



Pine Creek Canyon Domestic Water Improvement District
Pine, Arizona
Financial Statements and
Independent Accountant's Review Report
Year Ended June 30, 2024

**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 net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position, 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.

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.

We are required to be independent of Pine Creek Canyon Domestic Water Improvement District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 accordance 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 fiscal year 2022-23 financial statements, and our report dated September 7, 2023, 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 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 financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our conclusion on the financial statements is not affected by this missing information.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 8, 2024

Pine Creek Canyon Domestic Water Improvement District
Statement of Net Position
As of June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jun 30, 24	Jun 30, 23
ASSETS		
Current Assets		
Checking/Savings		
National Bank of AZ Deposit	\$ 25,920.24	\$ 22,609.03
Gila County Operating Acct 922	11,152.22	19,824.03
Gila Cty Cont/Reserve Acct 926	332,333.75	330,376.99
Total Checking/Savings	369,406.21	372,810.05
Accounts Receivable		
Accounts Receivable	10,306.27	10,230.22
Accts Receivabl-Special Service	4,453.88	
Total Accounts Receivable	14,760.15	10,230.22
Other Current Assets		
Sewer System Parts Inventory	3,039.00	
Water System Parts Inventory	8,403.41	7,869.73
Prepaid Insurance	6,886.56	6,679.20
Total Other Current Assets	18,328.97	14,548.93
Total Current Assets	402,495.33	397,589.20
Noncurrent Assets		
Capital Assets Not Being Depreciated		
Construction in Progress		
WWTP Controls Upgrade 2024	43,391.84	
Total Construction in Progress	43,391.84	0.00
Total Capital Assets Not Being Depreciated	43,391.84	0.00
Capital Assets Being Depreciated		
Office Furniture & Equipment		
Brothers Lazer Printer 2022	1,223.56	1,223.56
Dell Computer all in one 2019		656.89
HP Computer-admin 2022	1,556.79	1,556.79
Lenovo Computer&Screen-2024	1,450.11	
Accum Deprec-Office F&E	-1,284.17	-1,170.06
Total Office Furniture & Equipment	2,946.29	2,267.18
Sewer System		
Blower/Piping Improved 2015-16	7,445.28	7,445.28
Blower/piping/odor 2016-17	9,452.58	9,452.58
Blower Upgrade 2023	5,426.88	
Check Valve Added Blowers 20-21	950.64	950.64
Contributed Sewer System 1996	110,000.00	110,000.00
Elk Rim WW Additions 2018	48,276.28	48,276.28
Grinder Pump Update 2023	11,626.34	10,743.32
Wastewater Storage Bldg 22-23	6,457.85	6,457.85
WWTP-Additions pre 2009	60,693.97	60,693.97
WWTP Flow Meter 2021-2022	3,823.13	3,823.13
WWTP Upgrade 2019	29,978.39	29,978.39
WIFA Pond Drainage Control 2009	93,383.81	93,383.81
Accum Deprec-Waste Water System	-242,300.84	-223,296.04
Total Sewer System	145,214.31	157,909.21

