

**ICR SANITARY DISTRICT**  
**AUDIT REPORT**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

**ICR Sanitary District  
Financial Statements  
Years Ended June 30, 2024 and 2023**

**Contents**

Management's Discussion and Analysis .....i-v

Independent Accountant's Auditor Report .....1-2

**General Purpose Financial Statements:**

Statements of Net Position ..... 3

Statements of Revenues, Expenses, and Changes in Net Position ..... 4

Statements of Cash Flows ..... 5

Notes to Financial Statements .....6-13

## **ICR SANITARY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the ICR Sanitary District's (the "District") Annual Financial Report presents an analysis of the District's financial performance during the fiscal years ended June 30, 2024 and 2023. This information is presented in conjunction with the reviewed basic financial statements that follow this section.

### **HISTORY AND BACKGROUND**

The District was established December 11, 1995, as a special district under provisions of Arizona Revised Statutes Title 48. The District operates and maintains the wastewater treatment plant for the Inscription Canyon Ranch, Whispering Canyon, Preserve at the Ranch, and Talking Rock Ranch developments in Yavapai County, Arizona, under the direction of an elected three-member board of directors.

### **FINANCIAL HIGHLIGHTS FOR THE FISCAL YEAR 2024**

- The District's net position declined by 2.78%
- Operating revenues increased by 18.96 %
- Operating expenses increased by 27.48 %

The District uses fund accounting to record operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. Therefore, its financial statements are designed to provide the reader with a broad overview of the District's finances in a manner similar to a private-sector business.

The primary source of revenue for the District is the ad valorem tax on property owners of the District, as well as quarterly billed user fees.

During the year ending June 30, 2024, the District received a \$3.4 million dollar loan from the Water Infrastructure Financing Authority at 2.9325% that will be paid off over 25 years starting in Fiscal Year 2024. The payments for FY 2024 could be as much as \$170,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of the following two parts: Management's 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 net position identifies the District's revenues and expenses for the fiscal years ended June 30, 2024 and 2023. This statement informs the reader of the District's operations over the past years 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 statement of revenues, expenses, and changes in net position provide an indication of the District's financial condition and also identifies if the financial condition of the District has improved during the last two fiscal years. An increase in the District's net position over time typically indicates an improvement in financial condition.

## USING THE BASIC FINANCIAL STATEMENTS (continued)

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 equivalent balances 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.

## NET POSITION COMPARISON OF JUNE 30, 2024 and 2023

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, 2024 and 2023**

	6.30.24	6.30.23	\$ Change	% Change
Total Current and other assets	\$ 1,841,422	\$ 1,331,676	\$ 509,746	38.28%
Capital Assets, net	9,541,123	5,684,647	3,856,476	67.84%
Total Assets	11,382,545	7,016,323	4,366,222	75.56%
Long-term debt outstanding	\$ 7,876,858	\$ 3,619,411	\$ 4,257,447	117.63%
Other Liabilities	260,988	97,381	163,607	168.01%
Total Liabilities	8,137,846	3,716,792	4,421,054	118.95%
Capital Assets, net of related debt	1,423,904	2,003,834	(579,930)	-28.94%
Restricted	597,205	545,410	51,795	9.50%
Unrestricted	1,223,590	788,277	435,313	55.22%
Total net position	\$ 3,244,699	\$ 3,337,521	\$ (92,822)	-2.78%

Total assets increased to \$4,366,22 or 75.56% during the fiscal year ended June 30, 2024. The increase is attributed to an increase in revenue and cash reserves from expansion of the plant.

Total liabilities reflect an overall increase of \$4,421,054 or 118.95%. The increase is reflective of increase in debt and decrease of accounts payable and accrued liability in the fiscal year June 30, 2024.

Table 1 also indicates that total net position decreased by \$92,822 or 2.78%, attributable to a prior year adjustment from net position to long-term debt.

