

Black Canyon City Water Improvement District

Financial Statements

Fiscal Years Ended June 30, 2013 and 2012

Black Canyon City Water Improvement District

Financial Statements

Years Ended June 30, 2013 and 2012

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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 (District) annual financial report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2013 and 2012. This information is presented in conjunction with the audited basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2013

- The District's net position increased by 1.2%
- Operating revenues decreased by 2.3%
- Other operating expenses decreased by .1%

The Board continues its strategy of improving the district while controlling costs for all users within the District. As capital improvement funds are collected, they are set aside strictly for capital improvement projects. These projects are board approved on an as-needed basis and relate to the availability of fund balances. This process followed by the District Board helps to eliminate high costs associated with interest-bearing loans. Accumulated reserves plus current capital improvement revenues have funded these projects historically. No major projects were planned or approved for the fiscal year ended June 30, 2013. This decision was made to help increase total available funds. Budget constraints focused on increasing operating and maintenance cash flow by decreasing Capital Improvement, netting only a very minor increase overall to owner/users during these hard economic times. The Budget Committee and Board felt a freeze on capital improvements could only be temporary and would be looked at closely in the subsequent budgetary process.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following two parts: Management Discussion and Analysis and Basic Financial Statements.

USING THE BASIC 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 Position reports the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities).

The Statement of Revenues, Expenses and Changes in Fund Net Position identifies the District's revenues and expenses for the fiscal years ended June 30, 2013 and 2012. This statement informs the reader of 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 fees and other revenue sources.

The Statement of Net Position and the Statement of Revenues, Expense and Changes in Fund Net Position provide an indication of the District's financial condition and also identify if the financial

condition of the District has improved during the last fiscal year. An increase in net position over time typically indicates an improvement in financial condition.

The Statement of Cash Flows provides information on the District's cash receipts, cash payments, and changes in cash resulting from operations, investments and financing activities. The Statement of Cash Flows informs the reader of sources and uses of cash and changes in cash and cash equivalents balance for the past year.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT

NET POSITION – COMPARISON OF JUNE 30, 2013 AND 2012

A summary of the District's Statements of Net Position is presented below in Table 1:

| | June 30, 13 | June 30, 12 | \$ Change | % Change |
|-----------------------------------|--------------------|--------------------|------------------|-----------------|
| Total current and other assets | 408,293 | 299,597 | 108,696 | 36.3% |
| Capital assets, net | 1,112,079 | 1,207,101 | (95,022) | -7.9% |
| Total assets | 1,520,372 | 1,506,698 | 13,674 | 0.9% |
| Current liabilities | 45,116 | 48,731 | (3,615) | -7.4% |
| Total liabilities | 45,116 | 48,731 | (3,615) | -7.4% |
| Net investments in capital assets | 1,112,079 | 1,207,101 | (95,022) | -7.9% |
| Restricted | 73,262 | - | - | n/a |
| Unrestricted | 289,915 | 250,866 | 39,049 | 15.6% |
| Total net position | 1,475,256 | 1,457,967 | 17,289 | 1.2% |

Total assets increased by \$13,674 or .9% during the fiscal year ended June 30, 2013. The increase is attributed to accumulation of funds for future improvements offset by accumulated depreciation of the infrastructure of the District.

Total liabilities reflect an overall decrease of \$3,615 or 7.4%. This decrease is due to fewer bills in accounts payable at year end June 30, 2013.

Table 1 also indicates that the District's total net position increased by \$17,289 or 1.2% for the fiscal year ended June 30, 2013.

REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION COMPARISON OF JUNE 30, 2013 AND 2012

A condensed Statement of Revenues, Expenses, and Changes in Fund Net Position is presented in Table 2:

| | June 30, 13 | June 30, 12 | \$ Change | % Change |
|--------------------------|-------------|-------------|-----------|----------|
| Operating revenues | 360,242 | 368,707 | (8,465) | -2.3% |
| Non-operating revenues | 633 | 671 | (38) | -5.7% |
| Total revenues | 360,875 | 369,378 | (8,503) | -2.3% |
| Depreciation expense | 97,639 | 97,556 | 83 | 0.1% |
| Other operating expenses | 245,947 | 246,083 | (136) | -0.1% |
| Non-operating expenses | - | 22,447 | (22,447) | -100.0% |
| Total expenses | 343,586 | 366,086 | (22,500) | -6.1% |
| Changes in net position | 17,289 | 3,292 | 13,997 | 425.2% |
| Beginning net position | 1,457,967 | 1,454,675 | 3,292 | 0.2% |
| Ending net position | 1,475,256 | 1,457,967 | 17,289 | 1.2% |