Pine Creek Canyon Domestic Water Improvement District
Statement of Net Position
As of June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jun 30, 24	Jun 30, 23
Water System		
Additions- Pump Station 2012	2,450.42	2,450.42
Contributed Water Plant 1996	220,000.00	220,000.00
Deep Well System Upgrade 2018	55,761.73	55,761.73
Elk Rim Water Additions 2018	116,412.66	116,412.66
PRV System Upgrade 2016-2017	40,752.31	40,752.31
PRV System WIFA Upgrade 2018	251,563.11	251,563.11
Pump Replace Tract H 2019-20	2,711.55	2,711.55
Pump Station New PLC 20-21	7,710.98	7,710.98
Pump Station Control Upgrade 2022	55,404.12	55,404.12
Shallow Well New Meter 21-22	2,256.86	2,256.86
Shallow Well Upgrade 2018-2019	19,897.13	19,897.13
Tank Recoating Project 2012	86,146.89	86,146.89
Tank Recoating Exterior 2016	12,000.00	12,000.00
Water Meter Upgrade 2021-22	56,194.39	56,194.39
Water System Addition 1996-2009	31,417.96	31,417.96
Well Aquifer Test/Monitor 2015	6,512.00	6,512.00
Well Monitoring Transducer 2011	6,428.33	6,428.33
WIFA - Deep Well/Generator 2010	860,104.60	860,104.60
Accum Deprec-Water System	-874,390.00	-792,055.96
Total Water System	959,335.04	1,041,669.08
Right-To-Use Leased Assets		
Office Lease	65,166.00	65,166.00
Accum Amort-Office Lease	-7,059.00	-543.00
Total Right-to-Use Leased Assets	58,107.00	64,623.00
Total Capital Assets Being Depreciated	1,165,602.64	1,266,468.47
Total Capital Assets	1,208,994.48	1,266,468.47
Other Assets		
Other Asset-Restricted Cash		
Replacement Reserve NBAZ PRV	3,893.45	777.83
Replacement Reserve NBAZ Pond	3,376.23	3,015.12
Replacement Res NBAZ Deep Well	39,756.90	35,501.03
Replacement Res NBAZ Well Extra	23,015.92	20,387.18
Debt Service Reserve WIFA Pond	2,116.96	2,030.91
Debt Service Reserve WIFA Well	24,983.20	24,028.16
Debt Service Reserve WIFA Extra	15,341.94	14,755.47
Debt Service Reserve WIFA PRV	16,640.65	16,006.80
Debt Serv Res WIFA mtr/pump sta	417.65	175.96
Total Other Assets-Restricted Cash	129,542.90	116,678.46
Total Other Assets	129,542.90	116,678.46
Total Noncurrent Assets	1,338,537.38	1,383,146.93
TOTAL ASSETS	\$ 1,741,032.71	\$ 1,780,736.13

Pine Creek Canyon Domestic Water Improvement District
Statement of Net Position
As of June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jun 30, 24	Jun 30, 23
LIABILITIES & NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	19,742.04	12,310.98
Total Accounts Payable	19,742.04	12,310.98
Other Current Liabilities		
Sales Tax Payable	529.86	580.02
Customer Deposit (refundable)	200.00	200.00
Current Liabilities		
Office Lease-Current Portion LT	4,959.00	4,718.00
WIFA Pond- Drainage Control	1,558.32	1,501.08
WIFA Deep Well/Generator	17,940.68	17,539.68
WIFA Deep Well - Extra	11,464.90	11,154.99
WIFA PRV Upgrade	11,994.00	11,781.52
WIFA Meter/Pump Sta Upgrade	946.32	929.91
Total Current Liabilities	48,863.22	47,625.18
Total Other Current Liabilities	49,593.08	48,405.20
Total Current Liabilities	69,335.12	60,716.18
Long Term Liabilities		
Office Lease		
Office Lease	65,166.00	65,166.00
Office Lease Principal Reductns	-5,371.00	-653.00
Less Curr Portn LT Office Lease	-4,959.00	-4,718.00
Total Office Lease	54,836.00	59,795.00
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	-18,515.76	-17,007.20
Less Crrnt Portion LT Debt Pond	-1,558.32	-1,501.08
Total WIFA - Pond-Drainage Control	6,925.92	8,491.72
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	-211,906.24	-193,988.83
Less Crrnt Portion LT Debt DW	-17,940.68	-17,539.68
Total WIFA - Deep Well/Generator	82,653.08	100,971.49
WIFA Deep Well Extra		
Deep Well Extra	200,000.00	200,000.00
Deep Well Extra-Principal	-131,096.84	-119,937.55
Less Crrnt Portion LT Dbt DW EX	-11,464.90	-11,154.99
Total WIFA Deep Well Extra	57,438.26	68,907.46
WIFA - PRV Upgrade		
WIFA PRV Valve Upgrade 2018	249,904.50	249,904.50
PRV Upgrade Principal Reduction	-69,475.46	-57,748.97
Less Crrnt Portion LT Debt	-11,994.00	-11,781.52
Total WIFA - PRV Upgrade	168,435.04	180,374.01

