



**Pine Creek Canyon Domestic Water Improvement District
Pine, Arizona
Financial Statements and
Independent Accountant's Review Report
Year Ended June 30, 2021**

**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, 2021, 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.

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 2020 financial statements, and our report dated October 12, 2020 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.

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 18, 2021

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

ASSETS	Jun 30, 21	Jun 30, 20
Current Assets		
Checking/Savings		
National Bank of AZ Deposit	\$ 33,540.59	\$ 11,051.95
Gila County Operating Acct 922	24,612.10	17,659.67
Gila Cty Cont/Reserve Acct 926	285,046.62	202,709.18
Total Checking/Savings	343,199.31	231,420.80
Accounts Receivable		
Accounts Receivable	6,937.69	7,738.98
Total Accounts Receivable	6,937.69	7,738.98
Other Current Assets		
Water System Parts Inventory	5,657.63	8,600.06
Prepaid Insurance	6,667.59	5,532.14
Total Other Current Assets	12,325.22	14,132.20
Total Current Assets	362,462.22	253,291.98
Noncurrent Assets		
Capital Assets Not Being Depreciated		
Construction in Progress		
WWTP Flow Meter 6/30/21	3,443.13	
Total Construction in Progress	3,443.13	0.00
Total Capital Assets Not Being Depreciated	3,443.13	0.00
Capital Assets Being Depreciated		
Office Furniture & Equipment		
Dell Computer 2009	1,461.54	1,461.54
Dell Computer all in one 2019	656.89	656.89
Accum Deprec-Office F&E	-1,735.29	-1,603.89
Total Office Furniture & Equipment	383.14	514.54
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	48,276.28	48,276.28
WWTP-Additions pre 2009	60,693.97	60,693.97
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	-189,136.00	-172,478.07
Total Sewer System	170,094.31	186,752.24
Water System		
Additions- Pump Station 2012	2,450.42	2,450.42
Shallow Well Upgrade 2018-2019	19,897.13	19,897.13
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

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	Jun 30, 21	Jun 30, 20
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	
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
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	-638,225.54	-566,021.54
Total Water System	1,081,644.13	1,146,137.15
Total Capital Assets Being Depreciated	1,252,121.58	1,333,403.93
Total Capital Assets	1,255,564.71	1,333,403.93
Other Assets		
Other Asset-Restricted Cash		
Replacement Reserve NBAZ Pond	2,293.03	1,930.46
Replacement Res NBAZ Deep Well	26,991.88	22,727.29
Replacement Res NBAZ Well Extra	15,130.05	12,498.02
Debt Service Reserve WIFA Pond	1,995.70	1,977.70
Debt Service Reserve WIFA Well	23,623.05	23,367.62
Debt Service Reserve WIFA Extra	14,506.69	14,349.83
Debt Service Reserve WIFA PRV	10,324.07	7,132.97
Total Other Assets-Restricted Cash	94,864.47	83,983.89
Total Other Assets	94,864.47	83,983.89
Total Noncurrent Assets	1,350,429.18	1,417,387.82
TOTAL ASSETS	\$ 1,712,891.40	\$ 1,670,679.80
LIABILITIES & NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable		
Accounts Payable	12,853.86	11,788.66
Total Accounts Payable	12,853.86	11,788.66
Other Current Liabilities		
Sales Tax Payable	94.25	118.78
Current Liabilities	13,000.00	12,000.00
WIFA Pond- Drainage Control	1,385.14	1,378.00
WIFA Deep Well/Generator	16,351.15	16,502.00
WIFA Deep Well - Extra	10,306.43	10,302.00
WIFA PRV Upgrade	11,023.01	11,074.00
Total Current Liabilities	39,065.73	39,256.00
Total Other Current Liabilities	39,159.98	39,374.78
Total Current Liabilities	52,013.84	51,163.44

