

BLACK CANYON CITY WATER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

Fiscal Years Ended June 30, 2009, and 2008

Black Canyon City Water Improvement District

Financial Statements

Fiscal Years Ended June 30, 2009, and 2008

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Black Canyon City Water Improvement District MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Black Canyon City Water Improvement District's annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2009 and 2008. This information is presented in conjunction with the audited Basic Financial Statements that follow this section.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2009 and 2008

- The District's net assets increased by 7.7% in 2009, and 8.5% in 2008.
- Operating revenues decreased by 2.1% in 2009, and increased by 7.4% in 2008.
- Operating expenses decreased by 8.1% in 2009, and decreased by 27.5% in 2008.
- The Board and Management continue to strive to keep overhead costs down.

The largest capital outlay for this fiscal period was the total payoff of the District's outstanding debt. The remaining debt of approximately \$250,000 was the balance of the original debt to purchase the water system when the District was formed and was scheduled to be paid in full in September of 2013. The payoff represents a cost savings to the District by eliminating future interest expense. The District is now debt-free for the first time in its history

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following two parts: Management's Discussion and Analysis and Basic Financial Statements. The Financial Statements include notes that explain in detail some of the information included in the Basic Financial Statements.

REQUIRED FINANCIAL STATEMENTS

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to the accounting principles which are generally accepted in the United States of America. The Statement of Net Assets includes information on the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Assets identify the District's revenues and expenses for the fiscal years ended June 30, 2009 and 2008. This statement provides information on the District's operations over the past year and can be used to determine whether the District has recovered all of its actual and projected costs through user fees and other charges. The third financial statement is the Statement of Cash Flows. This statement provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. From the Statement of Cash Flows, the reader can obtain information on the source and use of cash and the change in cash and cash equivalents balance.

FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets and Statement of Revenues, Expense and Changes in Net Assets provides an indication of the District's financial condition and also indicates whether or not the financial condition of the District improved during the last fiscal year. The District's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

NET ASSETS

A summary of the District's Statements of Net Assets is presented below:

Table 1
Condensed Statements of Net Assets
As of June 30, 2008 and 2007

	<u>Jun 30, 08</u>	<u>Jun 30, 07</u>	<u>\$ Change</u>	<u>% Change</u>
Total current and other assets	556,087	413,402	142,685	34.5%
Capital assets, net	1,108,127	1,193,712	-85,585	-7.2%
Total assets	1,664,214	1,607,114	57,100	3.6%
Long-term debt	239,844	290,604	-50,760	-17.5%
Other liabilities	93,355	90,168	3,187	3.5%
Total liabilities	333,199	380,772	-47,573	-12.5%
Net assets invested in capital assets, net of related debt	817,523	858,316	-40,793	-4.8%
Unrestricted undesignated	513,492	368,038	145,454	39.5%
Total net assets	1,331,015	1,226,354	104,661	8.5%

As the above table indicates, total assets increased by \$57,100 during the fiscal year ended June 30, 2008. This is comprised of an increase of \$142,685 in current and other assets and a decrease of \$85,585 in capital assets.

Total liabilities reflect a decrease of \$47,573 or 12.5%. Table 1 also indicates that total net assets increased by \$104,661 or 8.5%.

Table 2
Condensed Statements of Net Assets
As of June 30, 2009 and 2008

	<u>Jun 30, 09</u>	<u>Jun 30, 08</u>	<u>\$ Change</u>	<u>% Change</u>
Total current and other assets	341,966	556,087	-214,121	-38.5%
Capital assets, net	1,135,073	1,108,127	26,946	2.4%
Total assets	1,477,039	1,664,214	-187,175	-11.2
Long-term debt	-	239,844	-239,844	-100.0%
Other liabilities	43,438	93,355	-49,917	-53.5%
Total liabilities	43,438	333,199	-289,761	-87.0%
Net assets invested in capital assets, net of related debt	1,135,073	817,523	317,550	38.8%
Unrestricted undesignated	298,528	513,492	-214,964	-41.9%
Total net assets	1,433,601	1,331,015	102,586	7.7%

As the above table indicates, total assets decreased by \$187,175 or 11.2% during the fiscal year ended June 30, 2009. This is comprised of a decrease of current and other assets of \$214,121 that is attributed to the pay-off the District's long term debt, and an increase of \$26,946 in capital assets, net of accumulated depreciation.