The Statement of Revenues, Expenses and Changes in Fund Net Position identifies the various revenue and expense items which affect the change in net position. As the information in Table 2 indicates, the District's net position at June 30, 2013, was \$1,475,256.

Operating revenues decreased by \$8,465 in the fiscal year ended June 30, 2013. The decrease is due to a decrease in water usage from conservation by District customers.

Total expenses decreased by \$22,500, in the fiscal year ended June 30, 2013. This decrease was due to the disposition of fixed assets in the prior year ending June 30, 2012. There were no dispositions for the fiscal year ending June 30, 2013.

CAPITAL ASSETS

Decreasing the billable capital improvement funds for the fiscal period was done with the intent of NOT planning any large projects. Funds collected are being held for future projects, thus the only increase in capital assets for the period is cash on hand.

LONG-TERM DEBT

The District did not have any long-term debt in the fiscal year ended June, 30, 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Water consumption and, therefore, water revenues have once again declined. The GOOD news, living in the Sonoran Desert, water conservation is working and is good for the environment! From a budget standpoint, however, it requires additional funds to meet the general operating and maintenance (O&M) obligations. The restructuring of funds collected has been successful for the O&M portion of the budget, but lowering the capital improvement collections was intended only as a temporary measure and will

have to be addressed in the 2013/14 budget process as upgrading the District's system, particularly aging of the distribution system will be ongoing. Some of the District's piping is over forty years old and will eventually need to be replaced.

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 PO Box 1007, Black Canyon City, Arizona 86324.

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



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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the Black Canyon City Water Improvement District as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Black Canyon City Water Improvement District's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Black Canyon City Water Improvement District, as of June 30, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i through iv be presented to supplement the basic financial statements. Such 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Alyx Cohan, CPA

Alyx Cohan CPA, PC
October 2, 2013

Black Canyon City Water Improvement District
Statement of Net Position
June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| <u>Assets</u> | | |
| Current assets | | |
| Cash and cash equivalents | \$ 201,264 | \$ 167,239 |
| Accounts receivable (net of \$1,562 allowance for uncollectible accounts) | 42,687 | 42,384 |
| Supplies inventory | <u>48,575</u> | <u>47,159</u> |
| Total current assets | 292,526 | 256,782 |
| Other assets | | |
| Restricted cash and cash equivalents | <u>115,767</u> | <u>42,815</u> |
| Total current and other assets | <u>408,293</u> | <u>299,597</u> |
| Capital assets | | |
| Nondepreciable capital assets | | |
| Land and land rights | 69,225 | 69,225 |
| Depreciable capital assets | | |
| Property, plant and equipment, net of accumulated depreciation of \$1,843,950 and \$1,746,313, respectively. | <u>1,042,854</u> | <u>1,137,876</u> |
| Total capital assets | <u>1,112,079</u> | <u>1,207,101</u> |
| Total assets | <u>1,520,372</u> | <u>1,506,698</u> |
| <u>Liabilities</u> | | |
| Current liabilities | | |
| Accounts payable | 198 | 3,695 |
| Accrued expenses | 1,793 | 2,221 |
| Customer security deposits | <u>43,125</u> | <u>42,815</u> |
| Total current liabilities | <u>45,116</u> | <u>48,731</u> |
| Total liabilities | <u>45,116</u> | <u>48,731</u> |
| Net position | | |
| Net investment in capital assets | 1,112,079 | 1,207,101 |
| Restricted for capital improvements | 73,262 | - |
| Unrestricted | <u>289,915</u> | <u>250,866</u> |
| Total net position | <u>\$ 1,475,256</u> | <u>\$ 1,457,967</u> |

The Notes to the Financial Statements are and integral part of this statement.

