

**PINE CREEK CANYON  
DOMESTIC WATER IMPROVEMENT DISTRICT  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
JUNE 30, 2025**



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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Pine Creek Canyon Domestic Water Improvement District (the District), which comprise the statement of net position as of June 30, 2025, 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 company 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.

### Accountants' 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 in 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.

### Accountants' 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.

### Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Haynie & Company  
Flagstaff, AZ

December 10, 2025

# Pine Creek Canyon Domestic Water Improvement District

## Statement of Net Position

June 30, 2025

### Assets

#### **Current assets:**

Cash and cash equivalents	\$ 323,824
Accounts receivable, net	18,643
Inventory	24,503
Prepaid expenses	7,005
Total current assets	<u>373,975</u>

#### **Noncurrent assets:**

Capital assets, net	1,238,989
Right-of-use asset for operating lease, net	51,591
Restricted cash	144,355
Total noncurrent assets	<u>1,434,935</u>

<b>Total assets</b>	<u><u>\$1,808,910</u></u>
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### Liabilities and Net Assets

#### **Current liabilities:**

Accounts payable	\$ 1,774
Deferred revenue - customer advance deposits	6,791
Lease liability, current portion	6,077
WIFA notes payable, current portion	48,182
Total current liabilities	<u>62,824</u>

#### **Noncurrent liabilities:**

WIFA notes payable, net of current portion	861,574
WIFA notes payable, forgiveness of debt	(522,000)
Lease liability, net of current portion	48,759
Total noncurrent liabilities	<u>388,333</u>
<b>Total liabilities</b>	<u>451,157</u>

#### **Net position:**

Net investment in capital assets	1,238,989
Restricted - replacement and repair reserve	80,400
Restricted - debt service reserve	63,955
Unrestricted	(25,591)
Total net position	<u>1,357,753</u>
<b>Total liabilities and net position</b>	<u><u>\$1,808,910</u></u>

See accompanying notes and Independent Accountants' Review Report

**Pine Creek Canyon Domestic Water Improvement District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2025**

**Operating support and revenue:**

Water services	\$ 108,286
Wastewater services	101,287
Property tax levy	122,133
Miscellaneous services	1,911
Total operating support and revenue	<u>333,617</u>

**Operating expenses:**

Water operations	111,759
Wastewater operations	86,042
General and administrative	126,028
Total expenses	<u>323,829</u>

**Non-operating activities:**

Interest income	13,890
Forgiveness of portion of long-term debt	61,500
Interest expense	(12,023)
Loss on disposal of fixed asset	(2,479)
Other income (expense)	(1,895)
Total non-operating activities	<u>58,993</u>

**Change in net position**

	68,781
Net position, beginning of year	<u>1,288,972</u>
Net position, end of year	<u><u>\$ 1,357,753</u></u>

See accompanying notes and Independent Accountants' Review Report

# Pine Creek Canyon Domestic Water Improvement District

## Statement of Cash Flows

For the Year Ended June 30, 2025

### Cash flows from operating activities:

Change in net position	\$ 68,781
Adjustments to reconcile changes in net position to net cash provided by operating activities:	
Depreciation	102,860
Loan forgiveness	(61,500)
Loss on sale of assets	2,479
Non-cash lease transactions	1,557
Changes in assets and liabilities:	
Accounts receivable	(3,883)
Inventory	(13,061)
Prepaid expenses	(118)
Accounts payable	(18,697)
Deferred revenue - customer advance deposits	6,791
Net cash from operating activities	<u>85,209</u>

### Cash flows from investing activities:

Purchases of property and equipment	(193,440)
Retained for debt service and repair and replacement reserves	<u>(14,812)</u>
Net cash used in investing activities	<u>(208,252)</u>

### Cash flows from financing activities:

Borrowings of long-term debt	123,000
Principal repayments of long-term debt	<u>(45,539)</u>
Net cash from financing activities	<u>77,461</u>
Net change in cash and cash equivalents	(45,582)

Cash balance - beginning of year 369,406

Cash balance - end of year \$ 323,824

See accompanying notes and Independent Accountants' Review Report

Pine Creek Canyon  
Domestic Water Improvement District  
Notes to Financial Statements  
June 30, 2025

**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.

**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.

**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  
Notes to Financial Statements  
June 30, 2025

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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 Directors 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.

