



**Pine Creek Canyon Domestic Water Improvement District
Pine, Arizona
Financial Statements and
Independent Accountant's Review Report
Year Ended June 30, 2019**

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Management
Pine Creek Canyon Domestic Water Improvement District

Report on Financial Statements

We have reviewed the accompanying financial statements of Pine Creek Canyon Domestic Water Improvement District (District), which comprise the statement of financial position as of June 30, 2019, and the related statements of operations and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Management of the District has elected to apply Financial Accounting Standards Board Statements or Interpretations to best accommodate the intended end users of the financial statements.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted by the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Report on Comparative Information

We have previously reviewed Pine Creek Canyon Domestic Water Improvement District's 2018 financial statements, and our report dated November 21, 2018 concluded that we are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
September 26, 2019

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

ASSETS	<u>Jun 30, 19</u>	<u>Jun 30, 18</u>
Current Assets		
Checking/Savings		
National Bank of AZ Deposit	11,960.78	11,072.07
Gila County Operating Acct 922	31,684.24	47,749.89
Gila Cty Cont/Reserve Acct 926	83,286.97	106,953.12
Total Checking/Savings	<u>126,931.99</u>	<u>165,775.08</u>
Accounts Receivable		
Accounts Receivable	8,888.58	6,434.83
Due from WIFA-PRV Loan		25,094.21
Total Accounts Receivable	<u>8,888.58</u>	<u>31,529.04</u>
Other Current Assets		
Sewer System Parts Inventory		1,072.84
Water System Parts Inventory	7,617.16	7,000.58
Prepaid Insurance	6,377.72	6,482.28
Total Other Current Assets	<u>13,994.88</u>	<u>14,555.70</u>
Total Current Assets	149,815.45	211,859.82
Capital Assets		
Capital Assets		
Office Furniture & Equipment		
Dell Computer 2009	1,461.54	1,461.54
Dell Computer all in one 2019	656.89	
Accum Deprec-Office F&E	-1,472.49	-1,461.54
Total Office Furniture & Equipment	<u>645.94</u>	
Sewer System		
Blower/Piping Improved 2015-16	7,445.28	7,445.28
Blower/piping/odor 2016-17	9,452.58	9,452.58
Contributed Sewer System 1996	110,000.00	110,000.00
Elk Rim WW Additions 2018-19	48,276.28	5,811.34
WWTP-Additions pre 2009	60,693.97	60,693.97
WIFA Pond Drainage Control 2009	93,383.81	93,383.81
WWTP Upgrade 2019	29,978.39	
Accum Deprec-Waste Water System	-155,822.91	-142,449.00
Total Sewer System	<u>203,407.40</u>	<u>144,337.98</u>
Water System		
Additions- Pump Station 2012	2,450.42	2,450.42
Shallow Well Upgrade 2018-2019	19,897.13	
Contributed Water Plant 1996	220,000.00	220,000.00
Deep Well System Upgrade 2018	55,761.73	7,420.15
Elk Rim Water Additions 2018-19	116,412.66	14,905.30
PRV System Upgrade 2016-2017	40,752.31	40,752.31