Pine Creek Canyon Domestic Water Improvement District
Statement of Net Position
As of June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jun 30, 24	Jun 30, 23
WIFA-Meter/Pump Sta Upgrade		
Meter & Pump Station Upgrade 22	100,000.00	100,000.00
WIFA-Loan Forgiveness of Debt	-85,000.00	-85,000.00
Meter/Pump Statn Prin Reduction	-1,616.45	-686.91
Less Crrnt Portion LT Debt Metr	-946.32	-929.91
Total WIFA-Meter/Pump Sta Upgrade	12,437.23	13,383.18
Total Long Term Liabilities	382,725.53	431,922.86
Total Liabilities	452,060.65	492,639.04
NET POSITION		
Net Investment in Capital Assets	777,405.73	786,920.43
Restricted - Replacement and Repair Reserve	70,042.50	59,681.16
Restricted - Debt Service Reserve	59,500.40	56,997.30
Unrestricted	382,023.43	384,498.20
Total NET POSITION	1,288,972.06	1,288,097.09
TOTAL LIABILITIES & NET POSITION	\$ 1,741,032.71	\$ 1,780,736.13

Pine Creek Canyon Domestic Water Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	<u>Jul '23 - Jun 24</u>	<u>Jul '22 - Jun 23</u>
Operating Revenues		
Miscellaneous Fees		
Late Fees	\$ 2,565.40	\$ 2,668.87
Recovery-Special Svc Fees	4,453.88	
Reimbursement	75.00	
Miscellaneous Income	25.00	1,001.15
Total Miscellaneous Fees	<u>7,119.28</u>	<u>3,670.02</u>
Wastewater Fees		
Account Establishment-WasteW	1,950.00	1,350.00
Base Wastewater Services	88,650.00	82,800.00
Sewer Installations	9,400.00	4,700.00
Total Wastewater Fees	<u>100,000.00</u>	<u>88,850.00</u>
Water Fees		
Account Establishment Fee-Water	1,950.00	1,350.00
Base and Excess Gallon Fees	106,300.87	102,132.42
Meter Installation	7,600.00	3,800.00
Total Water Fees	<u>115,850.87</u>	<u>107,282.42</u>
Total Operating Revenues	222,970.15	199,802.44
Operating Expense		
Administration		
Administrative Assistant	19,282.00	18,238.60
Advertising / Recruiting	340.05	322.20
Amortization-Office Lease	6,516.00	543.00
Bank Charges	284.64	404.75
Building Maintenance-Admin		329.42
Computers Maintenance/ Software	942.66	2,455.95
Depreciation-Admin	763.11	682.31
District Manager- Excess Hours	23,523.50	45,072.30
District Manager - Retainer	20,280.00	20,280.00
Dues and Subscriptions	210.00	295.61
Electricity - Adm.	748.22	756.43
Housekeeping-Admin.	330.00	280.00
Insurance General	4,886.32	4,963.72
Licenses/Permits/Lien Filings		78.00
Miscellaneous-Office		791.15
Office Rent		3,517.75
Postage	1,274.00	1,168.25
Propane - Admin.	584.42	586.53
Small Equipment / Furniture	363.40	
Supplies / Printing - Adm.	1,414.60	2,726.80
Telephone/Ans. Serv./ Internet	4,215.06	4,518.98
Travel and Meals - Adm.	362.09	346.20
Website	499.00	457.00
Administrative Contingency	15,665.00	5,275.50
Total Administration	<u>102,484.07</u>	<u>114,090.45</u>

