

**Black Canyon City Water  
Improvement District  
Financial Statements  
For the year ended June 30, 2023**

**Black Canyon City Water Improvement District**  
**TABLE OF CONTENTS**  
**For the year ended June 30, 2023**

Independent Auditors' Report.....1 - 2

Management's Discussion and Analysis (Required Supplementary Information).....3 - 8

**BASIC FINANCIAL STATEMENTS**

Statement of Net Position.....10

Statement of Revenues, Expenditures and Changes in Net Position.....11

Statement of Cash Flows.....12

Notes to the Basic Financial Statements.....13 -18



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of Black Canyon City Water Improvement District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the District's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Black Canyon City Water Improvement District as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Black Canyon City Water Improvement District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management 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. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Canyon City Water Improvement District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures, include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Black Canyon City Water Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Canyon City Water Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (required supplementary information), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue our report dated April 30, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Black Canyon City Water Improvement District's internal control over financial reporting and compliance.

*SC Audit & Accounting Solutions, LLC*

Prescott, Arizona  
April 30, 2024

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Required Supplementary Information)**

**Black Canyon City Water Improvement District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the year ended June 30, 2023**

As management of the Black Canyon City Water Improvement District (the District), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. This discussion and analysis is designed to focus on the significant financial issues and activities of the District as well as to identify any significant changes in the District's financial position. We encourage readers to consider the information presented here in conjunction with the audited financial statements as a whole, which follow this narrative. The discussion and analysis that follows will reflect the most recent fiscal year with both current year events and comparisons to the preceding fiscal year.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$1,820,841 (net position). Of this amount, \$566,617 (unrestricted net assets) may be used to meet the District's ongoing obligations to owner/users, and further the purpose of the District. The remaining balance of \$1,254,224 is invested in capital assets.

As of the close of the current fiscal year, the District reported a total ending net position of \$1,820,841, an increase of \$61,260 from the prior year. Of this amount, \$566,617 or 31%, is available for spending at the District's discretion (unrestricted fund balance).

- The District's total net position increased by \$61,260 or 3.48%.
- The District's operating revenues increased by \$10,796 or 1.90%
- The District's total expenses increased by \$37,061 or 7.52%.

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 project during the current fiscal year ended June 30, 2023: Arsenic Media Replacement for approximately \$52,000.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic 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).

**Black Canyon City Water Improvement District  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the year ended June 30, 2023**

The *Statement of Revenues, Expenses and Changes in Net Position* identifies the District's revenues and expenses for the fiscal year ended June 30, 2023. 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 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.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Financial Analysis of the District**

The following table presents a comparison of the District's net position for the fiscal years ended June 30, 2023 and June 30, 2022:

**Black Canyon City Water Improvement District's Condensed Statement of Net Position**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>\$ Change</u>	<u>% Change</u>
Cash and cash equivalents	\$ 572,755	\$ 445,282	\$ 127,473	28.63 %
Other assets	74,983	74,833	150	0.20 %
Capital assets, net	<u>1,254,224</u>	<u>1,291,439</u>	<u>(37,215)</u>	(2.88)%
Total assets	<u>1,901,962</u>	<u>1,811,554</u>	<u>90,408</u>	4.99 %
Total current liabilities	<u>81,121</u>	<u>51,973</u>	<u>29,148</u>	56.08 %
Net investment in capital assets	1,254,224	1,291,439	(37,215)	(2.88)%
Unrestricted	<u>566,617</u>	<u>468,142</u>	<u>98,475</u>	21.04 %
Total Net Position	<u>\$ 1,820,841</u>	<u>\$ 1,759,581</u>	<u>\$ 61,260</u>	3.48 %

Total assets increased by \$90,408 or 4.99% during the fiscal year ended June 30, 2023.

As noted earlier, net assets may serve over time as one useful indicator of the District's financial condition. The assets of the District exceeded liabilities by \$1,820,841 as of June 30, 2023. The District's net position increased by \$61,260 or 3.48% during the fiscal year ended June 30, 2023.

The following table presents a comparison of the District's condensed statement of revenues, expenses and changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022:

**Black Canyon City Water Improvement District  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the year ended June 30, 2023**

**Black Canyon City Water Improvement District's Condensed Statement of Revenues, Expenses and Changes in Net Position**

	June 30, 2023	June 30, 2022	\$ Change	% Change
Operating revenues	\$ 579,425	\$ 568,629	\$ 10,796	1.90 %
Non-operating revenues	<u>11,558</u>	<u>840</u>	<u>10,718</u>	1,275.95 %
Total revenues	<u>590,983</u>	<u>569,469</u>	<u>21,514</u>	3.78 %
Depreciation expense	163,651	173,265	(9,614)	(5.55)%
Other operating expenses	<u>366,072</u>	<u>319,397</u>	<u>46,675</u>	14.61 %
Total expenses	<u>529,723</u>	<u>492,662</u>	<u>37,061</u>	7.52 %
Increase (decrease) in net position	61,260	76,807	(15,547)	(20.24)%
Net position - beginning	<u>1,759,581</u>	<u>1,682,774</u>	<u>76,807</u>	4.56 %
Net position - ending	<u>\$ 1,820,841</u>	<u>\$ 1,759,581</u>	<u>\$ 61,260</u>	3.48 %

The statement of revenues, expenses, and changes in net position identifies the various revenue and expense items that affect the change in net position. As the information in this table indicates, the District's net position as of June 30, 2023 was \$1,820,841.