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jun 30, 19</u>	<u>Jun 30, 18</u>
PRV System WIFA Upgrade 2017-18	251,563.11	251,563.11
Well Monitoring Transducer 2011	6,428.33	6,428.33
Tank Recoating Project 2012	86,146.89	86,146.89
Tank Recoating Exterior 2016	12,000.00	12,000.00
Water System Addition 1996-2009	31,417.96	31,417.96
Well Aquifer Test/Monitor 2015	6,512.00	6,512.00
WIFA - Deep Well/Generator 2010	860,104.60	860,104.60
Accum Deprec-Water System	-493,029.54	-425,492.50
Total Water System	<u>1,216,417.60</u>	<u>1,114,208.57</u>
Total Capital Assets	<u>1,420,470.94</u>	<u>1,258,546.55</u>
Total Capital Assets	1,420,470.94	1,258,546.55
Other Assets		
Restricted Cash		
Replacement Reserve NBAZ Pond	1,568.79	1,206.01
Replacement Res NBAZ Deep Well	18,467.54	14,201.62
Replacement Res NBAZ Well Extra	9,867.26	7,234.95
Debt Service Reserve WIFA Pond	1,912.21	1,806.96
Debt Service Reserve WIFA Well	22,797.72	21,308.38
Debt Service Reserve WIFA Extra	14,000.11	13,148.40
Debt Service Reserve WIFA PRV	3,912.77	779.19
Total Other Assets	<u>72,526.40</u>	<u>59,685.51</u>
Total Other Assets	<u>72,526.40</u>	<u>59,685.51</u>
TOTAL ASSETS	<u>1,642,812.79</u>	<u>1,530,091.88</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	6,818.45	13,104.93
Total Accounts Payable	<u>6,818.45</u>	<u>13,104.93</u>
Other Current Liabilities		
Current Liabilities		
Current Portion of LT Debt		
WIFA Pond- Drainage Control	1,340.00	1,308.00
WIFA Deep Well/Generator	16,006.00	15,376.00
WIFA Deep Well - Extra	10,033.00	9,746.00
WIFA PRV Upgrade	10,849.00	11,625.00
Total Current Portion of LT Debt	<u>38,228.00</u>	<u>38,055.00</u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jun 30, 19</u>	<u>Jun 30, 18</u>
Customer Deposit (refundable)		308.89
Sales Tax Payable	55.41	63.51
Total Other Current Liabilities	<u>38,283.41</u>	<u>38,427.40</u>
Total Current Liabilities	45,101.86	51,532.33
Long Term Liabilities		
WIFA - Pond-Drainage Control		
Pond-Drainage Control	90,000.00	90,000.00
WIFA Loan-Forgiveness of Debt	-63,000.00	-63,000.00
WIFA-Pond-Principal Reductions	-11,384.43	-10,075.94
Less Crrnt Portion LT Debt Pond	-1,340.00	-1,308.00
Total WIFA - Pond-Drainage Control	<u>14,275.57</u>	<u>15,616.06</u>
WIFA - Deep Well/Generator		
Deep Well/Generator	625,000.00	625,000.00
WIFA-DW-Forgiveness of Debt	-312,500.00	-312,500.00
WIFA - DW Principal Reductions	-127,540.83	-112,157.01
Less Crrnt Portion LT Debt DW	-16,006.00	-15,376.00
Total WIFA - Deep Well/Generator	<u>168,953.17</u>	<u>184,966.99</u>
WIFA Deep Well Extra		
Deep Well Extra	200,000.00	200,000.00
Deep Well Extra-Principal	-78,143.58	-68,369.17
Less Crrnt Portion LT Dbt DW EX	-10,033.00	-9,746.00
Total WIFA Deep Well Extra	<u>111,823.42</u>	<u>121,884.83</u>
WIFA - PRV Upgrade		
WIFA PRV Valve Upgrade 2017-18	249,904.50	249,904.50
PRV Upgrade Principal Reduction	-13,188.10	-2,610.50
Less Crrnt Portion LT Debt	-10,849.00	-11,625.00
Total WIFA - PRV Upgrade	<u>225,867.40</u>	<u>235,669.00</u>
Total Long Term Liabilities	<u>520,919.56</u>	<u>558,136.88</u>
Total Liabilities	566,021.42	609,669.21
Equity		
Contribution by Elk Rim 2018-19	137,000.00	
Contributions By Portal IV 1996	421,138.94	421,138.94
Retained Earnings	499,283.73	408,420.90
Net Income	19,368.70	90,862.83
Total Equity	<u>1,076,791.37</u>	<u>920,422.67</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,642,812.79</u></u>	<u><u>1,530,091.88</u></u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jul '18 - Jun 19</u>	<u>Jul '17 - Jun 18</u>
Ordinary Income/Expense		
Income		
Revenues		
Miscellaneous Fees		
Late Fees	1,124.87	1,262.49
Miscellaneous Income	526.31	
Total Miscellaneous Fees	<u>1,651.18</u>	<u>1,262.49</u>
Property Tax Levy	89,385.50	180,257.01
Wastewater Fees		
Account Establishment-WasteW	1,500.00	1,800.00
Base Wastewater Services	65,117.75	64,066.00
Sewer Installations	28,200.00	4,700.00
Total Wastewater Fees	<u>94,817.75</u>	<u>70,566.00</u>
Water Fees		
Account Establishment Fee-Water	1,650.00	1,800.00
Base and Excess Gallon Fees	70,249.86	66,366.02
Meter Installation	26,600.00	3,800.00
Total Water Fees	<u>98,499.86</u>	<u>71,966.02</u>
Total Revenues	<u>284,354.29</u>	<u>324,051.52</u>
Total Income	<u>284,354.29</u>	<u>324,051.52</u>
Gross Profit	284,354.29	324,051.52
Expense		
Administration		
Administrative Assistant	16,599.32	16,925.45
Advertising / Recruiting	662.47	
Bank Charges	49.63	269.71
Computers / Software	1,071.74	1,058.95
Depreciation	10.95	
District Manager-Hrs. Exc. Ret.	21,038.50	22,527.92
District Manager - Retainer	16,940.00	14,040.00
Dues and Subscriptions	415.18	250.33
Electricity - Adm.	598.24	657.23
Equipment Repairs/Maint. Adm.	185.00	60.00
Housekeeping-Admin.	160.00	143.00
Insurance General	4,451.60	4,718.45
Licenses/Permits/Lien Filings	16.00	12.00
Office Rent	3,618.00	3,618.00
Postage	933.22	622.80
Propane - Admin.	445.41	311.65
Small Equipment / Furniture	168.61	