## REVENUES, EXPENSES, AND CHANGES IN NET POSITION COMPARISON OF JUNE 30, 2024 and 2023

A summary of the District's statement of revenues, expense, and changes in net position is presented in Table 2:

**Table 2**  
**Condensed Statement of Revenues,**  
**Expenses and Changes in Net Position**  
**As of June 30, 2024 and 2023**

	6.30.24	6.30.23	\$ Change	% Change
Operating Revenues	\$ 1,009,885	\$ 848,951	\$ 160,934	18.96%
Non-Operating Revenues	50,129	26,994	23,135	85.70%
Total Revenues	1,060,014	875,945	184,069	21.01%
Depreciation Expense	\$ 151,662	\$ 145,251	\$ 6,411	4.41%
Other Operating Expenses	552,112	406,832	145,280	35.71%
Total Expenses	703,774	552,083	151,691	27.48%
Changes in Net Position	356,240	323,862	32,378	10.00%
Adjustment from Net Assets to Loan Payable	(449,062)	-	(449,062)	-100.00%
Net Position Beginning	3,337,521	3,013,659	323,862	10.75%
Net Position Ending	\$ 3,244,699	\$ 3,337,521	\$ (92,822)	-2.78%

The statement of revenues, expenses, and changes in net position identifies the various revenue and expense items that affect the change in the District's net position. As the information in Table 2 indicates, total net position at June 30, 2024, was \$2,942,156.

Total revenues increased by \$184,069 in 2024. Operating revenues increased by \$160,934 or 18.96%. This was due to an increase in ad valorem taxes. Non-operating revenues increased by \$23,135 as interest income increased.

Total expenses increased by \$151,691 or 27.48% in the current fiscal year ended June 30, 2024. The increase is attributed to an increase in sewer system operations.

### CAPITAL ASSETS

Capital assets of the District are those assets that are used in the performance of the District's functions including infrastructure assets. At June 30, 2024, the District's investment in capital assets totaled \$9,238,580, which is an increase of \$3,553,993 from the prior year, which is attributable to depreciation of \$151,662 and capital asset additions of \$3,705,595.

## **LONG-TERM DEBT**

At June 30, 2024, the District had a total of \$7,876,858 in long-term debt. The debt is reflective of the District's required repayment of up to 50% of the total cost of the transferred infrastructure and plant assets as part of a prior year settlement agreement with Developers.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District approved billing User Fees in the fiscal year ending June 30, 2021. The District billed \$170,613 in User Fees in fiscal year ending June 30, 2024. The district has budgeted for Fiscal Year 2024 to pay back \$170,000 on the \$3.4 million dollar Water Infrastructure Financial Authority of Arizona Loan.

## **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 ICR Sanitary District, PO Box 1963, Prescott, AZ 86302; telephone 928-445-5606.

See independent accountant's audit report

DAVID A SNYDER CPA, PLLC  
325 South Montezuma Street  
Prescott, AZ 86303

INDEPENDENT ACCOUNTANT'S AUDIT REPORT

To the Board of Directors  
ICR Sanitary District  
Prescott, Arizona

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the ICR Sanitary District, as of and for the year ended June 30, 2024, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the ICR Sanitary District, as of June 30, 2024, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022 on our consideration of the District's internal control over financial reporting and on our tests of the District's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xi 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. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

***DAVID A SNYDER CPA, PLLC***

**Prescott Valley, Arizona**

**December 7, 2024**



**ICR Sanitary District  
Statements of Net Position  
June 30, 2024 and 2023**

ASSETS	<u>2024</u>	<u>2023</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,193,982	\$ 786,266
Fee Receivables	27,615	21,211
Other Receivables	22,620	9,097
Total Current Assets	<u>1,244,217</u>	<u>816,574</u>
Other assets		
Restricted Cash	<u>597,205</u>	<u>545,410</u>
Property Plant and Equipment		
Non depreciatble Capital Assets		
Land and Land Rights	56,000	56,000
Decommissioned Plant	877,000	877,000
Construction in Process	-	262,442
Depreciable Capital Assets		
Property, Plant, and equipment, at cost, net of accumulated depreciation of \$1,492,051 and \$1,352,385, respectively	<u>8,608,123</u>	<u>4,496,887</u>
Total Property and Equipment	<u>9,541,123</u>	<u>5,692,329</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,382,545</u></u>	<u><u>\$ 7,054,313</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 17,802	\$ 26,691
Accrued Expenses	2,825	1,606
Current portion of Santec plant and development infrastructure	<u>240,361</u>	<u>69,084</u>
Total Current Liabilities	<u>260,988</u>	<u>97,381</u>
<b>LONG-TERM LIABILITIES</b>		
Santec plant and development infrastructure repayment	<u>7,876,858</u>	<u>3,619,411</u>
Total Liabilities	<u><u>\$ 8,137,846</u></u>	<u><u>\$ 3,716,792</u></u>
<b>NET POSITION</b>		
Invested in capital Assets, net of related debt	1,423,904	2,003,834
Restricted-Plant improvements and expansion	597,205	545,410
Unrestricted	<u>1,223,590</u>	<u>788,277</u>
Total net position	<u><u>\$ 3,244,699</u></u>	<u><u>\$ 3,337,521</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 11,382,545</u></u>	<u><u>\$ 7,054,313</u></u>

