



**Pine Creek Canyon Domestic Water Improvement District  
Pine, Arizona  
Financial Statements and  
Independent Accountant's Review Report  
Year Ended June 30, 2020**

## 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, 2020, 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 2019 financial statements, and our report dated September 26, 2019 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. PC*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
October 12, 2020

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jun 30, 20</u>	<u>Jun 30, 19</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Checking/Savings</b>		
National Bank of AZ Deposit	11,051.95	11,960.78
Gila County Operating Acct 922	17,659.67	31,684.24
Gila Cty Cont/Reserve Acct 926	202,709.18	83,286.97
<b>Total Checking/Savings</b>	<u>231,420.80</u>	<u>126,931.99</u>
<b>Accounts Receivable</b>		
Accounts Receivable	7,738.98	8,888.58
<b>Total Accounts Receivable</b>	<u>7,738.98</u>	<u>8,888.58</u>
<b>Other Current Assets</b>		
Water System Parts Inventory	8,600.06	7,617.16
Prepaid Insurance	5,532.14	6,377.72
<b>Total Other Current Assets</b>	<u>14,132.20</u>	<u>13,994.88</u>
<b>Total Current Assets</b>	253,291.98	149,815.45
<b>Capital Assets</b>		
<b>Office Furniture &amp; Equipment</b>		
Dell Computer 2009	1,461.54	1,461.54
Dell Computer all in one 2019	656.89	656.89
Accum Deprec-Office F&E	-1,603.89	-1,472.49
<b>Total Office Furniture &amp; Equipment</b>	<u>514.54</u>	<u>645.94</u>
<b>Sewer System</b>		
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
WIFA Pond Drainage Control 2009	93,383.81	93,383.81
WWTP Upgrade 2019	29,978.39	29,978.39
Accum Deprec-Waste Water System	-172,478.07	-155,822.91
<b>Total Sewer System</b>	<u>186,752.24</u>	<u>203,407.40</u>
<b>Water System</b>		
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
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, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jun 30, 20</u>	<u>Jun 30, 19</u>
PRV System WIFA Upgrade 2018	251,563.11	251,563.11
Pump Replace Tract H 2019-20	2,711.55	
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	-566,021.54	-493,029.54
<b>Total Water System</b>	<u>1,146,137.15</u>	<u>1,216,417.60</u>
<b>Total Capital Assets</b>	<u>1,333,403.93</u>	<u>1,420,470.94</u>
<b>Total Capital Assets</b>	1,333,403.93	1,420,470.94
<b>Other Assets</b>		
<b>Restricted Cash</b>		
Replacement Reserve NBAZ Pond	1,930.46	1,568.79
Replacement Res NBAZ Deep Well	22,727.29	18,467.54
Replacement Res NBAZ Well Extra	12,498.02	9,867.26
Debt Service Reserve WIFA Pond	1,977.70	1,912.21
Debt Service Reserve WIFA Well	23,367.62	22,797.72
Debt Service Reserve WIFA Extra	14,349.83	14,000.11
Debt Service Reserve WIFA PRV	7,132.97	3,912.77
<b>Total Other Assets</b>	<u>83,983.89</u>	<u>72,526.40</u>
<b>Total Other Assets</b>	83,983.89	72,526.40
<b>TOTAL ASSETS</b>	<u><u>1,670,679.80</u></u>	<u><u>1,642,812.79</u></u>
<b>LIABILITIES &amp; EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Accounts Payable</b>		
Accounts Payable	11,788.66	6,818.45
<b>Total Accounts Payable</b>	<u>11,788.66</u>	<u>6,818.45</u>
<b>Other Current Liabilities</b>		
Sales Tax Payable	118.78	55.41
<b>Current Portion of LT Debt</b>		
WIFA Pond- Drainage Control	1,378.00	1,340.00
WIFA Deep Well/Generator	16,502.00	16,006.00
WIFA Deep Well - Extra	10,302.00	10,033.00
WIFA PRV Upgrade	11,074.00	10,849.00
<b>Total Current Portion of LT Debt</b>	<u>39,256.00</u>	<u>38,228.00</u>
<b>Total Other Current Liabilities</b>	<u>39,374.78</u>	<u>38,283.41</u>
<b>Total Current Liabilities</b>	<u>51,163.44</u>	<u>45,101.86</u>