**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) are 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.

**Interest Income**

Interest income is composed of interest on investments and is included in nonoperating activities.

Pine Creek Canyon  
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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**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.

**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.

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

**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.

**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.

**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 (Continued)**

*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 June 30, 2025, the carrying amount of the District's deposits was \$124,085 and the bank balance was \$131,653. Additionally, cash held in trust with the Water Infrastructure Finance Authority of Arizona at year end was \$63,955.

*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 June 30, 2025, the District's investments consisted of the following.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer's Investment Pool	0.66	\$ 280,139

*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. During the year ended June 30, 2025, 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:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 43,392	\$ 189,149	\$ (232,541)	\$ -
Total capital assets, not depreciated	43,392	189,149	(232,541)	-
Capital assets, being depreciated:				
Office furniture and equipment	4,231	-	-	4,231
Sewer system	387,515	234,531	(7,445)	614,601
Water system	1,833,725	2,301	(2,257)	1,833,769
Total capital assets being depreciated	2,225,471	425,981	(242,243)	2,452,601
Less accumulated depreciation				
Office furniture and equipment	(1,284)	(846)	-	(2,130)
Sewer system	(242,301)	(19,909)	6,452	(255,758)
Water system	(874,390)	(82,105)	771	(955,724)
Total accumulated depreciation	(1,117,975)	(102,860)	7,223	(1,213,612)
Total capital assets, being depreciated, net	1,107,496	323,121	(235,020)	1,238,989
Intangible right-to-use assets:				
Leased buildings and improvements	65,166	-	-	65,166
Less accumulated amortization	(7,059)	(6,516)	-	(13,575)
Total intangible right-to-use assets, net	58,107	(6,516)	-	51,591
Governmental activities capital assets, net	\$ 1,208,995	\$ 505,754	\$ (467,561)	\$ 1,290,580

**Construction Activities** — In the prior fiscal year, the District had contractual commitments related to various capital projects for the construction of the waste water controls upgrade. During the year ended June 30, 2025, the District had spent \$232,541 on the projects and had transferred them to Capital assets being depreciated – Sewer system. These projects were partially funded with WIFA loan proceeds.

Depreciation expense was \$102,860 for the year ended June 30, 2025 and is allocated among water services expense, wastewater services expense, and general and administrative expense in accordance with the use of the respective assets (Note 11).

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

	<u>Beginning</u>	
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
WIFA 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 \$63,955 for the year ended June 30, 2025.

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

	<u>Beginning</u>	
WIFA Pond	March 1, 2015	\$ 361
WIFA Well	March 1, 2015	4,257
WIFA Extra	October 1, 2015	2,630
WIFA PRV	April 1, 2023	3,117
WIFA Meter/Pump Sta Upgrade	October 1, 2027	234
<b>Annual Funding</b>		<u><u>\$ 10,599</u></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, September 2037, March 2037, and May 2044. Repair and replacement funds being held by the District as Cash in Bank totaled \$80,400 for the fiscal year ended June 30, 2025.

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**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. As of June 30, 2025, the District had \$85,000 in unused line of credit.

**Note 6 – Debt Obligations**

The District's debt consists of the following:

Deep Well/Generator

	<b>2025</b>
Note payable WIFA Deep Well/Generator	\$ 625,000
Forgiveness of debt	(312,500)
Principal reduction	(230,378)
<b>Total</b>	<b>\$ 82,122</b>

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.

Pond Drainage Control

	<b>2025</b>
Note payable WIFA Pond Drainage Control	\$ 90,000
Forgiveness of debt	(63,000)
Principal reduction	(20,068)
<b>Total</b>	<b>\$ 6,932</b>

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.

Deep Well Extra

	<b>2025</b>
Note payable WIFA Deep Well Extra	\$ 200,000
Principal reduction	(142,556)
<b>Total</b>	<b>\$ 57,444</b>

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**Note 6 – Debt Obligations (Continued)**

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.

PRV

	<b>2025</b>
Note payable WIFA PRV	\$ 249,905
Principal reduction	(81,446)
<b>Total</b>	<b>\$ 168,459</b>

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.