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jul '18 - Jun 19</u>	<u>Jul '17 - Jun 18</u>
Supplies / Printing - Adm.	1,438.45	1,985.95
Telephone/Ans. Serv./ Internet	3,604.19	3,408.78
Travel and Meals - Adm.	24.75	299.52
Website	300.00	300.00
Total Administration	<u>72,731.26</u>	<u>71,209.74</u>
Board of Directors		
Accountant Fees	4,200.00	4,200.00
Elections	85.45	
Ins. Public Officials Liability	4,773.96	5,206.83
Total Board of Directors	<u>9,059.41</u>	<u>9,406.83</u>
Wastewater Operations		
Blue Stake Services WasteW	40.00	
Chemical/ Supplies WasteW	7,138.00	5,744.90
Contract Services-Non-Oper WW	8,793.97	4,685.00
Depreciation WasteW System	13,373.91	12,052.00
Electricity Wastewater	6,421.08	6,843.06
Landscape Maint./Road Rep. WW	7.50	
Operator-Monthly Retainer WW	29,937.60	26,730.00
Operator Labor-Grinder Pump lsp	160.00	
Operator Labor - Repairs WW	455.00	1,128.00
Parts For Infrastructure WasteW	1,554.66	862.07
Testing Lab/Regulatory Fees WW	3,164.00	1,240.00
Total Wastewater Operations	<u>71,045.72</u>	<u>59,285.03</u>
Water Operations		
Blue Stake Service Water	280.00	30.00
Building Maintenance Water	5,169.63	
Chemicals/Supplies Water		252.08
Consulting-Hydro/Engineering	5,425.00	4,990.00
Contract Services- Non-Oper H2O	5,397.81	9,562.31
Depreciation - Water System	67,537.04	44,859.10
Diesel Fuel	334.00	
Electricity Water	6,183.56	6,918.51
Landscape Maint./Road Rep. H2O	599.66	103.60
Operator-Monthly Retainer H2O	3,326.40	2,970.00
Operator Labor-Meter Install	120.00	90.00
Operator Labor-Repairs Water	3,455.00	3,012.00
Parts For Infrastructure Water	2,957.95	4,863.00
Propane - Water	138.15	127.92
Testing Lab/Regulatory Fees H2O	1,353.86	3,310.22
Total Water Operations	<u>102,278.06</u>	<u>81,088.74</u>
Total Expense	<u>255,114.45</u>	<u>220,990.34</u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jul '18 - Jun 19</u>	<u>Jul '17 - Jun 18</u>
Net Ordinary Income	29,239.84	103,061.18
Other Income/Expense		
Other Income		
Other Income		
Interest	4,789.43	1,207.56
Total Other Income	<u>4,789.43</u>	<u>1,207.56</u>
Total Other Income	4,789.43	1,207.56
Other Expense		
Other Expense		
Bad Debt Expense		300.00
Interest/Fees for WIFA Projects	14,660.57	13,105.91
Total Other Expense	<u>14,660.57</u>	<u>13,405.91</u>
Total Other Expense	14,660.57	13,405.91
Net Other Income	<u>-9,871.14</u>	<u>-12,198.35</u>
Net Income	<u>19,368.70</u>	<u>90,862.83</u>
Retained Earnings at Beginning of Year	499,283.73	408,420.90
Retained Earnings at End of Year	<u><u>518,652.43</u></u>	<u><u>499,283.73</u></u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jul '18 - Jun 19</u>	<u>Jul '17 - Jun 18</u>
OPERATING ACTIVITIES		
Net Income		
Adjustments to reconcile Net Income	19,368.70	90,862.83
to net cash provided by operations:		
Accounts Receivable	-2,453.75	2,003.66
Due from WIFA-PRV Loan	25,094.21	-25,094.21
Sewer System Parts Inventory	1,072.84	-1,072.84
Water System Parts Inventory	-616.58	-7,000.58
Prepaid Insurance	104.56	784.28
Accounts Payable	-6,286.48	-9,300.97
Sales Tax Payable	-8.10	-392.58
Current Liabilities:Current Portion of LT Debt:WIFA ADOT - Drainage Control		36.12