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jun 30, 20</u>	<u>Jun 30, 19</u>
<b>Long Term Liabilities</b>		
<b>WIFA - Pond-Drainage Control</b>		
Pond-Drainage Control	90,000.00	90,000.00
WIFA Loan-Forgiveness of Debt	-63,000.00	-63,000.00
WIFA-Pond-Principal Reductions	-12,730.71	-11,384.43
Less Crrnt Portion LT Debt Pond	-1,378.00	-1,340.00
<b>Total WIFA - Pond-Drainage Control</b>	<u>12,891.29</u>	<u>14,275.57</u>
<b>WIFA - Deep Well/Generator</b>		
Deep Well/Generator	625,000.00	625,000.00
WIFA-DW-Forgiveness of Debt	-312,500.00	-312,500.00
WIFA - DW Principal Reductions	-143,400.97	-127,540.83
Less Crrnt Portion LT Debt DW	-16,502.00	-16,006.00
<b>Total WIFA - Deep Well/Generator</b>	<u>152,597.03</u>	<u>168,953.17</u>
<b>WIFA Deep Well Extra</b>		
Deep Well Extra	200,000.00	200,000.00
Deep Well Extra-Principal	-88,180.47	-78,143.58
Less Crrnt Portion LT Dbt DW EX	-10,302.00	-10,033.00
<b>Total WIFA Deep Well Extra</b>	<u>101,517.53</u>	<u>111,823.42</u>
<b>WIFA - PRV Upgrade</b>		
WIFA PRV Valve Upgrade 2018	249,904.50	249,904.50
PRV Upgrade Principal Reduction	-23,986.12	-13,188.10
Less Crrnt Portion LT Debt	-11,074.00	-10,849.00
<b>Total WIFA - PRV Upgrade</b>	<u>214,844.38</u>	<u>225,867.40</u>
<b>Total Long Term Liabilities</b>	<u>481,850.23</u>	<u>520,919.56</u>
<b>Total Liabilities</b>	533,013.67	566,021.42
<b>Equity</b>		
Contribution by Elk Rim 2018	137,000.00	137,000.00
Contributions By Portal IV 1996	421,138.94	421,138.94
Retained Earnings	518,652.43	499,283.73
Net Income	60,874.76	19,368.70
<b>Total Equity</b>	<u>1,137,666.13</u>	<u>1,076,791.37</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>1,670,679.80</u></u>	<u><u>1,642,812.79</u></u>

