

Black Canyon City Water Improvement District

Financial Statements

Fiscal Years Ended June 30, 2020 and 2019

Black Canyon City Water Improvement District
Financial Statements
Years Ended June 30, 2020 and 2019

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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, 2020 and 2019. This information is presented in conjunction with the audited basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2020

- The District's net position increased by 1.1%
- Operating revenues increased by 4.6%
- Other operating expenses increased by 9.2%

The Board continues its strategy of improving the District while controlling costs for all Owner/Users within the District and has historically taken great efforts to be pro-active in preventative maintenance. 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 Board helps to eliminate high costs associated with interest-bearing loans. Accumulated reserves plus current capital improvement revenues have funded these projects historically, keeping the District debt free. Re-piping the aging infrastructure is only a part of the capital improvements needing consideration and will be spread out over a number of years in the Proposed 10-Year Capital Improvements Plan. Funds have been accumulated through an Impact Fee for new services plus a monthly billing to all customers.

The District approved the following capital improvement projects during the current fiscal year ended June 30, 2020: 1) Vladimir/Thalhoefer main line project \$93,400; 2) Big John Pumps \$22,310; and new GOA Well #3 \$52,500

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 that 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, 2020 and 2019. 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, expenses and changes in fund net position provide an indication of the District's financial condition and also identifies whether 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 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, 2020 AND 2019

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

	Table 1 Condensed Statement of Net Position As of June 30, 2020 and 2019			
	June 30, 20	June 30, 19	\$ Change	% Change
Total current and other assets	395,661	366,914	28,747	7.8%
Capital assets, net	1,276,659	1,274,312	2,347	0.2%
Total assets	1,672,320	1,641,226	31,094	1.9%
Current liabilities	61,578	48,592	12,986	26.7%
Total liabilities	61,578	48,592	12,986	26.7%
Net investments in capital assets	1,276,659	1,274,312	2,347	0.2%
Restricted	-	-	-	-%
Unrestricted	334,083	318,323	15,760	5.0%
Total net position	1,610,742	1,592,635	18,107	1.1%

Total assets increased by \$31,094 or 1.9% during the fiscal year ended June 30, 2020.

Table 1 also indicates that the District's total net position increased by \$18,107 or 1.1% for the fiscal year ended June 30, 2020.

REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION COMPARISON OF JUNE 30, 2020 AND 2019

A condensed statement of revenues, expenses, and changes in fund net position is presented in Table 2:

	June 30, 20	June 30, 19	\$ Change	% Change
Operating revenues	497,440	475,668	21,772	4.6%
Non-operating revenues	4,303	5,785	(1,482)	-25.6%
Total revenues	501,743	481,453	20,290	4.2%
Depreciation expense	160,798	139,144	21,654	15.6%
Other operating expenses	317,789	290,912	26,877	9.2%
Non-operating expense	5,049	54,363	(49,314)	-90.7%
Total expenses	483,636	484,419	(783)	-.2%
Change in net position	18,107	(2,966)	21,073	-710.5%
Beginning net position	1,592,635	1,595,601	(2,966)	-0.2%
Ending net position	1,610,742	1,592,635	18,107	1.1%

The statement of revenues, expenses, and changes in fund net position identifies the various revenue and expense items that affect the change in net position. As the information in Table 2 indicates, the District's net position at June 30, 2020, was \$1,610,742.

Operating revenues increased by \$21,772 in the fiscal year ended June 30, 2020. The increase is due in part to increased water sales of over 4-million gallons over the prior year.

Total expenses decreased by \$783 in the fiscal year ended June 30, 2020. The decrease was due to the loss of disposition of assets in prior years offset by higher operating expenses associated with unexpected outside services of \$12,000 for fire perimeter at a 2+ acre well site and generator service at all sites; and well repairs/maintenance.

CAPITAL ASSETS

Total capital assets increased by \$2,347 in the current fiscal year, this was due to capital improvements to the system including Vladimir/Thalhoefer main line project, Big John pumps, and a new GOA Well #3. These improvements were offset by depreciation of new and existing capital improvements.