Current Liabilities:Current Portion of LT Debt:WIFA Deep Well/Generator		427.76
Current Liabilities:Current Portion of LT Debt:WIFA Deep Well - Extra		215.32
Current Liabilities:Current Portion of LT Debt:WIFA PRV Upgrade		11,625.00
Current Liabilities:Customer Deposit (refundable)	-308.89	-126.06
Current Liabilities:Retention/ Due Contractors		-520.00
Net cash provided by Operating Activities	<u>35,966.51</u>	<u>62,447.73</u>
INVESTING ACTIVITIES		
Fixed Assets:Office Furniture & Equipment:Dell Computer all in one 2019	-656.89	
Fixed Assets:Office Furniture & Equipment:Accum Deprec-Office F&E	10.95	
Fixed Assets:Sewer System:Elk Rim WW Additions 2017-18	-42,464.94	-4,471.34
Fixed Assets:Sewer System:WWTP Upgrade 2019	-29,978.39	
Fixed Assets:Sewer System:Accum Deprec-Waste Water System	13,373.91	12,052.00
Fixed Assets:Water System:Shallow Well Upgrade 2018-2019	-19,897.13	
Fixed Assets:Water System:Deep Well System Upgrade 2018	-48,341.58	-7,420.15
Fixed Assets:Water System:Elk Rim Water Additions 2017-18	-101,507.36	-13,766.80
Fixed Assets:Water System:PRV System WIFA Upgrade 2017-18		-251,563.11
Fixed Assets:Water System:Accum Deprec-Water System	67,537.04	44,859.10
Other Asset-WIFA Req. Reserves:Replacement Reserve NBAZ Pond	-362.78	-362.36
Other Asset-WIFA Req. Reserves:Replacement Res NBAZ Deep Well	-4,265.92	-4,263.57
Other Asset-WIFA Req. Reserves:Replacement Res NBAZ Well Extra	-2,632.31	-2,631.77
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Pond	-105.25	
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Well	-1,489.34	
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Extra	-851.71	
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA PRV	-3,133.58	-779.19
Net cash provided by Investing Activities	<u>-174,765.28</u>	<u>-228,347.19</u>
FINANCING ACTIVITIES		
WIFA - Pond-Drainage Control:WIFA-Pond-Principal Reductions	-1,308.49	-1,271.79
WIFA - ADOT-Drainage Control:Less Crmnt Portion LT Debt ADOT		-36.12
WIFA - Deep Well/Generator:WIFA - DW Principal Reductions	-15,383.82	-14,925.05
WIFA - Deep Well/Generator:Less Crmnt Portion LT Debt DW		-427.76
WIFA Deep Well Extra:Deep Well Extra-Principal	-9,774.41	-9,518.75
WIFA Deep Well Extra:Less Crmnt Portion LT Dbt DW EX		-215.32
WIFA - PRV Upgrade:Less Crmnt Portion LT Debt		249,904.50
WIFA - PRV Upgrade:PRV Upgrade Principal Reduction	-10,577.60	-2,610.50
WIFA - PRV Upgrade:Less Crmnt Portion LT Debt		-11,625.00
Contribution by Elk Rim 2017-18	137,000.00	
Net cash provided by Financing Activities	<u>99,955.68</u>	<u>209,274.21</u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	<u>Jul '18 - Jun 19</u>	<u>Jul '17 - Jun 18</u>
Net cash increase for period	-38,843.09	43,374.75
Cash at beginning of period		
Cash at end of period	<u>165,775.08</u>	<u>122,400.33</u>
	<u><u>126,931.99</u></u>	<u><u>165,775.08</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position		
Cash		
Other Assets - Restricted Cash	126,931.99	165,775.08
Total cash and cash equivalents	<u>72,526.40</u>	<u>59,685.51</u>
	<u><u>199,458.39</u></u>	<u><u>225,460.59</u></u>
Supplemental data:		
Interest paid on WIFA debt	\$ 14,660.57	\$ 13,105.91