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<b>Jul '19 - Jun 20</b>	<b>Jul '18 - Jun 19</b>
<b>Ordinary Income/Expense</b>		
<b>Income</b>		
<b>Revenues</b>		
<b>Miscellaneous Fees</b>		
Late Fees	1,091.42	1,124.87
Refunds	-1,330.41	
Miscellaneous Income	0.25	526.31
<b>Total Miscellaneous Fees</b>	-238.74	1,651.18
Property Tax Levy	90,882.72	89,385.50
<b>Wastewater Fees</b>		
Account Establishment-WasteW	2,550.00	1,500.00
Base Wastewater Services	69,612.26	65,117.75
Sewer Installations	47,000.00	28,200.00
<b>Total Wastewater Fees</b>	119,162.26	94,817.75
<b>Water Fees</b>		
Account Establishment Fee-Water	2,550.00	1,650.00
Base and Excess Gallon Fees	78,073.20	70,249.86
Meter Installation	38,000.00	26,600.00
<b>Total Water Fees</b>	118,623.20	98,499.86
<b>Total Revenues</b>	328,429.44	284,354.29
<b>Total Income</b>	328,429.44	284,354.29
<b>Gross Profit</b>	328,429.44	284,354.29
<b>Expense</b>		
<b>Administration</b>		
Administrative Assistant	16,790.12	16,599.32
Advertising / Recruiting		662.47
Bank Charges	184.21	49.63
Computers / Software	1,291.74	1,071.74
Depreciation	131.40	10.95
District Manager-Hrs. Exc. Ret.	17,666.00	21,038.50
District Manager - Retainer	17,160.00	16,940.00
Dues and Subscriptions	404.55	415.18
Electricity - Adm.	810.22	598.24
Equipment Repairs/Maint. Adm.		185.00
Housekeeping-Admin.	235.00	160.00
Insurance General	4,211.90	4,451.60
Licenses/Permits/Lien Filings		16.00
Miscellaneous	65.36	
Office Rent	3,618.00	3,618.00
Postage	906.34	933.22
Propane - Admin.	597.99	445.41
Small Equipment/Furniture		168.61
Supplies / Printing - Adm.	1,874.03	1,438.45

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jul '19 - Jun 20</u>	<u>Jul '18 - Jun 19</u>
Telephone/Ans. Serv./ Internet	4,042.60	3,604.19
Travel and Meals - Adm.	50.00	24.75
Website	1,256.45	300.00
<b>Total Administration</b>	<u>71,295.91</u>	<u>72,731.26</u>
<b>Board of Directors</b>		
Accountant Fees	4,300.00	4,200.00
Elections	749.72	85.45
Ins. Public Officials Liability	4,784.68	4,773.96
<b>Total Board of Directors</b>	<u>9,834.40</u>	<u>9,059.41</u>
<b>Wastewater Operations</b>		
Blue Stake Services WasteW	100.00	40.00
Chemical/ Supplies WasteW	6,207.36	7,138.00
Contract Services-Non-Oper WW	2,460.00	8,793.97
Depreciation WasteW System	16,655.16	13,373.91
Electricity Wastewater	6,566.62	6,421.08
Landscape Maint./Road Rep. WW		7.50
Operator-Monthly Retainer WW	29,937.60	29,937.60
Operator Labor-Grinder Pump Isp	200.00	160.00
Operator Labor - Repairs WW	1,761.26	455.00
Parts For Infrastructure WasteW	4,168.31	1,554.66
Testing Lab/Regulatory Fees WW	3,361.00	3,164.00
<b>Total Wastewater Operations</b>	<u>71,417.31</u>	<u>71,045.72</u>
<b>Water Operations</b>		
Blue Stake Service Water	240.00	280.00
Building Maintenance Water		5,169.63
Consulting-Hydro/Engineering	5,700.00	5,425.00
Contract Services- Non-Oper H2O	6,076.76	5,397.81
Depreciation - Water System	72,992.00	67,537.04
Diesel Fuel		334.00
Electricity Water	6,204.75	6,183.56
Landscape Maint./Road Rep. H2O	322.50	599.66
Operator-Monthly Retainer H2O	3,326.40	3,326.40
Operator Labor-Meter Install	200.00	120.00
Operator Labor-Repairs Water	3,240.00	3,455.00
Parts For Infrastructure Water	4,954.67	2,957.95
Propane - Water	127.92	138.15
Testing Lab/Regulatory Fees H2O	1,611.87	1,353.86
<b>Total Water Operations</b>	<u>104,996.87</u>	<u>102,278.06</u>
<b>Total Expense</b>	<u>257,544.49</u>	<u>255,114.45</u>