See accompanying notes and independent accountant's audit report

**ICR Sanitary District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2024 and 2023**

REVENUES	2024	2023
Ad Valorem tax revenue	\$ 667,000	\$ 449,400
Inspection, transfer, and hook up fees	21,125	48,700
User Fee Income	170,610	159,315
Lot Fees	80,500	122,250
Effluent Income	68,977	67,007
Miscellaneous Other Income	1,673	2,279
Total operating revenues	1,009,885	848,951
OPERATING EXPENSES		
Administration		
Accounting	30,637	28,349
District Insurance	44,928	29,136
District Clerk	983	1,305
District Elections	-	1,324
Litigation and Attorney Fees	34,311	35,046
Meetings	545	500
Office Expense	5,827	3,186
Web Hosting	1,687	3,097
Plant Operations		
Contract Fees	74,357	78,374
Depreciation Expense	151,662	145,251
Electricity	35,481	31,578
Engineering Services	-	-
Personnel Expenses	32,341	28,240
Plant supplies and maintenance	290,101	165,916
Trash	300	240
Water	614	541
TOTAL OPERATING EXPENSES	703,774	552,083
Operating Gains (loss)	306,111	296,868
Total other Income	50,129	26,994
Change in Net Position	356,240	323,862
Adjustment from Net Assets to Loan Payable	(449,062)	
Beginning Net Position	3,337,521	3,013,659
Ending Net Position	\$ 3,244,699	\$ 3,337,521

See accompanying notes and independent accountant's review report

**ICR Sanitary District  
Statements of Cash Flows  
Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Property taxes	667,000	447,382
Cash received from other operating Income	321,285	418,703
Cash received from other income	1,673	2,279
Cash payments for Professional Services	(64,948)	(63,395)
Cash payments for Personnel Services	(32,341)	(28,240)
Cash payments for Sewer System Operations	(358,394)	(322,420)
Cash payments for Administrations	(53,970)	(38,548)
Net change in cash from Operatng Activities	<u>480,305</u>	<u>415,761</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash paid for Capital assets	(4,000,456)	(850,655)
Receipts of Long Term Debts	3,929,533	657,816
Net Change in Cash from Capital and related Financing Activities	<u>(70,923)</u>	<u>(192,839)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on Investments	50,129	31,003
Net Change in cash from Investing Activities	<u>50,129</u>	<u>31,003</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	459,511	253,925
<b>CASH BALANCE, Beginning</b>	<u>1,331,676</u>	<u>1,077,751</u>
<b>CASH BALANCE, Ending</b>	<u>\$ 1,791,187</u>	<u>\$ 1,331,676</u>
<b>Unrestricted Cash</b>	1,193,982	786,266
<b>Restricted Cash</b>	597,205	545,410
<b>Total Cash and Cash equivalents</b>	<u>\$ 1,791,187</u>	<u>\$ 1,331,676</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating gain (Loss)	\$ 356,240	\$ 292,859
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	151,662	145,251
Changes in Assets and Liabilities		
(Increase) decrease in operating activities	(19,927)	23,449
Increase (decrease) in operating accounts payable and accruals	(7,670)	(45,798)
Net Change in Cash from Operating Activities	<u>480,305</u>	<u>415,761</u>

See accompanying notes and independent accountant's audit report

**ICR Sanitary District**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 1 – Description of the District**

Description of Operations

ICR Sanitary District (the “District”) was established December 11, 1995 as a special district under the provisions of Arizona Revised Statutes Title 48. The District operates and maintains the collection system and wastewater treatment plant for the Inscription Canyon Ranch, Whispering Canyon, Preserve at the Ranch, and Talking Rock Ranch developments in Yavapai County, Arizona. The District is governed by a board of directors elected from within the District.

Reporting Entity

In accordance with the Governmental Accounting Standards Board (GASB), 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*. The reporting model requires supplementary information in the form of Management’s Discussion and Analysis and makes other changes in the presentation of the financial statements.

