



FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Buckskin Sanitary District
Parker, AZ

Report on the Financial Statements

We have audited the accompanying financial statements of Buckskin Sanitary District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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

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 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 control 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, we express no such opinion. An audit also includes evaluation 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Buckskin Sanitary District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of Buckskin Sanitary District as of June 30, 2016, were audited by other auditors whose report dated February 21, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Management has not presented the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 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 the District's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
January 26, 2018

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BASIC FINANCIAL STATEMENTS

BUCKSKIN SANITARY DISTRICT
Statement of Net Position
For the Year Ended June 30, 2017
(With Comparative Totals For June 30, 2016)

	<u>6/30/2017</u>	<u>6/30/2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,658,061	\$ 823,782
Accounts receivable, net of no allowance	73,265	70,310
Intergovernmental receivable	322,423	20,686
Total current assets	<u>2,053,749</u>	<u>914,778</u>
Noncurrent assets:		
Restricted cash	634,611	686,936
Assessments receivable	2,426,303	2,677,987
Capital assets, net of accumulated depreciation	14,299,023	10,909,334
Total noncurrent assets	<u>17,359,937</u>	<u>14,274,257</u>
Total assets	<u>19,413,686</u>	<u>15,189,035</u>
Liabilities		
Current liabilities:		
Accounts payable	317,751	-
Accrued compensation and related costs	8,984	5,521
Security deposits	11,443	8,559
Accrued interest payable	77,373	68,547
Retainage payable	282,735	-
Unearned revenue	13,250	11,900
Current portion of long-term liabilities	275,599	258,047
Total current liabilities	<u>987,135</u>	<u>352,574</u>
Noncurrent liabilities:		
Long-term liabilities, less current maturities	4,341,942	2,787,842
Total noncurrent liabilities	<u>4,341,942</u>	<u>2,787,842</u>
Total liabilities	<u>5,329,077</u>	<u>3,140,416</u>
Net Position		
Net investment in capital assets	9,681,482	7,863,445
Restricted for debt service	634,611	686,936
Unrestricted	3,768,516	3,498,238
Total net position	<u>\$ 14,084,609</u>	<u>\$ 12,048,619</u>

The accompanying notes are an integral part of the financial statements.

BUCKSKIN SANITARY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017
(With Comparative Totals For June 30, 2016)

	<u>6/30/2017</u>	<u>6/30/2016</u>
Operating revenues		
User fees	\$ 405,186	\$ 412,899
Operating expenses		
Plant expenses	351,083	234,334
Laboratory expenses	8,691	9,036
Office expenses	22,769	34,639
General and administrative expenses	362,823	458,990
Depreciation	523,244	520,748
Total operating expenses	<u>1,268,610</u>	<u>1,257,747</u>
Operating income / (loss)	<u>(863,424)</u>	<u>(844,848)</u>
Non-operating revenues (expenses)		
Interest income	115,211	138,603
Ad valorem taxes	495,751	562,907
Contributions	462,648	41,948
Grant proceeds	1,463,197	-
Miscellaneous revenues (expenses)	2,377	1,822
Gain (loss) on disposal of assets	-	(8,693)
Interest expense	<u>(124,712)</u>	<u>(135,940)</u>
Total non-operating revenue (expenses)	<u>2,414,472</u>	<u>600,647</u>
Change in net position	1,551,048	(244,201)
Total net position--beginning	12,048,619	12,292,820
Prior period adjustment	<u>484,942</u>	<u>-</u>
Total net position--ending	<u>\$ 14,084,609</u>	<u>\$ 12,048,619</u>

The accompanying notes are an integral part of the financial statements.

BUCKSKIN SANITARY DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals For June 30, 2016)

	6/30/2017	6/30/2016
Cash flows from operating activities:		
Cash received from customers	\$ 410,901	\$ 416,821
Cash paid to suppliers for goods and services	(461,967)	(530,480)
Cash paid to employees	(255,710)	(221,416)
Cash flows from operating activities	(306,776)	(335,075)
Cash flows from Noncapital Financing Activities:		
Receipts from ad valorem taxes	503,834	568,035
Miscellaneous receipts	2,377	1,822
Cash flows from noncapital and related financing activities	506,211	569,857
Cash flows from capital and related financing activities:		
Grant proceeds	1,616,025	41,948
Bond proceeds	1,830,000	-
Principal paid on long-term debt	(258,047)	(231,118)
Interest paid on debt	(131,516)	(67,393)
Assessments received	246,947	219,387
Interest received	115,211	138,603
Purchase of capital assets	(2,836,101)	(119,481)
Proceeds from sale of capital assets	-	(6,385)
Cash flows from capital and related financing activities	582,519	(24,439)
Net change in cash and cash equivalents, including restricted cash	781,954	210,343
Cash and cash equivalents, beginning of year including restricted cash	1,510,718	1,300,375
Cash and cash equivalents, end of year including restricted cash	\$ 2,292,672	\$ 1,510,718
	6/30/2017	6/30/2016
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income / (loss)	\$ (863,424)	\$ (844,848)
Adjustments to reconcile operating income / (loss) to cash flows from operating activities:		
Depreciation	523,244	520,748
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	1,481	(10,102)
Increase/(decrease) in accounts payable	24,226	(20,000)
Increase/(decrease) in accrued compensation	3,463	5,103
Increase/(decrease) in unearned revenue	1,350	11,900
Increase/(decrease) in security deposits	2,884	2,124
Net cash flows from operating activities	\$ (306,776)	\$ (335,075)

SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING AND INVESTING ACTIVITIES

Loss on disposal of asset	\$ -	\$ 8,693
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The accompanying notes are an integral part of the financial statements.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies

Nature of Organization

Buckskin Sanitary District, (District) was established pursuant to Title-48, Arizona Revised Statutes. The District is administered by the Board of Directors who are elected by the qualified voters residing within the District. The District is considered to be a political subdivision of the State of Arizona and La Paz County.