Operating revenues increased by \$10,796 in the fiscal year ended June 30, 2023. The increase is due in part to an increase in water rates.

Total expenses increased by \$37,061. The increase was due in part to general increases in operating expenses.

**Capital Assets**

The net investment in capital assets decreased by \$37,215. This decrease was due in part by the 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, 2023 and 2022.

**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 total water sales.



**Black Canyon City Water Improvement District  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the year ended June 30, 2023**

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, the accumulation of capital investment monies to fund future distribution system challenges 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, and other elements. All equipment has a "useful" life and over time needs extensive repairs or replacement.

**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 any questions concerning any of the information found 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: <https://bccwid.org>.

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**BASIC  
FINANCIAL  
STATEMENTS**

**Black Canyon City Water Improvement District**  
**STATEMENT OF NET POSITION**  
**For the year ended June 30, 2023**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 522,690
Accounts receivable, net	33,817
Supplies inventory	39,076

**Other assets**

Cash and cash equivalents, restricted	50,065
Prepaid expenses	<u>2,090</u>
Total current and other assets	647,738

**Capital assets**

Non-depreciable	69,225
Depreciable, net	<u>1,184,999</u>
Total assets	<u>1,901,962</u>

**LIABILITIES**

**Current liabilities**

Accounts payable	27,933
Sales tax payable	3,123
Customer security deposits	<u>50,065</u>

Total current liabilities	<u>81,121</u>
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**NET POSITION**

Net investment in capital assets	1,254,224
Unrestricted	<u>566,617</u>
Total net position	<u>\$ 1,820,841</u>

The notes to the financial statements are an integral part of this statement.

**Black Canyon City Water Improvement District**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**  
**For the year ended June 30, 2023**

**OPERATING REVENUES**

Water sales	\$ 423,858
Impact fees	15,000
Surcharge fees	99,139
Water maintenance fees and other revenue	<u>41,428</u>
Total operating revenues	579,425

**OPERATING EXPENSES**

Management services	241,830
Advertising	316
Insurance	15,565
Licenses and permits	600
Office expense	6,810
Outside services	20,916
Pumps and boosters - electric	23,312
Repairs and maintenance	46,937
Supplies and testing	9,786
Depreciation	<u>163,651</u>

Total operating expenses 529,723

Net operating change 49,702

**NON-OPERATING REVENUE**

Interest income 11,558

Total non-operating revenue 11,558

Change in net position 61,260

Net position - beginning 1,759,581

Net position - ending \$ 1,820,841

The notes to the financial statements are an integral part of this statement.

Black Canyon City Water Improvement District  
STATEMENT OF CASH FLOWS  
For the year ended June 30, 2023

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 61,260
Adjustments to reconcile change in net assets to net cash provided by (used by) operating activities:	
Depreciation	163,651
Changes in:	
Accounts receivable	(2,219)
Prepaid expenses	126
Inventory	1,943
Accounts payable	26,787
Accrued expenses	(19)
Customer deposits	<u>2,380</u>
Net cash provided by (used by) operating activities	253,909
Cash flows from investing activities:	
Purchase of property and equipment	<u>(126,436)</u>
Net cash provided by (used by) investing activities	<u>(126,436)</u>
Net change in cash	127,473
Cash and cash equivalents, beginning of year	<u>445,282</u>
Cash and cash equivalents, end of year	<u>\$ 572,755</u>

The notes to the financial statements are an integral part of this statement.

**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 1 - DESCRIPTION OF ENTITY**

**Description of Operations**

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

**Reporting Entity**

The District is a special purpose government that a separately elected governing body governs. It is legally separate from and 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 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 accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Basis of 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.

**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 recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows.

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.

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

**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**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.

*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 and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes 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 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 year ended June 30, 2023.

Custodial credit risk for deposits is the risk that, in the event of a failure of the counterparty to a transaction, 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 to repair the water system that are recorded when purchased and expensed when used. Supplies inventory is recorded at cost.



**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**Prepaid items**

Certain payments to vendors reflect costs applicable to future periods and may be recorded as prepaid items in the financial statements.