Total liabilities reflect a decrease of \$289,761 or 87.0%. Table 2 also indicates that total net assets increased by \$102,586 or 7.7%.

REVENUES AND EXPENSES

A condensed Statement of Revenue, Expenses and Changes in Net Assets is presented in Table 3 and Table 4:

Table 3
Condensed Statements of Revenues, Expenses and Changes in Net Assets
As of June 30, 2008 and 2007

	Jun 30, 08	Jun 30, 07	\$ Change	% Change
Operating revenues	419,666	390,860	28,806	7.4%
Non-operating revenues	14,854	19,240	-4,386	-22.8%
Total revenues	434,520	410,100	7,752	1.9%
Depreciation expense	96,402	122,679	-26,277	-21.4%
Other operating expenses	216,789	229,984	-13,195	-5.7%
Non-operating expenses	16,668	14,587	2,081	14.3%
Total expenses	329,859	367,250	-37,391	-10.2%
Changes in net assets	104,661	42,850	61,811	144.2%
Beginning net assets	1,226,354	1,183,504	42,850	3.6%
Ending net assets	1,331,015	1,226,354	104,661	8.5%

The Statement of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items which affect the change in net assets. As the information in Table 3 indicates, net assets increased during the year by \$61,811 or 144.2%. The District's total revenues increased by \$7,752 or 1.9%. Total expenses decreased by \$37,391 or 10.2% during the same time period.

Table 4
Condensed Statements of Revenues, Expenses and Changes in Net Assets
As of June 30, 2009 and 2008

	Jun 30, 09	Jun 30, 08	\$ Change	% Change
Operating revenues	410,824	419,666	-8,842	-2.1%
Non-operating revenues	8,162	14,854	-6,692	-45.1%
Total revenues	418,986	434,520	-15,534	-3.6%
Depreciation expense	84,409	96,402	-11,993	-12.4%
Other operating expenses	226,095	216,789	9,306	4.3%
Non-operating expenses	5,896	16,668	-10,772	-64.6%
Total expenses	316,400	329,859	-13,459	-4.1%
Changes in net assets	102,586	104,661	-2,075	-2.0%
Beginning net assets	1,331,015	1,226,354	104,661	8.5%
Ending net assets	1,433,601	1,331,015	102,586	7.7%

The Statement of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items that affect the change in net assets. As the information in Table 4 indicates, net assets increased during the year by \$102,586 or 7.7%. The District's total revenue decreased by \$15,534 or 3.6%. Total expenses decreased by \$15,534 or 3.6% during the same time period.

CAPITAL ASSETS

As of June 30, 2009, the District's investment in capital assets was \$1,135,073, which is an increase of \$26,946 over the capital asset balance of \$1,108,127 at June 30, 2008. The increase in fixed assets is due to capital improvements in the fiscal year coupled with accumulated depreciation at June 30, 2009.

As of June 30, 2008, the District's investment in capital assets totaled \$1,108,127, which is a decrease of \$85,585 over the capital asset balance of \$1,193,712 at June 30, 2007. The decrease in fixed assets is due to accumulated depreciation at June 30, 2008.

LONG-TERM DEBT

As of June 30, 2009, the District had paid off its long term debt leaving a zero balance compared to \$290,604 as of June 30, 2008. Additional information on the district's long-term debt is provided in Note 6 of the financial statements.

As of June 30, 2008, the District had \$290,604 in outstanding debt compared to \$335,396 as of June 30, 2007. Additional information on the district's long-term debt is provided in Note 6 of the financial statements.

ECONOMIC FACTORS

The fund created for the arsenic media replacement continues to be utilized, setting aside the funds needed for media replacement in future years. In October of 2008, the media was replaced at a cost of \$89,787. It was anticipated that the media would need to be replaced annually; however, the life of the original media lasted approximately four years.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the District's customers, investors and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Black Canyon City Water Improvement District Management Office at P O Box 1007, Black Canyon City, Arizona 86324.

Physical address is: 34501 South Old Black Canyon Highway, #6; Telephone 623-374-9408.