**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF OPERATIONS AND RETAINED EARNINGS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jul '19 - Jun 20</u>	<u>Jul '18 - Jun 19</u>
Net Ordinary Income	70,884.95	29,239.84
Other Income/Expense		
Other Income		
Other Income		
Accounting Credit	43.20	
Interest	3,696.54	4,789.43
Total Other Income	<u>3,739.74</u>	<u>4,789.43</u>
Total Other Income	3,739.74	4,789.43
Other Expense		
Other Expense		
Interest/Fees for WIFA Projects	13,749.93	14,660.57
Total Other Expense	<u>13,749.93</u>	<u>14,660.57</u>
Total Other Expense	13,749.93	14,660.57
Net Other Income	<u>-10,010.19</u>	<u>-9,871.14</u>
Net Income	<u><u>60,874.76</u></u>	<u><u>19,368.70</u></u>
Retained Earnings at Beginning of Year	518,652.43	499,283.73
Retained Earnings at End of Year	<u><u>579,527.19</u></u>	<u><u>518,652.43</u></u>

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jul '19 - Jun 20</u>	<u>Jul '18 - Jun 19</u>
<b>OPERATING ACTIVITIES</b>		
Net Income	60,874.76	19,368.70
Adjustments to reconcile Net Income to net cash provided by operations:		
Accounts Receivable	1,149.60	-2,453.75
Due from WIFA-PRV Loan		25,094.21
Sewer System Parts Inventory		1,072.84
Water System Parts Inventory	-982.90	-616.58
Prepaid Insurance	845.58	104.56
Accounts Payable	4,970.21	-6,286.48
Sales Tax Payable	63.37	-8.10
Current Liabilities:Customer Deposit (refundable)		-308.89
Current Liabilities:WIFA Pond- Drainage Control	38.00	
Current Liabilities:WIFA Deep Well/Generator	496.00	
Current Liabilities:WIFA Deep Well - Extra	269.00	
Current Liabilities:WIFA PRV Upgrade	225.00	
Net cash provided by Operating Activities	<u>67,948.62</u>	<u>35,966.51</u>
<b>INVESTING ACTIVITIES</b>		
Fixed Assets:Office Furniture & Equipment:Dell Computer all in one 2019		-656.89
Fixed Assets:Office Furniture & Equipment:Accum Deprec-Office F&E	131.40	10.95
Fixed Assets:Sewer System:Elk Rim WW Additions 2017-18		-42,464.94
Fixed Assets:Sewer System:WWTP Upgrade 2019		-29,978.39
Fixed Assets:Sewer System:Accum Deprec-Waste Water System	16,655.16	13,373.91
Fixed Assets:Water System:Pump Replace Tract H 2019-20	-2,711.55	
Fixed Assets:Water System:Shallow Well Upgrade 2018-2019		-19,897.13
Fixed Assets:Water System:Deep Well System Upgrade 2018		-48,341.58
Fixed Assets:Water System:Elk Rim Water Additions 2017-18		-101,507.36
Fixed Assets:Water System:Accum Deprec-Water System	72,992.00	67,537.04
Other Asset-WIFA Req. Reserves:Replacement Reserve NBAZ Pond	-361.67	-362.78
Other Asset-WIFA Req. Reserves:Replacement Res NBAZ Deep Well	-4,259.75	-4,265.92
Other Asset-WIFA Req. Reserves:Replacement Res NBAZ Well Extra	-2,630.51	-2,632.31
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Pond	-65.49	-105.25
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Well	-569.90	-1,489.34
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA Extra	-349.97	-851.71
Other Asset-WIFA Req. Reserves:Debt Service Reserve WIFA PRV	-3,220.20	-3,133.58
Net cash provided by Investing Activities	<u>75,609.52</u>	<u>-174,765.28</u>
<b>FINANCING ACTIVITIES</b>		
WIFA - Pond-Drainage Control:WIFA-Pond-Principal Reductions	-1,346.28	-1,308.49
WIFA - Pond-Drainage Control:Less Crrnt Portion LT Debt Pond	-38.00	
WIFA - Deep Well/Generator:WIFA - DW Principal Reductions	-15,860.14	-15,383.82
WIFA - Deep Well/Generator:Less Crrnt Portion LT Debt DW	-496.00	
WIFA Deep Well Extra:Deep Well Extra-Principal	-10,036.89	-9,774.41
WIFA Deep Well Extra:Less Crrnt Portion LT Dbt DW EX	-269.00	