**Capital assets**

The District's capital assets, which include land, building improvements, furniture, vehicles, equipment, construction in progress and the water distribution system 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 expensed 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.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Type of asset</u>	<u>Estimated Useful Lives</u>
Building improvements	15 years
Water distribution system	20 years
Furniture, vehicles and equipment	5 - 7 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 amounts may differ from such estimates.

**Budgets and budgetary accounting**

The District is required, under Arizona Revised Statutes, to prepare and adopt a budget each fiscal year in a manner consistent with the annual financial statements. The budget must be submitted to the county treasurer and the county board of supervisors no later than July 10 of each year. The budgeting process also includes publishing a summary of the estimates of revenues and expenses that includes the addresses of libraries and of websites where the complete copy of the estimates of revenues and expenses can be found, and posting the complete estimate on the District's website.

**NOTE 3 - CASH AND RESTRICTED CASH**

As of June 30, 2023 the District had \$556,665 on deposit with the Yavapai County Treasurer's investment pool (YCTIP). As of June 30, 2023 the District held \$16,090 in a local financial institution.

**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

The Yavapai County Treasurer invests the cash in a pool under policy guidelines established by the County. The County accounts for the investment pool in their Fiduciary Investment Trust Fund. Credit risk, concentration of credit risk, and interest rate risk regarding the YCTIP is included in the Annual Comprehensive Financial Report of Yavapai County. The fair value of each participant's position in the YCTIP approximates the value of the participant's shares in the pool.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP); interest bearing savings accounts, certificates of deposit; United States Treasury Bills, notes or bonds which have a maturity date of not more than one year and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral. The District has no investment policy that would further limit its investment choices. The Yavapai County Treasurer's investment pool is an external investment pool with no regulatory oversight. The YCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2023 the YCTIP had not received a credit quality rating from a national rating agency.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The District does not have a formal policy for custodial credit. However, all investments are held in safekeeping by Yavapai County in the District's name.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal policy for concentration of credit risk.

**Restricted Cash.** Restricted cash requirements for customer security deposits totaled \$50,065.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2023 are net of an allowance for doubtful accounts of \$2,677. 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 the accounts are delinquent.

**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

**NOTE 5 - CAPITAL ASSETS**

Capital asset (plant, property and equipment) activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and land rights	\$ 69,225	\$ -	\$ -	\$ 69,225
Construction in progress	66,921	-	(66,921)	-
Total assets not being depreciated	136,146	-	(66,921)	69,225
Depreciable assets:				
Water plant	3,807,118	112,167	-	3,919,285
Other equipment	261,600	81,190	(48,864)	293,926
Office equipment	17,188	-	-	17,188
Total depreciable assets	4,085,906	193,357	(48,864)	4,230,399
Total capital assets	4,222,052	193,357	(115,785)	4,299,624
Less accumulated depreciation	(2,930,612)	(163,651)	48,864	(3,045,400)
Total capital assets, net	<u>\$ 1,291,440</u>	<u>\$ 29,706</u>	<u>\$ (66,921)</u>	<u>\$ 1,254,224</u>

Depreciation expense for the period was \$163,650.

**NOTE 6 - CONTINGENT LIABILITIES**

During the fiscal year ended June 30, 2001, the 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 District for the tank was \$85,000. The agreement included the sale of the tank site by the District to the School District for \$1.00 and the subsequent lease of the tank site by the District at \$1.00 per year for 75 years with an option to purchase the tank site for \$1.00. The District is responsible for all repairs, operations, 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 Board moved to extend the management agreement through June 30, 2017. In July 2017 the agreement was again extended for five years. In February, 2022 the Board approved additional extensions of the agreement until July 25, 2023 for office management and until July 25, 2027 for the field/operations management. The agreement includes monthly base payments between \$12,184 and \$20,250 for up to 850 customers who are billed for water services. Additional customers (over 850) will be billed at a rate of \$11.00 per customer.

Total management service payments for the year ended June 30, 2023 totaled \$241,830.

**Black Canyon City Water Improvement District**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended June 30, 2023**

Future minimum payments due under this agreement are as follows:

	<u>Amount</u>
Year ending June 30, 2024	\$ 243,000
Year ending June 30, 2025	146,208
Year ending June 30, 2026	146,208
Year ending June 30, 2027	146,208
Year ending June 30, 2028	<u>12,184</u>
Total	<u>\$ 693,808</u>

**NOTE 7 - RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 30, 2023, the District sold water to board members of the District in the normal course of business at the rates established for all water customers.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**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.

**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 insurance coverage.

**NOTE 9 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events and transactions subsequent to June 30, 2023 for potential recognition or disclosure in the financial statements. On February 27, 2024 the District's governing board approved a resolution to enter into a loan agreement with the Water Infrastructure Finance Authority of Arizona. The loan in the amount of \$466,300 includes debt forgiveness of \$320,650 and is for the Big John #3 Well Project to improve the water plant. Subsequent events have been evaluated through April 30, 2024, which is the date the financial statements were available to be issued.