Darlene Wood

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Black Canyon City Water Improvement District
Black Canyon City, Arizona

We have audited the accompanying basic financial statements of Black Canyon City Water Improvement District as of and for the years ended June 30, 2009, and 2008, as listed in the table of contents. These financial statements are the responsibility of Black Canyon City Water Improvement District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Black Canyon City Water Improvement District as of June 30, 2009, and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United State of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Prescott, Arizona
November 16, 2009

Black Canyon City Water Improvement District
Statement of Net Assets
June 30, 2009 and 2008

	<u>Assets</u>	
	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents (Note 3)	\$ 46,442	\$ 166,290
Accounts receivable, net of \$500 allowance for uncollectible accounts (Note 4)	39,395	31,112
Supplies inventory	49,594	50,839
Prepaid expenses	-	1,131
Prepaid insurance	-	867
Total unrestricted current assets	<u>135,431</u>	<u>250,239</u>
Restricted cash and cash equivalents (Note 3)	<u>206,535</u>	<u>305,848</u>
Total current assets	<u>341,966</u>	<u>556,087</u>
Capital assets		
Nondepreciable capital assets		
Land and land rights	48,625	48,625
Depreciable capital assets		
Property, plant and equipment, net of accumulated depreciation of \$1,510,430 and \$1,426,021 (Note 5)	<u>1,086,448</u>	<u>1,059,502</u>
Total capital assets	<u>1,135,073</u>	<u>1,108,127</u>
Total assets	<u>1,477,039</u>	<u>1,664,214</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable and accrued expenses	2,233	2,095
Customer security deposits (Note 3)	41,205	40,500
Current portion of long-term debt (Note 6)	-	50,760
Total current liabilities	<u>43,438</u>	<u>93,355</u>
Long-term debt (Note 6)	<u>-</u>	<u>239,844</u>
Total liabilities	<u>43,438</u>	<u>333,199</u>
Net assets		
Invested in capital assets, net of related debt	1,135,073	817,523
Unrestricted	<u>298,528</u>	<u>513,492</u>
Total net assets	<u>\$ 1,433,601</u>	<u>\$ 1,331,015</u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Water sales	\$ 174,144	\$ 186,239
Surcharge fees (Note 3)	128,448	146,993
Water maintenance fees and other revenue	83,232	78,634
Impact fees (Note 3)	25,000	7,800
Total operating revenues	<u>410,824</u>	<u>419,666</u>
 Operating expenses		
Management services (Note 7)	155,340	154,903
Depreciation (Note 5)	84,409	96,402
Supplies, repairs and testing	29,904	19,712
Utility expense - pumps	19,719	20,237
Insurance	8,144	7,825
Office expenses	5,257	2,065
Professional fees	4,188	7,872
Bad debt expense	60	688
Well leases (Note 8)	1,800	1,800
Licenses and permits	581	137
Advertising	264	-
Miscellaneous	838	1,550
Total operating expenses	<u>310,504</u>	<u>313,191</u>
Net operating revenue	<u>100,320</u>	<u>106,475</u>
 Nonoperating revenues (expenses)		
Interest income	8,162	14,854
Interest expense and loan fees	(5,896)	(16,668)
Total nonoperating revenues (expenses)	<u>2,266</u>	<u>(1,814)</u>
Increase in net assets	102,586	104,661
Net assets beginning of year	<u>1,331,015</u>	<u>1,226,354</u>
Net assets end of year	<u>\$ 1,433,601</u>	<u>\$ 1,331,015</u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 100,320	\$ 106,475
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	84,409	96,402
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(8,284)	909
(Increase) Decrease in other assets	1,998	-
(Increase) Decrease in inventory	1,244	217
Increase (Decrease) in accounts payable and accrued expenses	843	(3,038)
Increase (Decrease) in security deposits	-	258
Net cash provided by operating activities	<u>180,530</u>	<u>201,223</u>
Cash flows from capital and related financing activities:		
Additions to capital assets	(111,354)	(10,916)
Principles payments on debt	(290,604)	(45,446)
Interest and fees paid on debt	(5,895)	(16,668)
Net cash used by capital and related financing activities	<u>(407,853)</u>	<u>(73,030)</u>
Cash flows from investing activities:		
Interest received on investments	8,162	14,854
Net cash provided by investing activities	<u>8,162</u>	<u>14,854</u>
Net decrease in cash and cash equivalents	(219,161)	143,047
Cash and cash equivalents at beginning of year	<u>472,138</u>	<u>329,091</u>
Cash and cash equivalents at end of year	<u>\$ 252,977</u>	<u>\$ 472,138</u>
Cash and cash equivalents:		
Cash and cash equivalents	46,442	166,290
Restricted cash and cash equivalents	206,535	305,848
Total cash and cash equivalents	<u>\$ 252,977</u>	<u>\$ 472,138</u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2009, and 2008