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Pine Creek Canyon Domestic Water Improvement District (PCCDWID), (the District) is a rural community water and wastewater district in Pine, Arizona, providing water for the Portal IV subdivision located in Pine, AZ. The District was established in 1996 under the authority of the Gila County Board of Supervisors. The District operates under the authority of Title 48 Chapter 6 of the Arizona Revised Statutes (A.R.S.).

B. Basis of Presentation and Accounting

The District maintains its accounting records on the accrual basis. Under this method, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recorded when the liability for them is initially incurred. The District has elected to apply Financial Accounting Standards Board Statements or Interpretations to best accommodate the intended end users of the financial statements.

C. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash in bank and cash and investments held by the County Treasurer. In addition, the District had cash held by a trustee for the debt service reserve. The related notes payable to the Water Infrastructure Finance Authority (WIFA) is described in Note 4.

D. Investment Income

Investment income is composed of interest. Investment income is included in Other Income.

E. Property Tax Calendar

Property tax levies are calculated by applying tax rates against either the primary assessed valuation or the secondary assessed valuation. Primary and secondary valuation categories are composed of the exact same properties. However, the primary category limits the increase in property values to 10 percent from the previous year, while there is no limit to the increase in property values for secondary valuation. Override and debt service tax rates are applied to the secondary assessed valuation and all other tax rates are applied to the primary assessed valuation.

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County 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. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

Pursuant to A.R.S., a lien against assessed real and personal 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.

F. Inventory

All inventories are valued at cost using the first-in-first out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the financial statements.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Prepaid items are recorded as expenses when consumed.

H. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$500 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at 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 the life of the asset are not capitalized.

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Equipment	5 years
Water System	5 – 30 years
Sewer System	10 – 30 years

I. Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of financial position.

J. 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.

K. Subsequent Events

Subsequent events have been evaluated through September 26, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – 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 was \$41,865 and the bank balance was \$41,382.

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

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DOMESTIC WATER IMPROVEMENT DISTRICT
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NOTE 2 – CASH AND INVESTMENTS

The County Treasurer’s pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the County Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments.

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

County Treasurer’s investment pool	<u>Average Maturities</u> 1.01 years	<u>Fair Value</u> \$ 114,971
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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.

Credit Risk. The District has no investment policy that would further limit its investment choices. As of year end, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk - Investments. The District’s investment in the County 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.

NOTE 3 – EQUIPMENT AND SYSTEMS

Equipment and systems consist of the following:

	<u>2019</u>
Computer	\$ 2,119
Sewer system	359,230
Water system	<u>1,709,447</u>
Accumulated depreciation	<u>(650,325)</u>
Total	<u>\$ 1,420,471</u>

Depreciation expense for the year amounted to \$80,922.