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>Jun 30, 21</u>	<u>Jun 30, 20</u>
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	-14,115.85	-12,730.71
Less Crrnt Portion LT Debt Pond	-1,385.14	-1,378.00
Total WIFA - Pond-Drainage Control	<u>11,499.01</u>	<u>12,891.29</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	-159,752.12	-143,400.97
Less Crrnt Portion LT Debt DW	-16,351.15	-16,502.00
Total WIFA - Deep Well/Generator	<u>136,396.73</u>	<u>152,597.03</u>
WIFA Deep Well Extra		
Deep Well Extra	200,000.00	200,000.00
Deep Well Extra-Principal	-98,486.90	-88,180.47
Less Crrnt Portion LT Dbt DW EX	-10,306.43	-10,302.00
Total WIFA Deep Well Extra	<u>91,206.67</u>	<u>101,517.53</u>
WIFA - PRV Upgrade		
WIFA PRV Valve Upgrade 2018	249,904.50	249,904.50
PRV Upgrade Principal Reduction	-35,009.13	-23,986.12
Less Crrmt Portion LT Debt	-11,023.01	-11,074.00
Total WIFA - PRV Upgrade	<u>203,872.36</u>	<u>214,844.38</u>
Total Long Term Liabilities	<u>442,974.77</u>	<u>481,850.23</u>
Total Liabilities	<u>494,988.61</u>	<u>533,013.67</u>
NET POSITION		
Net Investment in Capital Assets	773,524.21	812,297.70
Restricted - Replacement and Repair Reserve	44,414.96	37,155.77
Restricted - Debt Service Reserve	50,449.51	46,828.12
Unrestricted	349,514.11	241,384.54
Total NET POSITION	<u>1,217,902.79</u>	<u>1,137,666.13</u>
TOTAL LIABILITIES & NET POSITION	<u><u>\$ 1,712,891.40</u></u>	<u><u>\$ 1,670,679.80</u></u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>Jul '20 - Jun 21</u>	<u>Jul '19 - Jun 20</u>
Operating Revenues		
Miscellaneous Fees		
Late Fees	\$ 1,653.04	\$ 1,091.42
Refunds		-1,330.41
Miscellaneous Income	186.05	43.45
NSF Checks	64.00	
Total Miscellaneous Fees	<u>1,903.09</u>	<u>-195.54</u>
Wastewater Fees		
Account Establishment-WasteW	2,700.00	2,550.00
Base Wastewater Services	75,137.50	69,612.26
Sewer Installations	51,700.00	47,000.00
Total Wastewater Fees	<u>129,537.50</u>	<u>119,162.26</u>
Water Fees		
Account Establishment Fee-Water	2,700.00	2,550.00
Base and Excess Gallon Fees	88,280.91	78,073.20
Meter Installation	38,000.00	38,000.00
Total Water Fees	<u>128,980.91</u>	<u>118,623.20</u>
Total Operating Revenues	<u>260,421.50</u>	<u>237,589.92</u>
Operating Expense		
Administration		
Administrative Assistant	15,811.40	16,790.12
Advertising / Recruiting	301.24	
Bank Charges		184.21
Computers / Software	1,819.53	1,291.74
Depreciation	131.40	131.40
District Manager-Hrs. Exc. Ret.	30,569.00	17,666.00
District Manager - Retainer	17,160.00	17,160.00
Dues and Subscriptions	424.71	404.55
Electricity - Adm.	576.37	810.22
Housekeeping-Admin.	180.00	235.00
Insurance General	4,345.81	4,211.90
Miscellaneous	4.69	65.36
Office Rent	3,618.00	3,618.00
Postage	935.00	906.34
Propane - Admin.	723.70	597.99
Small Equipment / Furniture	132.88	
Supplies / Printing - Adm.	683.99	1,874.03
Telephone/Ans. Serv./ Internet	4,165.02	4,042.60
Travel and Meals - Adm.	494.51	50.00
Website	728.69	1,256.45
Total Administration	<u>82,805.94</u>	<u>71,295.91</u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>Jul '20 - Jun 21</u>	<u>Jul '19 - Jun 20</u>
Board of Directors		
Accountant Fees	4,450.00	4,300.00
Elections		749.72
Ins. Public Officials Liability	2,969.74	4,784.68
Total Board of Directors	<u>7,419.74</u>	<u>9,834.40</u>
Wastewater Operations		
Blue Stake Services WasteW	160.00	100.00
Chemical/ Supplies WasteW	8,166.16	6,207.36
Contract Services-Non-Oper WW	3,375.00	2,460.00
Depreciation WasteW System	16,657.93	16,655.16
Electricity Wastewater	4,939.31	6,566.62
Landscape Maint./Road Rep. WW	22.50	
Operator-Monthly Retainer WW	29,937.60	29,937.60
Operator Labor-Grinder Pump lsp	40.00	200.00
Operator Labor - Repairs WW	2,325.00	1,761.26
Parts For Infrastructure WasteW	1,303.83	4,168.31
Testing Lab/Regulatory Fees WW	4,093.26	3,361.00
Total Wastewater Operations	<u>71,020.59</u>	<u>71,417.31</u>
Water Operations		
Blue Stake Service Water	320.00	240.00
Building Maintenance Water	85.00	
Chemicals/Supplies Water	117.62	
Consulting-Hydro/Engineering	5,795.00	5,700.00
Contract Services- Non-Oper H2O	4,927.00	6,076.76
Depreciation - Water System	72,204.00	72,992.00
Diesel Fuel	247.50	
Electricity Water	7,102.39	6,204.75
Landscape Maint./Road Rep. H2O	120.00	322.50
Operator-Monthly Retainer H2O	3,326.40	3,326.40
Operator Labor-Meter Install	120.00	200.00
Operator Labor-Repairs Water	4,040.00	3,240.00
Parts For Infrastructure Water	4,855.17	4,954.67
Propane - Water	433.76	127.92
Testing Lab/Regulatory Fees H2O	1,147.00	1,611.87
Total Water Operations	<u>104,840.84</u>	<u>104,996.87</u>
Total Operating Expense	<u>266,087.11</u>	<u>257,544.49</u>
Operating Income (Loss)	-5,665.61	-19,954.57
Nonoperating revenues		
Property Tax Levy	95,213.98	90,882.72
Interest	3,413.80	3,696.54
Total Nonoperating Revenues	<u>98,627.78</u>	<u>94,579.26</u>
Nonoperating Expense		
Interest/Fees for WIFA Projects	12,725.51	13,749.93