Pine Creek Canyon Domestic Water Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jul '23 - Jun 24	Jul '22 - Jun 23
Board of Directors		
Accountant Fees	7,000.00	7,000.00
Ins. Public Officials Liability	4,252.32	3,983.55
Miscellaneous-B of Directors	200.00	
Total Board of Directors	11,452.32	10,983.55
Wastewater Operations		
Blue Stake Services WasteW	110.37	40.00
Building Maintenance-WWTP		156.28
Chemical/ Supplies WasteW	6,869.40	9,489.99
Contract Services-Non-Oper WW	10,989.07	6,495.86
Depreciation WasteW System	19,005.80	17,382.05
Electricity Wastewater	5,959.57	6,191.50
Landscape Maint./Road Rep. WW	93.84	1,083.04
Operator-Monthly Retainer WW	29,937.60	29,937.80
Operator Labor-Grinder Pump lsp	120.00	300.00
Operator Labor - Repairs WW	2,665.00	1,200.00
Operator Labor-Sewer Install	585.00	
Parts For Infrastructure WasteW	2,946.76	3,212.81
Small Tools WWTP	7.89	
Testing Lab/Regulatory Fees WW	3,218.24	5,171.85
Total Wastewater Operations	82,508.54	80,661.18
Water Operations		
Blue Stake Service Water	170.37	140.00
Chemicals/Supplies Water	90.12	231.57
Consulting-Hydro/Engineering	6,300.00	6,000.00
Contract Services- Non-Oper H2O	8,677.78	7,338.14
Depreciation - Water System	82,334.04	81,584.95
Diesel Fuel	397.64	543.42
Electricity Water	8,128.80	7,379.15
Landscape Maint./Road Rep. H2O	123.75	130.00
Miscellaneous	60.00	
Operator-Monthly Retainer H2O	3,326.40	3,326.20
Operator Labor-Meter Install	1,360.00	540.00
Operator Labor-Repairs Water	8,639.29	5,757.48
Parts For Infrastructure Water	5,832.60	6,734.84
Propane - Water	882.60	392.76
Small Tools H2O	415.71	
Testing Lab/Regulatory Fees H2O	2,715.33	2,050.00
Total Water Operations	129,454.43	122,148.51
Total Operating Expense	325,899.36	327,883.69
Operating Income (Loss)	-102,929.21	-128,081.25
Nonoperating revenues		
Accounting Credit	60.28	48.19
Interest	10,174.93	4,873.23
Property Tax Levy	106,680.97	104,980.65
WIFA New Meter/Pump Sta Grant		12,851.37
Total Nonoperating Revenues	116,916.18	122,753.44

**Pine Creek Canyon Domestic Water Improvement District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)**

	<u>Jul '23 - Jun 24</u>	<u>Jul '22 - Jun 23</u>
Nonoperating Expense		
Interest/Fees for WIFA Projects	9,721.11	10,761.11
Interest-Capitalized Lease	3,361.00	
Loss on Disposal of Fixed Asset	29.89	
Total Nonoperating Expense	<u>13,112.00</u>	<u>10,761.11</u>
Changes in Net Position	<u>874.97</u>	<u>-16,088.92</u>
Total Net Position, Beginning of Year	<u>1,288,097.09</u>	<u>1,304,186.01</u>
Total Net Position, End of Year	<u>1,288,972.06</u>	<u>1,288,097.09</u>

Pine Creek Canyon Domestic Water Improvement District
Statement of Cash Flows
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Jul '23 - Jun 24	Jul '22 - Jun 23
Cash flows from Operating Activities:		
Receipts from customers and users	\$ 211,320.94	\$ 196,155.26
Miscellaneous receipts	7,119.28	3,670.02
Payments to vendors and contractors	-214,329.55	-246,159.96
Net cash provided by Operating Activities	4,110.67	-46,334.68
Cash flows from Noncapital Financing Activities:		
Property tax receipts	106,680.97	104,980.65
Net cash provided by Noncapital Finance Activities	106,680.97	104,980.65
Cash flows from Investing Activities:		
Purchases of capital assets	-51,151.85	-44,693.13
Acquisition of right-to-use assets		-65,166.00
Disposal of capital assets	656.89	
Loss on disposal of capital assets	-29.89	
Interest paid on obligations	-13,082.11	-10,761.11
Principal paid on lease	-4,718.00	-653.00
Principal paid on loans	-43,241.29	-41,887.05
Net cash used by Investing Activities	-111,566.25	-163,160.29
Cash flows from Financing Activities:		
Interest income	10,235.21	4,921.42
Proceeds from lease		65,166.00
Proceeds from WIFA loan		42,376.70
Net cash provided by Financing Activities	10,235.21	112,464.12
Net cash increase for period	9,460.60	7,949.80
Cash and cash equivalents at beginning of period	489,488.51	481,538.71
Cash and cash equivalents at end of period	\$ 498,949.11	\$ 489,488.51
 Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (102,929.21)	\$ (128,081.25)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Amortization expense	6,516.00	543.00
Depreciation expense	101,452.95	99,649.31
(Increase) decrease		
Accounts receivable	-4,529.93	-177.16
Inventory	-3,572.68	4,489.43
Prepaid insurance	-207.36	24.31
Increase (decrease)		
Accounts payable	7,431.06	-23,504.55
Sales tax payable	-50.16	522.23
Customer Deposit (refundable)		200.00
Net cash provided by operating activities	\$ 4,110.67	\$ (46,334.68)
 Cash and cash equivalents reconciliation		
Cash	\$ 369,406.21	\$ 372,810.05
Other Assets - Restricted Cash	129,542.90	116,678.46
Total cash and cash equivalents	\$ 498,949.11	\$ 489,488.51

**Pine Creek Canyon
Domestic Water Improvement District
Pine, Arizona
Notes to Financial Statements
June 30, 2024**

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Pine Creek Canyon Domestic Water Improvement District (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

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.).