The District is a proprietary-fund type, specifically an enterprise fund, and is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned, and expenses are recognized when the related liability is incurred. With this measurement focus, all assets and all liabilities associated with the operation of the District are included in the statement of net position.

Net Position Balance

The District’s net position (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 (revenues) and decreases (expenses) in net total assets.

The District’s net position is comprised of the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. The District’s net position is classified in the following three components:

**ICR Sanitary District  
Notes to Financial Statements  
June 30, 2024 and 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Net Position Balance (continued)

*Invested capital assets, net of related debt:* This component of net 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 position component as the unspent proceeds.

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted balances are available, the District considers restricted funds to have been spent first.

Budgets and Budgetary Accounting

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

- A. The District submits to the Board of Supervisors and the County Treasurer 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. Yavapai County, Arizona require that on or before the third Monday in June 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 by Yavapai County must take place on or before the second Monday in August of each fiscal year.
- D. The level of control for each legally adopted annual budget is at the total budget level.
- E. Unused budget appropriations lapse as of June 30. The District does not use encumbrance accounting.
- F. The budget amounts shown in the financial statements are the final authorized amounts as amended by the District Board during the year.

Cash and Cash Equivalents

For purposes of the financial statements, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**ICR Sanitary District  
Notes to Financial Statements  
June 30, 2024 and 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Receivables

The District's receivables consist of amounts due from individual and commercial property owners within the Inscription Canyon Ranch, Whispering Canyon, Preserve at the Ranch, and Talking Rock Ranch developments in Yavapai County, Arizona. All receivables are considered due within one year and are therefore considered current. Receivable balances are tied to specific properties rather than specific customers. This process ensures that all outstanding balances are paid by current property holders. No allowance for doubtful accounts has been established by District management for customer receivables.

Property, Plant, Equipment and Depreciation

Management of the District has established a capitalization policy for capital assets with costs in excess of \$1,000 and estimated useful lives in excess of one year. Property, plant, and equipment are stated at cost as purchased or constructed or estimated historical cost. Expenditures for maintenance and repairs that do not add to the value of capital assets or materially extend the life of a capital asset are charged to operations as incurred.

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 range from five to fifty years.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues consist of those revenues that result from the ongoing principal operations of the District and consist primarily of charges for wastewater services and ad valorem tax revenues.

Operating expenses include the costs associated with the conveyance and treatment of wastewater, administrative expenses, and depreciation of capital assets.

All revenues and expenses not meeting these definitions are reported as non-operating and include revenues and expenses related to financing and investing activities and results from non-exchange transactions, special items, or ancillary activities.

Property Taxes (Ad Valorem Tax Revenues)

Ad Valorem taxes are recognized as revenues in the year for which they are levied. Property taxes are levied each year on or before the third Monday in August based on the previous January 1 full cash value as determined by the Yavapai County Assessor. Taxes are due in two equal installments on September 1 and March 1 following the levy date and become delinquent the first business day of November and May, respectively. In accordance with GASB standards, property tax revenue is recognized when an enforceable legal claim to the property tax occurs.

**ICR Sanitary District**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 2 – Summary of Significant Accounting Policies (continued)**

Use of Estimates

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

Custodial Credit Risk

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.

County regulations require the District to hold a significant portion of its deposits in pooled county funds. These monies are under the direct supervision of the Yavapai County (the “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, 2024 and 2023.

In addition to pooled county funds, the District may maintain several accounts in one commercial bank, which may, at times, exceed federally insured limits. At June 30, 2024 and 2023 the District held cash balances in excess of the FDIC insurance limit of \$938,982 and \$531,676, respectively.

Reclassifications

Certain reclassifications may have been made to the prior year financial statement presentation to correspond to the current year's format. The District's net fund position and changes in net fund position are unchanged due to these reclassifications.

**Note 3 – Cash**

Deposits

The carrying amounts of the District's deposits at June 30, 2024 and 2023 were \$1,791,187 and \$1,331,676, respectively. The bank and treasurer balances at June 30, 2024 and 2023, were \$1,827,499 and \$1,344,276 respectively. The difference between the bank and county balances and the carrying balance represent outstanding checks and deposits in transit.

In March of 2012, as part of a settlement agreement with land developers, the District is to receive fees from Developers as they sell a lot. Per the agreement, these fees are restricted for capital improvements to the District's wastewater plant. The restricted cash balance associated with these fees at June 30, 2024 and 2023 was \$597,205 and \$545,410, respectively.