Black Canyon City Water Improvement District
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Operating revenues | | |
| Water sales | \$ 138,900 | \$ 149,897 |
| Surcharge fees | 65,879 | 115,250 |
| Impact fees | 10,000 | 22,500 |
| Water maintenance fees and other revenue | <u>145,463</u> | <u>81,060</u> |
| Total operating revenues | <u>360,242</u> | <u>368,707</u> |
| Operating expenses | | |
| Advertising | 22 | 33 |
| Depreciation | 97,639 | 97,556 |
| Insurance | 8,578 | 8,257 |
| Licenses and permits | 555 | 1,182 |
| Management services | 180,000 | 180,000 |
| Office expenses | 2,346 | 2,604 |
| Outside services | 4,139 | 4,229 |
| Professional fees | 4,900 | 4,700 |
| Supplies, repairs and testing | 25,241 | 23,885 |
| Utility expense - pumps | 19,566 | 20,420 |
| Well and right of way lease | <u>600</u> | <u>773</u> |
| Total operating expenses | <u>343,586</u> | <u>343,639</u> |
| Net operating revenue (loss) | <u>16,656</u> | <u>25,068</u> |
| Nonoperating revenues (expenses) | | |
| Interest income | 633 | 671 |
| Disposition of assets | <u>-</u> | <u>(22,447)</u> |
| Total nonoperating revenues (expenses) | <u>633</u> | <u>(21,776)</u> |
| Increase (decrease) in net position | 17,289 | 3,292 |
| Net position beginning of year | <u>1,457,967</u> | <u>1,454,675</u> |
| Net position end of year | <u>\$ 1,475,256</u> | <u>\$ 1,457,967</u> |

The Notes to the Financial Statements are and integral part of this statement.

Black Canyon City Water Improvement District
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-------------------|
| <u>Cash flows from operating activities</u> | | |
| Cash received from customer water sales | \$ 135,231 | \$ 143,012 |
| Cash received from other water charges | 225,017 | 213,384 |
| Cash payments for contract services | (180,000) | (180,000) |
| Cash payments for water system operations | (68,942) | (74,164) |
| Cash payments for administration | <u>(2,346)</u> | <u>(2,604)</u> |
| Net cash provided by operating activities | <u>108,960</u> | <u>99,628</u> |
| <u>Cash flows from capital and related financing activities</u> | | |
| Purchase of fixed assets of capital assets | <u>(2,616)</u> | <u>(245,064)</u> |
| Net cash used by capital and related financing activities | <u>(2,616)</u> | <u>(245,064)</u> |
| <u>Cash flows from investing activities</u> | | |
| Interest on investments | <u>633</u> | <u>671</u> |
| Net cash provided by investing activities | <u>633</u> | <u>671</u> |
| Net increase (decrease) in cash and cash equivalents | 106,977 | (144,765) |
| Cash and cash equivalents at beginning of year | <u>210,054</u> | <u>354,819</u> |
| Cash and cash equivalents at end of year | <u>\$ 317,031</u> | <u>\$ 210,054</u> |
| <u>Cash and cash equivalents in balance sheet</u> | | |
| Cash and cash equivalents | \$ 201,264 | \$ 167,239 |
| Restricted cash and cash equivalents | <u>115,767</u> | <u>42,815</u> |
| Total cash and cash equivalents | <u>\$ 317,031</u> | <u>\$ 210,054</u> |
| <u>Reconciliation of operating income to net cash provided by operating activities</u> | | |
| Operating income (loss) | \$ 16,656 | \$ 25,068 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 97,639 | 97,556 |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (304) | (12,702) |
| (Increase) decrease in inventory | (1,416) | (5,519) |
| Increase (decrease) in customer security deposits | 310 | 390 |
| Increase (decrease) in accounts payable and accrued expenses | <u>(3,925)</u> | <u>(5,165)</u> |
| Net cash provided by operating activities | <u>\$ 108,960</u> | <u>\$ 99,628</u> |

The Notes to the Financial Statements are and integral part of this statement.

Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012

NOTE 1 – DESCRIPTION OF ENTITY

Description of Operations

The Black Canyon City Water Improvement District (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 to customers in the Black Canyon City Water Improvement District, Arizona. It is governed by a Board of Directors elected from within the District.