NOTE 1 – DESCRIPTION OF ENTITY

Description of Operations

The District was established in 1984 for the purpose of purchasing an existing domestic water delivery system. The District's primary operations include charges for water and related services. It is governed by a Board of Directors elected from within the District.

Reporting Entity

In accordance with the GASB Statement No. 14, the financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those entities for which its elected governing board is financially accountable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the District, as summarized below, are in conformity with generally accepted accounting principles applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB).

Basis of Presentation and Accounting

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The reporting model requires supplementary information in the form of Management's Discussion and Analysis and makes other changes in the presentation of the financial statements.

The District is a proprietary fund type, specifically an enterprise fund, and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the Statement of Net Assets. Net assets (i.e. total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted for debt service, and unrestricted components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized by the District. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the Statements of Cash Flows, the District considers all demand deposit accounts and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Plant and Equipment

Plant and equipment are carried at cost. Depreciation is recorded on the straight-line method at rates established by local regulatory agencies.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2009, and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supplies inventory

Supplies inventory consists principally of spare parts that are recorded when purchased and expensed when used.

Operating revenues and expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District and consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from nonexchange transactions or ancillary activities.

Net assets

Net assets comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net assets are classified in the following three components.

Invested in capital assets, net of related debt: This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested net assets, net of related debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted: This component of net assets consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets: This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 3 – CASH AND RESTRICTED CASH

Deposits

The carrying amount of the District’s deposits for June 30, 2009 and 2008 totaled \$252,977 and \$472,138 (\$46,442 and \$166,290 unrestricted, and \$206,535 and \$305,848 restricted), respectively. The bank balance at June 30, 2009 and 2008 totaled \$255,128 and \$478,520, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Restricted cash

Restricted cash requirements for customer security deposits totaled \$41,205 and \$40,500 for the years ended June 30, 2009 and 2008, respectively.

During the year ended December 31, 1996, the Board adopted an impact/development fee for all new meter installations. The amounts received for these fees are to be used only for future development of the District. During the year ended June 30, 1999, the Board adopted a surcharge fee for all customers. The amounts received for the surcharge fees were initially used for either capital improvements of operation or maintenance as needed. This was revised by Board action during the fiscal year ended June 30, 2002, whereby the fees collected are strictly designated for future capital development of the District. The total amounts for impact and development fees totaled \$25,000 and \$7,800 for the fiscal years ending June 30, 2009 and 2008, respectively. The amount of capital fund/surcharges received totaled \$128,448 and \$146,993, for the fiscal years ending June 30, 2009 and 2008, respectively.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2009, and 2008

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivables are net of an allowance for doubtful accounts of \$500 leaving a net accounts receivable balance of \$39,395 and \$31,112 at June 30, 2009 and 2008, respectively. The District's receivables primarily consist of amounts due from individuals and businesses in the Black Canyon City, Arizona, area and are not subject to liens unless accounts are delinquent.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30, 2009 and 2008 are summarized by major classifications as follows:

	<u>2009</u>	<u>2008</u>
Water plants	\$ 1,149,176	\$ 1,149,176
Capital Improvements	1,313,701	1,292,133
Office furniture and equipment	17,188	17,188
Other equipment	116,813	27,026
Land and land rights	48,625	48,625
Less: accumulated depreciation	<u>(1,510,430)</u>	<u>(1,426,021)</u>
Total property, plant and equipment	\$ 1,135,073	\$ 1,108,127

Depreciation expense for the fiscal years ending June 30, 2009 and 2008 is \$84,409 and \$96,402, respectively.