Meter/Pump Sta Upgrade

	<b>2025</b>
Note payable WIFA-Meter/Pump Sta Upgrade	\$ 100,000
Forgiveness of debt	(85,000)
Principal reduction	(2,562)
<b>Total</b>	<b>\$ 12,438</b>

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. Certain debt was forgiven at completion of the project.

WWTP Controls Upgrade

	<b>2025</b>
Note payable WIFA-WWTP Controls Upgrade	\$ 123,000
Forgiveness of debt	(61,500)
Principal reduction	(1,139)
<b>Total</b>	<b>\$ 60,361</b>

The \$123,000 note is secured with final payment due May 1, 2044. The term of the note is 20 years at 2.872 percent. Certain debt was forgiven at completion of the project.

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**Note 6 – Debt Obligations (Continued)**

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

Year ending June 30,	Principal	Interest and Fees
2026	\$ 48,182	\$ 5,431
2027	49,481	4,368
2028	50,814	3,276
2029	53,786	2,159
2030	25,810	1,419
2031-2035	90,937	4,804
2036-2040	53,332	1,888
2041-2044	15,414	424
<b>Total</b>	<b>\$ 387,756</b>	<b>\$ 23,769</b>

**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 using the risk free rate at lease inception. 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.

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

Year ending June 30,	Governmental Activities	
	Principal	Interest
2026	\$ 6,077	\$ 2,023
2027	6,617	1,783
2028	6,866	1,534
2029	7,174	1,276
2030	7,991	1,009
2031-2033	20,111	1,314
<b>Total</b>	<b>\$ 54,836</b>	<b>\$ 8,939</b>

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**Note 7 – Leases Payable (Continued)**

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	(13,575)
<b>Total</b>	<b>\$ 51,591</b>

The weighted average remaining lease term was 7.92 years at June 30, 2025. The weighted average discount rate on leases was 3.66% at June 30, 2025.

**Note 8 — Changes in Long-Term Liabilities**

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

Governmental activities	Beginning Balance	Additions	Reductions	Forgiveness	Ending Balance	Due Within One Year
Notes payable	\$ 371,795	\$ 123,000	\$ 45,539	\$ 61,500	\$ 387,756	\$ 48,182
Leases payable	59,795	-	4,959	-	54,836	6,077
<b>Total</b>	<b>\$ 431,590</b>	<b>\$ 123,000</b>	<b>\$ 50,498</b>	<b>\$ 61,500</b>	<b>\$ 442,592</b>	<b>\$ 54,259</b>

**Note 9 – Contributions and Net Position**

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. The remaining portion of the District's net position were derived from the retained earnings of the District since its inception.

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**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 – Expenses**

Water operations expenses are comprised of the following:

Consulting-hydro/engineering	\$ 6,075
Contract services - operator	3,356
Contract services - non-operator	2,824
Depreciation	82,105
Repairs and maintenance	2,725
Small tools, parts and miscellaneous	2,441
Testing lab and regulatory fees	3,114
Utilities	9,119
	<u>\$ 111,759</u>

Wastewater operations expenses are comprised of the following:

Chemicals and supplies	\$ 6,607
Contract services - operator	30,178
Contract services - non-operator	17,614
Depreciation	19,909
Repairs and maintenance	1,300
Small tools, parts and miscellaneous	2,729
Testing lab and regulatory fees	1,187
Utilities	6,518
	<u>\$ 86,042</u>

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**Note 11 – Expenses (Continued)**

General and administrative expenses are comprised of the following:

Accountant fees	\$ 7,250
Advertising	349
Bank charges	2,351
Depreciation	846
Dues and subscriptions	1,169
Insurance	9,423
Miscellaneous	300
Office expenses	3,442
Rent	6,516
Repairs and maintenance	676
Salaries and wages	86,027
Travel and meals	1,275
Utilities, phone and internet	5,844
Website	560
	<u>\$ 126,028</u>

**Note 12 – Subsequent Events**

In preparing the financial statements, the District's management has evaluated events and transactions for potential recognition and disclosure through December 10, 2025 the date the financial statements were available for issuance.