Reporting Entity

In accordance with the Governmental Accounting Standards Board (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 Accounting and Measurement Focus

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.

Measurement Focus

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 on the Statement of Net Position. Net fund position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted, and unrestricted components.

Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Accounts receivable represent amounts billed for services and are unsecured.

Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus (continued)

Deferred revenue when presented represents prepaid water fees that have been collected for water services not yet provided by the District.

Operating revenues are those revenues that are generated from the primary operations of the District. All other revenues are considered non-operating.

Net Fund Position

Net fund position comprises of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components.

Net investment in capital assets: This component of net fund position 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: 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.

When expenses are incurred for purposes for which both restricted and unrestricted assets are available, the District's policy is to apply restricted assets first.

Cash

For purpose of the Statement 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.

Generally, the state statutes allow investments in certain certificates of deposit, interest-bearing savings accounts in qualified banks and savings and loan institutions, repurchase agreements with maximum maturity of thirty days, and pooled investment funds established by the state treasurer. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 101% of all deposits not covered by federal depository insurance.

A portion of the District's monies are under the direct supervision of the Yavapai County (County) Treasurer's Office, which has the fiduciary responsibility to administer all monies held in the County Treasury. The treasurer invests in the Local Government Investment Pool on a pooled cash basis. Interest earned from investments purchased with such pooled monies is allocated quarterly to each of the funds based on the average month-end cash balances. For additional information on cash and investments, see the Yavapai County Financial Statements for the years ended June 30, 2013 and 2012.

Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash (continued)

A. Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to Yavapai County's (County) governance of Special Districts. The County requires that the District hold a significant portion of its deposits in pooled County funds.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District does not participate in investment transactions and does not have a formal policy for credit risk, nor does it have invested funds.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair value of an investment. The District does not participate in debt investment and does not have a formal policy for interest rate risk.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not participate in investment transactions and does not have a formal policy for concentration of credit risk.

Supplies Inventory

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost or estimated historical cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment and tools costing over \$1,000 and with a useful life of more than one year are capitalized. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of depreciable assets are:

| | <u>Estimated Useful Lives</u> |
|-----------------------------|-------------------------------|
| Water distribution | 20 years |
| Vehicles | 5 years |
| Office equipment | 5-7 years |
| Capital improvements office | 15 years |

Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) 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.

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to May 1 of each year, the District submits to the Water Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local taxpayers.
- c. Arizona statutes require that on or before the third Monday in July of each fiscal year, the District Board must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget must be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August.
- d. The level of control for each legally adopted annual budget is at the total budget level.
- e. Unused appropriations for the above annually budgeted funds lapse as of June 30. The District does not use encumbrance accounting.

Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year's data may have been reclassified in order to be consistent with current year's presentation.

NOTE 3 – CASH AND RESTRICTED CASH

Deposits

The carrying amount of the District's deposits for June 30, 2013 and 2012, totaled \$317,031 and \$210,054, respectively. The bank balance at June 30, 2013 and 2012, totaled \$317,869 and \$220,107, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The majorities of the District's funds are on deposit with Yavapai County (County) and are included in the County's Investment Trust Fund. Additional information regarding county policies can be reviewed in the County's Audited Financial Statement for the current year.

**Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012**

NOTE 3 – CASH AND RESTRICTED CASH (continued)

Restricted Cash

Restricted cash requirements for customer security deposits totaled \$43,125 and \$42,815, for the years ended June 30, 2013 and 2012, 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 solely for future development of the District. The total proceeds from impact and development fees totaled \$10,000 and \$22,500 for the fiscal years ended June 30, 2013 and 2012, respectively.

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 designated for future capital development of the District. The amount of capital fund/surcharges received totaled \$65,878 and \$115,250 for the fiscal years ended June 30, 2013 and 2012, respectively.