LONG-TERM DEBT

The District did not have any long-term debt in the fiscal years ended June, 30, 2020 and 2019.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Tiered water rates were implemented a number of years ago at the recommendation of ADEQ to encourage conservation efforts. Heavily tiered water sales rates have proven to be successful for conservation with a decrease in overall consumption within the District. The reduced consumption, however, has a negative effect on finances. This fiscal year we experienced an increase in water sales but still falls short of record highs from years ago. Conservation is still of great importance.

The District's 10-Year Capital Improvement Plan outlines a number of infrastructure projects. As some of the District's piping is over fifty years old, and recognizing the District's reluctance to use taxation or debt funding, the accumulation of capital investment monies to fund future distribution system problems is not only necessary but is expected to be ongoing. The annual budgets need to strive to fund approximately \$100,000 a year to meet the needs of the 10-Year Plan.

A water system is comprised of many components- miles of main lines for distribution, wells, tanks, boosters, equipment for arsenic removal, chlorination equipment, just to name some. All equipment has a 'useful' life and over time needs extensive repairs or replacement.

Additional engineering costs will be incurred in the next fiscal year for the new GOA #3 Well before we can place it in service. We will also budget an additional cost for annual generator maintenance. New Capital Improvement Projects will be reviewed by the Board for consideration.

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.

The physical address is 34501 South Old Black Canyon Highway, #6; Telephone 623-374-9408. Website: bccwid.org



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Black Canyon City Water Improvement District (District) as of and for the years ended June 30, 2020 and 2019, 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 opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black Canyon City Water Improvement District, as of June 30, 2020 and 2019, and the changes in financial position and cash flows 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 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.