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)**

	<u>Jul '20 - Jun 21</u>	<u>Jul '19 - Jun 20</u>
Total Nonoperating Expense	12,725.51	13,749.93
Changes in Net Position	80,236.66	60,874.76
Total Net Position, Beginning of Year	1,137,666.13	1,076,791.37
Total Net Position, End of Year	<u>\$ 1,217,902.79</u>	<u>\$ 1,137,666.13</u>

PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>Jul '20 - Jun 21</u>	<u>Jul '19 - Jun 20</u>
Cash flows from Operating Activities:		
Receipts from customers and users	\$ 259,319.70	\$ 238,935.06
Miscellaneous receipts	1,903.09	-195.54
Payments to vendors and contractors	-174,246.13	-162,869.67
Net cash provided by Operating Activities	<u>86,976.66</u>	<u>75,869.85</u>
Cash flows from Noncapital Financing Activities:		
Property tax receipts	95,213.98	90,882.72
Net cash provided by Noncapital Finance Activities	<u>95,213.98</u>	<u>90,882.72</u>
Cash flows from Investing Activities:		
Purchases of capital assets	-11,154.11	-2,711.55
Interest paid on obligations	-12,725.51	-13,749.93
Principal paid on loans	-39,065.73	-38,040.93
Net cash used by Investing Activities	<u>-62,945.35</u>	<u>-54,502.41</u>
Cash flows from Financing Activities:		
Interest income	3,413.80	3,696.54
Net cash provided by Financing Activities	<u>3,413.80</u>	<u>3,696.54</u>
Net cash increase for period	<u>122,659.09</u>	<u>115,946.70</u>
Cash and cash equivalents at beginning of period	315,404.69	199,457.99
Cash and cash equivalents at end of period	<u>\$ 438,063.78</u>	<u>\$ 315,404.69</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (5,665.61)	\$ (19,954.57)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	88,993.33	89,778.56
(Increase) decrease		
Accounts receivable	801.29	1,149.60
Inventory	2,942.43	-982.90
Prepaid insurance	-1,135.45	845.58
Increase (decrease)		
Accounts payable	1,065.20	4,970.21
Sales tax payable	-24.53	63.37
Net cash provided by operating activities	<u>\$ 86,976.66</u>	<u>\$ 75,869.85</u>
Cash and cash equivalents reconciliation		
Cash	\$ 343,199.31	\$ 231,420.80
Other Assets - Restricted Cash	94,864.47	83,983.89
Total cash and cash equivalents	<u>\$ 438,063.78</u>	<u>\$ 315,404.69</u>