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. The District's financial statements are comprised of a single enterprise fund. There are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity.

B. Principles of Reporting

The District accounts for its operations using the Governmental Enterprise Fund Concept. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and wastewater services to the users are financed through use charges.

**Pine Creek Canyon
Domestic Water Improvement District
Pine, Arizona
Notes to Financial Statements
June 30, 2024**

Note 1 – Summary of Significant Accounting Policies

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

Basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the District are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized 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.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are water and wastewater fees, installation and establishment fees, and miscellaneous fees. Operating expenses for the District include administration expenses, Board of Director expenses, depreciation on capital assets, expenses related to wastewater operations, and expenses related to water operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

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.

A.R.S. allows the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes. All investments are stated at fair value.

E. Investment Income

Investment income is composed of interest. Investment income is included in nonoperating revenues.

**Pine Creek Canyon
Domestic Water Improvement District
Pine, Arizona
Notes to Financial Statements
June 30, 2024**

Note 1 – Summary of Significant Accounting Policies

F. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The county levies real and personal property taxes on or before the third Monday in August that 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 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.

G. 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.

H. 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.

I. 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, 2024**

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

J. Long-term Obligations

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

K. 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.

L. Net Position Flow Assumption

In the financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available. This is true except for restricted amounts required by WIFA for replacement/repair reserves and debt service reserves. The District maintains these restricted funds as contingency funds.

Note 2 – Cash and Investments

A.R.S. authorized the District to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts, and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the District's investments.

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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 \$95,963 and the bank balance was \$95,051. Additionally, cash held in trust with the Water Infrastructure Finance Authority of Arizona at year end was \$59,500.

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 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.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	0.43 years	\$ 343,486

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.

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Note 3 – Capital Assets

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 43,392	\$	\$ 43,392
Total capital assets, not being depreciated		43,392		43,392
Capital assets, being depreciated:				
Office furniture and equipment	3,437	1,450	657	4,230
Sewer system	381,205	6,310		387,515
Water system	1,833,726			1,833,726
Total capital assets being depreciated	2,218,368	7,760	657	2,225,471
Less accumulated depreciation for:				
Office furniture and equipment	(1,169)	(763)	(649)	(1,283)
Sewer system	(223,296)	(19,005)		(242,301)
Water system	(792,057)	(82,334)		(874,391)
Total accumulated depreciation	(1,016,522)	(102,102)	(649)	(1,117,975)
Total capital assets, being depreciated, net	1,201,846	(94,342)	8	1,107,496
Intangible right-to-use assets:				
Leased buildings and improvements	65,166			65,166
Less accumulated amortization	(543)	(6,516)		(7,059)
Total intangible right-to-use assets, net	64,623	(6,516)		58,107
Governmental activities capital assets, net	<u>\$ 1,266,469</u>	<u>\$ (57,466)</u>	<u>\$ 8</u>	<u>\$ 1,208,995</u>

Construction Commitments – At year end, the District had contractual commitments related to various capital projects for the construction of the waste water controls upgrade. At year end the District had spent \$43,392 on the projects and had estimated remaining contractual commitments of \$126,500. These projects are being funded with WIFA loan proceeds

Note 4 – Restricted Cash

The District is required to fund a debt service reserve to the Water Infrastructure Finance Authority (WIFA) for the Meter/Pump Sta Upgrade. The monthly payment is \$20.

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Note 4 – Restricted Cash

The debt service reserve fund requirements were met or will be met respectively, for the following projects:

WIFA Pond	February 1, 2015	\$ 1,806
WIFA Well	February 1, 2015	21,286
WIFA Extra	September 1, 2015	13,148
WIFA PRV	March 1, 2023	15,584
Meter/Pump Sta Upgrade	September 1, 2027	1,171

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 \$59,500 for the year ended June 30, 2024.