**ICR Sanitary District**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 4 – Other Receivables**

The District sells treated wastewater effluent to a related party golf course located within District boundaries. The current effluent rate is \$4,000 per month for the first one million gallons delivered to the golf course, and \$1.20 for each one thousand gallons thereafter.

Additionally, per the amended and restated development agreement with Developers, the District incurs Developer expenses and then seeks reimbursement from the Developers. These costs are not District expenses.

Below is a breakdown of other receivables at June 30:

	<u>2024</u>	<u>2023</u>
Effluent	22,620	9,097

**Note 5 – Property, Plant, and Equipment**

The following is a summary of fixed assets at June 30, 2024:

Capital assets not being depreciated:				
Land and land rights	56,000			56,000
Decommissioned plant	877,000	8,652	-	885,652
Construction in process	\$ 262,442	-	(262,442)	\$ -
Total capital assets not being depreciated	<u>1,195,442</u>	<u>8,652</u>	<u>(262,442)</u>	<u>941,652</u>
Capital assets being depreciated:				
Plant	557,537		-	557,537
Plant Upgrade	822,363	-	-	822,363
Equipment	402,062		(34,105)	367,957
Infrastructure	4,067,310	3,973,812		8,041,122
Total capital assets being depreciated	<u>5,849,272</u>	<u>3,973,812</u>	<u>(34,105)</u>	<u>9,788,979</u>
Less accumulated depreciation				
Decommissioned Plant	(169,203)		-	(169,203)
Plant	(103,923)	(7,970)		(111,893)
Plant upgrade	(32,894)	(18,789)	-	(51,683)
Equipment	(151,501)	(28,728)	11,994	(168,235)
Infrastructure	(894,864)	(96,175)		(991,039)
Total Accumulated Depreciation	<u>(1,352,385)</u>	<u>(151,662)</u>	<u>11,994</u>	<u>(1,492,053)</u>
Total property plant and equip	<u>5,692,329</u>	<u>3,830,802</u>	<u>(284,553)</u>	<u>9,238,578</u>



**ICR Sanitary District  
Notes to Financial Statements  
June 30, 2024 and 2023**

**Note 5 – Property, Plant, and Equipment (continued)**

In 2005, a related party (Note 6) built a Santec plant in which wastewater is processed. When the Santec plant began operations, the District's SBR plant was decommissioned. Title to the Santec plant remained with the related party and the District operated the plant under an agreement with the related party. As part of a settlement agreement entered into by both parties in March of 2012, the title to the plant was transferred to the District in the fiscal year ended June 30, 2012, for the amount of \$885,652. In the fiscal year ended June 30, 2012, the infrastructure to transport wastewater in related party developments was transferred to the District for the amount of \$5,572,591. A note payable was established in the fiscal year ended June 30, 2013. An amendment to the amended and restated development agreement was entered into on April 10, 2014. Omitted wastewater facilities were transferred to the District in accordance with the terms of the original amended and restated development agreement (Note 9).

Total depreciation for the years ended June 30, 2024 and 2023, was \$151,662 and \$145,251, respectively

**Note 6 – Related Party Transactions**

At June 30, 2011, the District had a standing agreement with related party owners/developers (Developers) of the District. The District operated the sanitary plant in which the users of the District received service, but which was owned by the Developers. Improvements to the plant by the District were depreciated according to the District's capitalization and depreciation policy.

In 2012, the District was in dispute with the Developers regarding the operating agreement. A settlement was reached, and a new amended and restated development agreement was entered into on March 1, 2012. In the fiscal year ended June 30, 2012, title to the plant asset was transferred to the District. In the fiscal year ended June 30, 2013, title for infrastructure assets was transferred to the District in exchange for a twenty-year note payable. In the fiscal year ended June 30, 2014, it was discovered that a phase of the development was omitted from the March 1, 2012, amended and restated development agreement. An amendment to the amended and restated development agreement was entered into on April 10, 2014. The omitted wastewater facilities were transferred to the District in accordance with the terms of the original amended and restated development agreement (Notes 5 and 9).

As part of the amended and restated agreement, the District sells wastewater effluent to a developer at a rate of \$4,000 per month for the first one million gallons sold, and \$1.20 for each one thousand gallons delivered thereafter. Total effluent revenue for the fiscal years ended June 30, 2024 and 2023, totaled \$68,977 and \$67,007, respectively.