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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.

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.

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

F. 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. 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.

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

**PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 \$77,956 and the bank balance was \$77,956. Additionally, cash held in trust with the Water Infrastructure Finance Authority of Arizona at year end was \$50,450.

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.

PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND INVESTMENTS

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

	Average Maturities	Fair Value
County Treasurer's investment pool	3.0 years	\$ 309,659

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 – CAPITAL ASSETS

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets				
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 3,443	\$	\$ 3,443
Total capital assets, not being depreciated		3,443		3,443
Capital assets, being depreciated:				
Office furniture and equipment	2,118			2,118
Sewer system	359,230			359,230
Water system	1,712,159	7,711		1,719,870
Total capital assets being depreciated	2,073,507	7,711		2,081,218
Less accumulated depreciation for:				
Office furniture and equipment	(1,604)	(131)		(1,735)
Sewer system	(172,478)	(16,658)		(189,136)
Water system	(566,022)	(72,203)		(638,225)
Total accumulated depreciation	(740,104)	(88,992)		(829,096)
Total capital assets, being depreciated, net	1,333,403	(242,618)		1,252,122
Capital assets, net	\$ 1,333,403	\$ (242,618)	\$	\$ 1,255,565

PINE CREEK CANYON
 DOMESTIC WATER IMPROVEMENT DISTRICT
 PINE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 3 – CAPITAL ASSETS

Construction Commitments – At year end, the District had contractual commitments related to various capital projects for the construction of the WWTP Flow Meter. At year end the District had spent \$3,443 and had estimated remaining contractual commitments of \$3,000. These projects are being funded with operating revenues.

NOTE 4 – RESTRICTED CASH

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 \$50,450 for the year ended June 30, 2021.

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 \$44,415 for the fiscal year ended June 30, 2021.

PINE CREEK CANYON
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – DEBT OBLIGATIONS

The District's debt consists of the following:

	2021
Note payable WIFA Deep Well/Generator	\$ 625,000
Forgiveness of debt	(312,500)
Principal reduction	(159,752)
Total	<u>\$ 152,748</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.

	2021
Note payable WIFA ADOT Drainage Control	\$ 90,000
Forgiveness of debt	(63,000)
Principal reduction	(14,116)
Total	<u>\$ 12,884</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.

	2021
Note payable WIFA Deep Well Extra	\$ 200,000
Principal reduction	(98,487)
Total	<u>\$ 101,513</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.

	2021
Note payable WIFA PRV	\$ 249,905
Principal reduction	(35,009)
Total	<u>\$ 214,896</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
DOMESTIC WATER IMPROVEMENT DISTRICT
PINE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEBT OBLIGATIONS

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

Year ending June 30:	Principal	Interest and Fees
2022	\$ 40,825	\$ 11,477
2023	41,927	10,390
2024	43,060	9,273
2025	44,224	8,124
2026	45,420	6,944
2027-31	176,341	17,742
2032-36	73,137	5,490
2037-38	17,107	181
Total	<u>\$ 482,041</u>	<u>\$ 69,621</u>

NOTE 6 – 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
Notes payable	\$ 521,107		\$ 39,066	\$ 482,041	\$ 40,825

NOTE 7 – 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 8 – 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.