**PINE CREEK CANYON DOMESTIC WATER IMPROVEMENT DISTRICT**  
**PINE, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2019)**

	<u>Jul '19 - Jun 20</u>	<u>Jul '18 - Jun 19</u>
WIFA - PRV Upgrade:PRV Upgrade Principal Reduction	-10,798.02	-10,577.60
WIFA - PRV Upgrade:Less Crrnt Portion LT Debt	-225.00	
Contribution by Elk Rim 2017-18		137,000.00
Net cash provided by Financing Activities	<u>-39,069.33</u>	<u>99,955.68</u>
Net cash increase for period	104,488.81	-38,843.09
Cash at beginning of period	126,931.99	165,775.08
Cash at end of period	<u><u>231,420.80</u></u>	<u><u>126,931.99</u></u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position</b>		
Cash	231,420.80	126,931.99
Other Assets - Restricted Cash	83,983.89	72,526.40
Total cash and cash equivalents	<u><u>315,404.69</u></u>	<u><u>199,458.39</u></u>
<b>Supplemental data:</b>		
Interest paid on WIFA debt	\$ 13,749.93	\$ 14,660.57

**PINE CREEK CANYON  
DOMESTIC WATER IMPROVEMENT DISTRICT  
PINE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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, 2020**

**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, 2020**

**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 October 12, 2020, 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 \$48,208 and the bank balance was \$47,195.

*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

**PINE CREEK CANYON  
DOMESTIC WATER IMPROVEMENT DISTRICT  
PINE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	1.10 years	\$ 220,369

*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>2020</u>
Computers	\$ 2,119
Sewer system	359,230
Water system	<u>1,712,159</u>
Accumulated depreciation	(740,104)
<b>Total</b>	<u>\$ 1,333,404</u>

Depreciation expense for the year amounted to \$89,779.

**PINE CREEK CANYON  
DOMESTIC WATER IMPROVEMENT DISTRICT  
PINE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**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
<b>Monthly Funding</b>	<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 \$46,828 for the year ended June 30, 2020.

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
<b>Annual Funding</b>	<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 \$37,156 for the fiscal year ended June 30, 2020.



**PINE CREEK CANYON  
DOMESTIC WATER IMPROVEMENT DISTRICT  
PINE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 5 – DEBT OBLIGATIONS**

The District's debt consists of the following:

	2020
Note payable WIFA Deep Well/Generator	\$ 625,000
Forgiveness of debt	(312,500)
Principal reduction	(143,401)
<b>Total</b>	<b>\$ 169,099</b>

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.

	2020
Note payable WIFA ADOT Drainage Control	\$ 90,000
Forgiveness of debt	(63,000)
Principal reduction	(12,731)
<b>Total</b>	<b>\$ 14,269</b>

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.

	2020
Note payable WIFA Deep Well Extra	\$ 200,000
Principal reduction	(88,180)
<b>Total</b>	<b>\$ 111,820</b>

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.

	2020
Note payable WIFA PRV	\$ 249,905
Principal reduction	(23,986)
<b>Total</b>	<b>\$ 225,919</b>

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, 2020**

**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>
2021	\$ 39,753	\$ 12,535
2022	40,825	11,477
2023	41,927	10,390
2024	43,060	9,273
2025	44,224	8,124
2026-30	207,942	6,944
2031-35	71,644	5,732
2036-38	31,732	4,485
Total	<u>\$ 521,107</u>	<u>\$ 68,960</u>

**NOTE 6 – EQUITY**

The District's equity includes Contribution 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.