In the ordinary course of business, the District provides wastewater services to Board members of the District at the same rates established for all District customers.

**Note 7 – 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 for the last three fiscal years.

**ICR Sanitary District**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 8 – Contingencies and Litigation**

Pending Litigation

The is no pending litigation as of June 30, 2024.

**Note 9 – Long-Term Liabilities**

The terms of the Amended and Restated Development Agreement, dated March 1, 2012, require the District to repay the Developers (Note 6) up to 50% of the developer paid costs of the Wastewater treatment plant and any future wastewater collection facilities over a twenty-year period from the date of acceptance by the District. A Second Amendment to the Amended and Restated Development Agreement, dated May 27, 2022, changed the repayment to a twenty-one year and the annual payment from a calendar year to a fiscal year ending June 30. A first amendment to the Amended and Restated Development, dated June 30, 2014, added infrastructure omitted from the original Amended and Restated Development Agreement (Notes 5 and 6). The original Developer costs and remaining District repayment liability as of June 30, 2024 follow:

		Maximum Remaining Repayment Obligation	Conditional Capital Contribution Liability	Total Liability
	District Liability			
Wastewater Treatment-2012	\$ 885,652	\$ 26,649	\$ 442,826	
TR Collection Facilities-2012	4,388,591	2,194,295	2,194,295	
TR Collection Facilities-2012 (2014)	141,879	70,940	70,940	
WC Collection Facilities - 2012	1,184,000	592,000	592,000	
TRR Collection Facilities 12A2-2019	79,964	39,982	39,982	
TRR Collection Facilities Double Adobe Ext.-2020	102,033	51,017	51,016	
TRR Collection Facilities Sterling Ranch Phase 1-2020	200,384	100,192	100,192	
TRR Collection Facilities Phase 13-2020	107,007	53,504	53,503	
TRR Collection Facilities Phase 6-2021	91,742	45,871	45,871	
TRR Collection Facilities 12B-2024	302,543	151,272	151,271	
WC Collection Facilities Phase 5-2021	198,140	99,070	99,070	
WC Collection Facilities Phase 6-2021	337,668	168,834	168,834	
WC Collection Facilities Phase 7-2024	279,002	139,501	139,501	
Total Developer Cost Liabilities	<u>8,298,605</u>	<u>3,733,127</u>	<u>4,149,301</u>	7,882,428
WIFA Loan				234,791
Total Long Term Liabilities				<u>\$ 8,117,219</u>

Repayment began in 2014 at 10% the District's gross annual income including, without limitation, prior or to-be-collected ad valorem property taxes, user and availability fees, interest income, capacity fees, expansion-related fees and excluding the effluent fee paid by Talking Rock, direct costs reimbursed to the District by the developers and developer lot fees. All remaining balances at the end of the twenty-one year repayment term are forfeited by the Developers. Remaining liability balances forfeited will be recognized as contributed capital in the twenty-first year by the District. A third amendment to the Amended and Restated Development Agreement, dated August 29, 2023, Clarifies the developer repayment definition to be described above. Changes in long-term liabilities at June 30, 2024:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
WW Treatment Plant	\$ 95,719	-	(69,070)	\$ 26,649	\$ 26,549
Collection Facilities	3,592,776	4,263,003	-	7,855,779	43,812
WIFA Loan	-	238,795	(4,004)	234,791	170,000 **
Total Long Term liabilities	<u>\$ 3,688,495</u>	<u>\$ 4,501,798</u>	<u>\$ (4,004)</u>	<u>\$ 8,117,219</u>	<u>\$ 240,361</u>

\*\* The full amount of the loan (\$3,400,650) is expected to be drawn in FYE 2025

**12**  
**ICR Sanitary District**  
**Notes to Financial Statements**  
**June 30, 2024 and 2023**

**Note 10 – Subsequent Events**

Management of the District has evaluated events and transactions subsequent to June 30, 2024, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through August 26, 2024 which is the date the financial statements were available to issued.

The District contracted with Santec Corporation in fiscal year 2023 for the design and construction of a wastewater treatment plant expansion to bring total capacity to 170,00 gallons per day. The expansion is expected to be completed during fiscal year 2025 at a total cost of \$3,400,650 with financial provided by the Water Infrastructure Finance Authority of Arizona.