	36,500
	<u>\$ 1,530,000</u>	<u>\$ 208,186</u>

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable - direct placement	\$ 1,700,000	\$ -	\$ 170,000	\$ 1,530,000	\$ 175,000
Governmental activity long-term liabilities	<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 1,530,000</u>	<u>\$ 175,000</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the District is a participating member. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its member's additional premiums should reserves and annual premium be insufficient to meet the pool's obligations.

SUPPLEMENTARY INFORMATION

**COTTONFLOWER COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 223,200	\$ 223,200	\$ 219,441	\$ (3,759)
Interest	100	100	2,699	2,599
Total revenues	<u>223,300</u>	<u>223,300</u>	<u>222,140</u>	<u>(1,160)</u>
EXPENDITURES				
Debt service:				
Principal	170,000	170,000	170,000	-
Interest and fiscal charges	52,700	52,700	49,722	2,978
Payment to refunded bond escrow agent	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>242,700</u>	<u>242,700</u>	<u>219,722</u>	<u>22,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,400)</u>	<u>(19,400)</u>	<u>2,418</u>	<u>21,818</u>
Net change in fund balance	(19,400)	(19,400)	2,418	21,818
Fund balance, beginning of year	<u>43,973</u>	<u>43,973</u>	<u>43,973</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,573</u>	<u>\$ 24,573</u>	<u>\$ 46,391</u>	<u>\$ 21,818</u>