Capital improvement restricted cash balance of unspent impact/development and surcharge fees totaled \$73,262 and \$0 at June 30, 2013 and 2012, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 and 2012, are net of an allowance for doubtful accounts of \$1,562. 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 activity for the fiscal year ending June 30, 2013, follows:

| | Balance <u>6/30/12</u> | <u>Increase</u> | <u>Decrease</u> | Balance <u>6/30/13</u> |
|------------------------------------|---------------------------|--------------------|-----------------|---------------------------|
| Land and land rights | \$ 69,225 | \$ - | \$ - | \$ 69,225 |
| Total assets not being depreciated | <u>\$ 69,225</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 69,225</u> |
| Depreciable assets: | | | | |
| Water plant | 2,793,804 | 2,617 | - | 2,796,421 |
| Other equipment | 73,197 | - | - | 73,197 |
| Office equipment | 17,188 | - | - | 17,188 |
| Total assets being depreciated | <u>2,884,189</u> | <u>2,617</u> | <u>-</u> | <u>2,886,806</u> |
| Less accumulated depreciation: | | | | |
| Water plants | (1,701,671) | (88,841) | - | (1,790,512) |
| Other equipment | (31,834) | (7,943) | - | (39,777) |
| Office equipment | (12,808) | (855) | - | (13,663) |
| Total accumulated depreciation | <u>(1,746,313)</u> | <u>(97,639)</u> | <u>-</u> | <u>(1,843,952)</u> |
| Total property plant and equip | <u>\$ 1,207,101</u> | <u>\$ (95,022)</u> | <u>\$ -</u> | <u>\$ 1,112,079</u> |

**Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012**

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense for the fiscal years ended June 30, 2013 and 2012, totaled \$97,639 and \$97,556, respectively.

NOTE 6– COMMITMENTS/CONTINGENT LIABILITIES

During the year ended June 30, 2001, the Water District entered into an agreement with the Black Canyon City 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.

On February 18, 2010, the District entered into an agreement with an independent management firm to manage the District’s operations for a term of four years beginning July 26, 2010. The agreement includes monthly payments of \$15,000 for services of up to 850 customer services billed. Additional services over 850 will be billed at a rate of \$11.00 per customer. Total management service payments for the year ended June 30, 2013 and 2012, totaled \$180,000, respectively. In July of 2012 the District Board motioned to extend the management agreement through June 30, 2017. Minimum annual payments due on the agreement are as follows at June 30:

| <u>Year Ended</u> | <u>Amount</u> |
|--|-------------------|
| 2014 | 180,000 |
| 2015 | 180,000 |
| 2016 | 180,000 |
| 2017 | 180,000 |
| Total remaining liability at June 30, 2013 | <u>\$ 720,000</u> |

In April of 2013 the District entered into a contract with a construction company for completion of the District’s I17 boring project. The total commitment by the District is \$73,400 with terms of 25% due at start of work, 35% due at completion of boring, 30% due upon completion of project, and the remaining 10% due thirty days after total completion date. Work began in July of 2013, and a total of \$45,140 has been paid on the contract subsequent to June 30, 2013.

NOTE 7– OPERATING LEASE

During the year ended June 30, 2002, due to 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 District’s Big John Well, development costs for power and connection to existing mains were reduced. The lease may be canceled by the lessor with 30 days notice if certain restrictions are violated. All improvements within the fenced well site 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.

Black Canyon City Water Improvement District
Notes to the Financial Statements
June 30, 2013 and 2012

NOTE 7– OPERATING LEASE (continued)

Summary of payments due years ending:

| | | |
|---|----|------------------------|
| 2014 | \$ | 600 |
| 2015 | | 600 |
| 2016 | | 600 |
| 2017 | | 600 |
| 2018 | | 600 |
| Thereafter | | <u>2,400</u> |
| Total lease commitment at June 30, 2013 | | <u><u>\$ 5,400</u></u> |

Annual lease payments for the years ended June 30, 2013 and 2012, totaled \$600 per year.

NOTE 8– RELATED PARTY TRANSACTIONS

During the year ended June 30, 2013, the District sold water to Board members and management of the District in the normal course of business at the rates established for all water customers.

NOTE 9– 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.

NOTE 10– COMMITMENTS AND CONTINGENCIES

The District enters into operating agreements in the conduct of its day-to-day operations to provide for facilities and/or services. None of these operating agreements are considered to be significant commitments.

NOTE 11– SUBSEQUENT EVENTS

Management of the District has evaluated events and transactions subsequent to June 30, 2013, for potential recognition or disclosure in the financial statements. The District had no subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2013. Subsequent events have been evaluated through October 2, 2013, which is the date the financial statements were available to be issued.