Alex Cohan, CPA

Prescott Valley, AZ
November 6, 2020

Black Canyon City Water Improvement District
Statements of Net Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 249,761	\$ 241,378
Accounts receivable (net of allowance for uncollectible accounts of \$2,677, respectively)	47,506	26,299
Supplies inventory	<u>52,144</u>	<u>52,910</u>
Total current assets	349,411	320,587
Other assets		
Security deposit	-	337
Restricted cash and cash equivalents	<u>46,250</u>	<u>45,990</u>
Total current and other assets	<u>395,661</u>	<u>366,914</u>
Capital assets		
Nondepreciable capital assets		
Land and land rights	69,225	69,225
Construction in process	52,491	-
Depreciable capital assets		
Property, plant and equipment (net of accumulated depreciation of \$2,594,774 and \$2,436,901, respectively)	<u>1,154,943</u>	<u>1,205,087</u>
Total capital assets	<u>1,276,659</u>	<u>1,274,312</u>
Total assets	<u><u>\$ 1,672,320</u></u>	<u><u>\$ 1,641,226</u></u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	-	-
Accrued expenses	3,125	2,601
Customer security deposits	46,300	45,990
Deferred revenue	<u>12,153</u>	<u>-</u>
Total current liabilities	<u>61,578</u>	<u>48,591</u>
Total liabilities	<u>61,578</u>	<u>48,591</u>
Net position		
Net investment in capital assets	1,276,659	1,274,312
Unrestricted	<u>334,083</u>	<u>318,323</u>
Total net position	<u>1,610,742</u>	<u>1,592,635</u>
Total liabilities and net position	<u><u>\$ 1,672,320</u></u>	<u><u>\$ 1,641,226</u></u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Water sales	\$ 361,532	\$ 345,087
Surcharge fees	90,052	84,616
Impact fees	17,500	20,000
Water maintenance fees and other revenue	<u>28,356</u>	<u>25,965</u>
Total operating revenues	<u>497,440</u>	<u>475,668</u>
Operating expenses		
Advertising	141	171
Depreciation	160,798	139,144
Insurance	12,389	13,631
Licenses and permits	301	510
Management services	205,607	205,200
Office expenses	3,413	3,797
Outside services	18,090	5,374
Professional fees	6,000	6,634
Supplies, repairs and testing	48,074	31,398
Utility expense - pumps	23,174	23,597
Well and right of way lease	<u>600</u>	<u>600</u>
Total operating expenses	<u>478,587</u>	<u>430,056</u>
Net operating change	<u>18,853</u>	<u>45,612</u>
Nonoperating revenues		
Interest income	4,303	5,785
Loss on disposition of asset	<u>(5,049)</u>	<u>(54,363)</u>
Net Nonoperating change	<u>(746)</u>	<u>(48,578)</u>
Change in net position	18,107	(2,966)
Net position beginning of year	<u>1,592,635</u>	<u>1,595,601</u>
Net position end of year	<u><u>\$ 1,610,742</u></u>	<u><u>\$ 1,592,635</u></u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Cash received from customer water sales	\$ 351,859	\$ 349,293
Cash received from other water charges	136,838	133,756
Cash payments for contract services	(205,607)	(205,200)
Cash payments for water system operations	(107,003)	(139,146)
Cash payments for administration	<u>(3,554)</u>	<u>(3,966)</u>
Net change in cash from operating activities	<u>172,533</u>	<u>134,737</u>
<u>Cash flows from capital and related financing activities</u>		
Purchase of fixed assets of capital assets	<u>(168,193)</u>	<u>(324,195)</u>
Net change in cash from capital and related financing activities	<u>(168,193)</u>	<u>(324,195)</u>
<u>Cash flows from investing activities</u>		
Interest on investments	<u>4,303</u>	<u>5,785</u>
Net change in cash from investing activities	<u>4,303</u>	<u>5,785</u>
 Net change in cash and cash equivalents	 8,643	 (183,673)
Cash and cash equivalents at beginning of year	<u>287,368</u>	<u>471,041</u>
Cash and cash equivalents at end of year	<u><u>\$ 296,011</u></u>	<u><u>\$ 287,368</u></u>
<u>Cash and cash equivalents in balance sheet</u>		
Cash and cash equivalents	\$ 249,761	\$ 241,378
Restricted cash and cash equivalents	<u>46,250</u>	<u>45,990</u>
Total cash and cash equivalents	<u><u>\$ 296,011</u></u>	<u><u>\$ 287,368</u></u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>		
Net operating change	\$ 18,853	\$ 45,612
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	160,798	139,144
(Increase) decrease in operating assets:		
Accounts receivable	(21,205)	6,831
Inventory	1,101	2,140
Increase (decrease) in operating liabilities:		
Customer security deposits	310	550
Accounts payable and accrued expenses	<u>12,676</u>	<u>(59,540)</u>
Net change in cash from operating activities	<u><u>\$ 172,533</u></u>	<u><u>\$ 134,737</u></u>

See accompanying notes to financial statements.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1 – DESCRIPTION OF ENTITY

Description of Operations

The Black Canyon City Water Improvement District (District) was established in 1986 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 Black Canyon City, Arizona. It is governed by a board of directors elected from owners/users within the District in accordance with Arizona Revised Statutes.

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 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) is segregated into invested in capital assets, net of related debt, restricted, and unrestricted components.

Proprietary-fund type operating statements present increases (i.e., revenues) and decreases (i.e., 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.

Accounts receivable represent amounts billed for services and are unsecured. All receivables are current and, therefore, due within one year. Receivables are reported net of an allowance for uncollectible amounts. Allowances are reported when accounts are proven to be uncollectible.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

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 is comprised 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 fund position 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 fund position consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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.

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 is 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 fiscal years ended June 30, 2020 and 2019.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Governance of Special Districts. The County requires that the District hold a significant portion of its deposits in pooled county funds.

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

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 County 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.

Comparative Data and Reclassifications

Comparative data for the prior year has been presented in 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 data may have been reclassified in order to be consistent with the current year's presentation.

COVID-19 Considerations

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the District operates.