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NOTE 4 – OTHER ASSETS

The District is required to fund monthly a debt service reserve to the Water Infrastructure Finance Authority (WIFA) as follows:

WIFA ADOT	\$ 30
WIFA Well	355
WIFA Extra	219
WIFA PRV	260
Monthly Funding	<u>\$ 864</u>

The debt service reserve fund requirements were met or will be met respectively, February 1, 2015 (\$1,806); February 1, 2015 (\$21,286); September 1, 2015 (\$13,148) and March 1, 2023 (\$15,584). These funds will be used in the event the District is unable to make future required payments. The District's debt service reserve deposits held by WIFA totaled \$42,623 for the year ended June 30, 2019.

The District is required to build and maintain a repair and replacement fund as follows:

WIFA ADOT	\$ 361
WIFA Well	4,257
WIFA Extra	2,630
WIFA PRV	3,117
Annual Funding	<u>\$ 10,365</u>

The WIFA repair and replacement reserve funds will be funded throughout the life of the loan. These funds will be used to pay for any major repairs or replacements of infrastructure funded by the WIFA loans during the life of the loans.

Any unused amounts remaining in the replacement reserves at the end of each loan can be utilized for any purpose, with the loans maturing by September 2029, August 2029, March 2030, and September 2037. Repair and replacement funds being held by the District as Cash in Bank totaled \$29,904 for the fiscal year ended June 30, 2019.

**PINE CREEK CANYON
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PINE, ARIZONA
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NOTE 5 – DEBT OBLIGATIONS

The District's debt consists of the following:

	<u>2019</u>
Note payable WIFA Deep Well/Generator	\$ 625,000
Forgiveness of debt	(312,500)
Principal reduction	<u>(127,541)</u>
Total	<u>\$ 184,959</u>

The \$625,000 note is unsecured with final payment due August 1, 2029. The term of the note is 20 years at 3.053 percent. This loan is stimulus funding under the American Recovery & Reinvestment Act of 2009. Certain debt was forgiven at completion of project.

	<u>2019</u>
Note payable WIFA ADOT Drainage Control	\$ 90,000
Forgiveness of debt	(63,000)
Principal reduction	<u>(11,384)</u>
Total	<u>\$ 15,616</u>

The \$90,000 note is unsecured with final payment due August 1, 2029. The term of the note is 20 years at 2.849 percent. This loan is stimulus funding under the American Recovery & Reinvestment Act of 2009. Certain debt was forgiven at completion of project.

	<u>2019</u>
Note payable WIFA Deep Well Extra	\$ 200,000
Principal reduction	(78,144)
Total	<u>\$ 121,856</u>

The \$200,000 note is unsecured with final payment due March 1, 2030. The term of the note is 20 years at 2.653 percent.

	<u>2019</u>
Note payable WIFA PRV	\$249,905
Principal reduction	(13,188)
Total	<u>\$236,717</u>

The \$249,905 note is unsecured with final payment due September 1, 2037. The term of the note is 20 years at 2.064 percent.

**PINE CREEK CANYON
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NOTE 5 – DEBT OBLIGATIONS

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

Year ending June 30:	<u>Principal</u>	<u>Interest and Fees</u>
2020	\$ 38,228	\$ 13,565
2021	39,753	12,535
2022	40,825	11,477
2023	41,927	10,390
2024	43,060	9,273
2025-29	229,366	28,497
2030-34	79,382	8,506
2035-38	46,607	1,478
Total	<u>\$ 559,148</u>	<u>\$ 95,721</u>

NOTE 6 – SHORT TERM DEBT – LINE OF CREDIT

The District entered into an annual line of credit funding agreement with J.P. Morgan/Chase to be able to take advances of up to 45 percent against the 2018-19 property tax collections only if funds are needed for emergencies and only after board approval. At year end, the District had \$10 million in unused line of credit. The District did not utilize any of its line of credit during the year ended June 30, 2019.