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

WIFA Pond	\$ 361
WIFA Well	4,257
WIFA Extra	2,630
WIFA PRV	3,117
Meter/Pump Sta Upgrade beginning October 1, 2027	234
Annual Funding	\$ 10,599

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, September 2037, and March 2037. Repair and replacement funds being held by the District as Cash in Bank totaled \$70,043 for the fiscal year ended June 30, 2024.

Note 5 – Revolving Line of Credit

The District has a revolving line of credit to provide cash flow during the year to mitigate the impact of timing differences of expenditures and the receipt of property tax revenues. At year end, the District had \$85,000 in unused line of credit.

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Note 6 – Debt Obligations

The District's debt consists of the following:

	2024
Note payable WIFA Deep Well/Generator	\$ 625,000
Forgiveness of debt	(312,500)
Principal reduction	(211,906)
Total	\$ 100,594

The \$625,000 note is secured 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.

	2024
Note payable WIFA Pond Drainage Control	\$ 90,000
Forgiveness of debt	(63,000)
Principal reduction	(18,516)
Total	\$ 8,484

The \$90,000 note is secured 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.

	2024
Note payable WIFA Deep Well Extra	\$ 200,000
Principal reduction	(131,097)
Total	\$ 68,903

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

	2024
Note payable WIFA PRV	\$ 249,905
Principal reduction	(69,475)
Total	\$ 180,430

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Note 6 – Debt Obligations

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

	2024
Note payable WIFA-Meter/Pump Sta Upgrade	\$ 100,000
Forgiveness of debt	(85,000)
Principal reduction	(1,616)
Total	\$ 13,384

The \$100,000 note is secured with final payment due March 1, 2037. The term of the note is 15 years at 1.740 percent.

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

		Principal	Interest and Fees
Year ending June 30:	2025	\$ 45,108	\$ 8,411
	2026	46,319	7,216
	2027	47,564	5,987
	2028	51,740	4,725
	2029	45,951	3,436
	2030-34	84,352	9,374
	2035-38	50,759	1,801
Total		\$ 371,793	\$ 40,950

Note 7 – Leases Payable

The District has acquired office space under the provisions of a contract classified as a lease. The related obligation under the lease agreement has been recorded at the present value of its future minimum lease payments as of the inception date. Revenues from the District are used to pay the lease obligation. Amortization of right-to-use assets recorded under leases is included with amortization expense. After five years, the District has the first right of refusal to extend the lease at the then prevailing rate for an additional five years.

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Note 7 – Leases Payable

The net present value and future minimum lease payments at year end were as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2025	\$ 4,959	\$ 2,877
2026	5,522	2,620
2027	6,121	2,327
2028	6,435	2,013
2029	6,764	1,684
2030-33	29,994	3,095
Total	<u>\$ 59,795</u>	<u>\$ 14,616</u>

The right-to-use assets recorded under leases that meet the District's capitalization threshold are as follows:

	Governmental Activities
Asset:	
Leased buildings	\$ 65,166
Less: Accumulated amortization	7,059
Total	<u>\$ 58,107</u>

Note 8 – Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 415,035	\$	\$ 43,241	\$ 371,794	\$ 45,108
Leases payable	64,513	_____	4,718	59,795	4,959
Governmental activity long-term liabilities	<u>\$ 479,548</u>	<u>\$</u>	<u>\$ 47,959</u>	<u>\$ 431,589</u>	<u>\$ 50,067</u>

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Note 9 – Contributions

The District's net position includes contributions by Elk Rim 2018 and contributions by Portal IV 1996 in the amounts of \$137,000 and \$421,139, respectively. These represent developer contributions of water and sewer assets that are reflected in the depreciable assets of the District. They do not represent restricted amounts.

Note 10 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; and natural disasters. The District carries commercial insurance for all risks of loss, including property and liability. The District has not had any claims resulting from these risks in any of the past three years.

Note 11 – Subsequent Event

The District entered into a loan agreement with WIFA to finance the controls upgrade at the wastewater treatment plant. The original loan amount is \$123,000 with \$91,500 subject to forgiveness. The loan is to be repaid over 20 years with a combined interest and fee rate of 2.872%. The District submitted for its first disbursement from the loan on August 15, 2024 and received funds in the amount of \$42,656 on September 19, 2024.