NOTE 3 – CASH AND RESTRICTED CASH

Deposits

The carrying amount of the District's deposits for June 30, 2020 and 2019, totaled \$296,011, and \$287,368, respectively. The bank balance at June 30, 2020 and 2019, totaled \$297,876, and \$290,608, respectively. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

The majority of the District's funds are on deposit with Yavapai 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 Financial Statements
June 30, 2019 and 2018

NOTE 3 – CASH AND RESTRICTED CASH (continued)

Restricted Cash

Restricted cash requirements for customer security deposits totaled \$46,250 and \$45,990 for the fiscal years ended June 30, 2020 and 2019, 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 capital improvements of the District. The total proceeds from impact and development fees totaled \$17,500 and \$20,000 for the fiscal years ended June 30, 2020 and 2019, respectively. The balance of the fund was zero at June 30, 2020 and 2019, respectively.

During the fiscal 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 or operation or maintenance as needed. This was revised by Board action during the fiscal year ended June 30, 2002, whereby the fees collected were restricted for capital improvements (capital fund) of the District. In April 2017, the Board resolved to use the surcharge fees for general operations due to pending litigation. Amounts collected prior the 2017 resolution remain restricted for capital improvements. The restricted balance was zero at June 30, 2020 and 2019, respectively. In March, 2019, the Board resolved to begin putting the Surcharge fees back in to the Capital Fund Surcharge account.

Funds collected for the general fund surcharge totaled \$0 and \$84,619 for the years ended June 30, 2020 and 2019, respectively. The balance of the fund was zero at June 30, 2020 and 2019, respectively.

Funds collected for the capital fund surcharge totaled \$90,052 and \$0 for the years ended June 30, 2020 and 2019, respectively. The balance of the fund was zero at June 30, 2020.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 and 2019, are net of an allowance for doubtful accounts of \$2,677, 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.

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 5 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment activity for the fiscal year ended June 30, 2020, follows:

	Balance 6/30/19	Increase	Decrease	Balance 6/30/20
Land and land rights	\$ 69,225	\$ -	\$ -	\$ 69,225
Construction in process	-	52,491	-	52,491
Total assets not being depreciated	<u>69,225</u>	<u>52,491</u>	<u>-</u>	<u>121,716</u>
Depreciable assets:				
Water plant	3,363,200	115,702	(7,973)	3,470,929
Other equipment	261,600	-	-	261,600
Office equipment	17,188	-	-	17,188
Total assets being depreciated	<u>3,641,988</u>	<u>115,702</u>	<u>(7,973)</u>	<u>3,749,717</u>
Less accumulated depreciation:				
Water plants	(2,372,933)	(116,952)	2,924	(2,486,961)
Other equipment	(46,778)	(43,846)	-	(90,625)
Office equipment	(17,188)	-	-	(17,188)
Total accumulated depreciation	<u>(2,436,901)</u>	<u>(160,798)</u>	<u>2,924</u>	<u>(2,594,774)</u>
Total property plant and equip	<u>\$ 1,274,312</u>	<u>\$ 7,395</u>	<u>\$ (5,049)</u>	<u>\$ 1,276,659</u>

Depreciation expense for the fiscal years ended June 30, 2020 and 2019, totaled \$160,798, and \$139,144, respectively.

NOTE 6–CONTINGENT LIABILITIES

During the fiscal 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. In July of 2012 the District Board moved to extend the management agreement through June 30, 2017. In July 2017, the agreement was again extended for five years. The agreement includes monthly payments of \$17,100 for 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 fiscal years ended June 30, 2020 and 2019, totaled \$205,607 and \$205,200, respectively. Minimum annual payments due on the agreement are as follows at June 30:

<u>Fiscal year ended</u>	<u>Amount</u>
2021	\$ 205,200
2022	205,200
Total	<u>\$ 410,400</u>

Black Canyon City Water Improvement District
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 7– OPERATING LEASE

During the fiscal 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.

Summary of payments due fiscal years ending:

2021	\$ 600
2022	<u>600</u>
Total lease	<u>\$ 1,200</u>

Annual lease payments for the fiscal years ended June 30, 2020 and 2019, totaled \$600, respectively.

NOTE 8– RELATED PARTY TRANSACTIONS

During the fiscal years ended June 30, 2020 and 2019, 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, 2020, 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 fiscal year ended June 30, 2020. Subsequent events have been evaluated through November 6, 2020, which is the date the financial statements were available to be issued.