NOTE 6 – NOTES PAYABLE

On September 30, 2003, the District refinanced its note payable to the United States Department of Agriculture (USDA). The principal balance of the refinanced note is for \$507,500 payable to Wells Fargo Brokerage Services, LLC, with monthly payments of \$5,122 for ten years at 4% interest. As of May 1, 2009 the District had fulfilled its obligation under the terms of the note. The pay off of the principal balance by the District left a note payable balance obligation of zero. Below is a description of the note detail at June 30, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Current portion of debt	\$ -	\$ 50,760
Long term portion of debt	-	239,844
Total debt	<u>\$ -</u>	<u>\$ 290,604</u>

Future principal payments due on the notes are as follows:

	<u>2009</u>	<u>2008</u>
June 30, 2009	\$ -	\$ 50,760
June 30, 2010	-	52,828
June 30, 2011	-	54,980
June 30, 2012	-	57,220
June 30, 2013	-	59,552
June 30, 2014	-	15,264
Remaining debt liability at June 30, 2009 and 2008	<u>\$ -</u>	<u>\$ 290,604</u>

**Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2009, and 2008**

NOTE 7 – COMMITMENTS

During the year ended June 30, 2001, the Water District entered into an agreement with the School District to share in the cost of a new water storage tank. The cost to the Water District for the tank was \$85,000. The agreement included the sale of the tank site by the Water District to the School District for \$1.00 and the subsequent lease of the tank site by the Water District at \$1.00 per year for 75 years with an option to purchase the tank site for \$1.00. The Water District is responsible for all repairs, operation and maintenance of the tank and tank site.

During the year ended June 30, 2000, the District entered into an agreement with an independent management firm to manage the District's operations. The agreement was for monthly payments of \$8,250 plus \$9.50 per customer for services over 700 customers. The agreement expired in July, 2002. A second agreement extends the contract until July, 2005. The second agreement is for monthly payments of \$8,750 plus \$9.50 per customer for services over 700 customers. A new agreement, commencing on July 26, 2005, constitutes monthly payments of \$12,850 plus \$9.50 per customer over 825 customers. This new agreement extends for a five-year period. Total management service payments for the years ended June 30, 2009 and 2008 total \$155,340 and \$154,903, respectively. The minimum payments due on the agreement are as follows:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2008	\$ 154,200
June 30, 2009	154,200
June 30, 2010	<u>154,200</u>
Total remaining commitment	\$ 462,600

NOTE 8 – OPERATING LEASES

During the year ended June 30, 2003, the District entered into an agreement to lease a well site for an indefinite period with monthly payments of \$100. The lease may be canceled by the District with 30 days notice. The well site is owned by Randall and Sarah Hrabina, who are the owners of the contract management firm (See Note 7). The lease may be canceled by the Lessor with 30 days notice if certain restrictions are violated. However, all improvements within the well and well site shall become property of the lessor should the District cancel the lease. The District is responsible for all repairs, operation and maintenance of the well and well site. Lease payments for the year ended June 30, 2009 and 2008 totaled \$1,200 per year.

During the year ended June 30, 2002, due to the drought conditions, the District entered into an agreement to lease a water well for a term of twenty years with monthly payments of \$50. The lease may be canceled by the District with 30 days notice. The location was deemed by the Board to be an excellent water source; and, due to the close proximity to the Big John Well, developing costs for power and connections to existing mains were reduced. The lease may be canceled by the lessor with 30-days notice if certain restrictions are violated. However, all improvements within the fenced well site shall become property of the lessor should the District cancel the lease. The District is responsible for all repairs, operation and maintenance of the well and well site. Annual lease payments for the years ended June 30, 2009 and 2008 total \$600 per year.

The minimum lease payments due on the above two leases are \$1,800 for the years ended June 30, 2009 and 2008, and succeeding years.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2009, and 2008

NOTE 9 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2009 and 2008 the District sold water to Board members in the normal course of business.

During the years ended June 30, 2009 and 2008 the District paid \$1,200 annually to a relative of the owners of the contract management firm for the lease of a well site (see Note 8).

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for all such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The management company also carries commercial liability and theft coverage.

Highland Pines Domestic Water Improvement District
Notes to the Financial Statements
June 30, 2009 and 2008

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events that require adjustment to the financial statements have been evaluated through the audit report date of January 17, 2010. No subsequent events have been identified that require inclusion in the financial statements.