The District maintains and operates a sewer system for the benefit of those within its geographical District. Revenues received by the District are primarily from charges for services delivered and property taxes assessed on property owners within the District.

Reporting Entity

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Account Standards Codification, in that the financial statements include all the organizations, activities, functions and component units for which the District is financially accountable. The District is comprised of a single enterprise fund and has no component units. Management of the District is the responsibility of the District's Board of Directors, which, in turn, is elected by the District's landowners.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District accounts for its operations using the Government Enterprise Fund Concept. The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sewer services to the users are financed through user charges.

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are sewer fees, permit and development fees, hook-up fees and capacity fees. Operating expenses for the District include wages, depreciation on capital assets and general and administrative expenses for the plant, lab, and collection system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government, as well as amounts on deposit with the La Paz County Treasurer in a government pool. For the purpose of the statement of cash flows, the District considers investment in the La Paz County Treasurer to be cash equivalents.

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pools; interest bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona counties, cities, towns, school districts, or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificate of deposit, and repurchase agreements at 102 percent of all deposits not covered by Federal depository insurance.

Accounts Receivable

Receivables consist of amounts due from customers of the District for monthly user fees, assessment fees, and other. Management has estimated the amount of uncollectible accounts receivable to be \$0 as of June 30, 2017.

Capital Assets

Land and construction in progress are not depreciated. The other property, plant, and equipment, and infrastructure are depreciated using the straight line method over the following estimated useful lives:

Furniture and equipment	3-10 years
Vehicles	5 years
Plant equipment	5-10 years
Operating plant	5-30 years

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

The District's policy is to permit employees to accumulate a limited amount of earned annual pay, sick leave and holiday benefits, as follows:

Annual leave is a fringe benefit for each employee of the District. Annual leave will begin to accrue after six months of full time employment. The rate of accrual ranges from 3.08 hours to 7.7 hours per two week pay period, depending on the tenure of the employee. A maximum of 200 hours may accumulate in any calendar year; hours in excess of 200 may not be carried over to subsequent years. Annual leave will be paid upon voluntary or involuntary termination of employment with the District.

Sick leave is a fringe benefit for employees who become ill or are injured away from work or who may require a doctor-authorized medical procedure. Employees are entitled to sick leave with full pay for varying amounts of time depending on their accrued sick leave. Sick leave is granted beginning after six months of full time employment. The rate of accrual will be 3.08 hours of sick leave per each two week pay period in which a full 80 hour work period has been performed, up to a maximum of 240 hours. Fifty percent of unused accrual will be paid upon employee voluntary termination.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category at June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category at June 30, 2017.

Revenue Recognition

The District's revenue is derived principally from user fees, property taxes, or ad valorem taxes, and assessment fees.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

User Fees

Customer sewer fees are recorded as revenue as the usage occurred. During the current year, the District charged a flat rate for sewer usage of \$42 a month for each equivalent dwelling unit.

Ad Valorem Taxes

Ad valorem taxes are administered by La Paz County, on behalf of the district, who levies real property taxes based on property valuation on or before the third Monday in August. Taxes are payable in two installments, which are due October 1st and March 1st. Tax revenues are collected by the County Treasurer and deposited to the District's general fund to be used for general operating expenses.

Assessments

The District has recorded various assessments on specific parcels of land within the District, whether or not developed. Assessment payments are collected annually and are used for repayment of loans made to the District by the U.S. Department of Agriculture and Water Infrastructure Finance Authority of Arizona, for construction or upgrade of infrastructure. Assessments may be paid in full, or paid in installments over a period of 20 to 24 years, depending upon the specific original assessment. Reminder billings are mailed annually on April 15th, with principal and one-half interest due June 1st. The balance of interest is due on December 1st. Due to the nature of these receivables, no allowance has been recorded as management believes these to be fully collectible.

Net Position

Net position is the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets are capital assets, net of accumulated depreciation and outstanding bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position is present when there are legal limitations imposed on their use imposed by District legislation or external parties such as other governments, creditors or grantors. The board is the highest authoritative level and is capable of assigning funds through a unanimous vote.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 1. Summary of Significant Accounting Policies, Continued

Prior-Year Summaries Comparative Information

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in the footnotes to the financial statements. Accordingly, such information can be found in the District's financial statements for the year ended June 30, 2016. Some prior year balances have been reclassified to conform with the current year presentation.

Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The sewer fund also recognizes as operating revenue obligation fees charged to all customers and the cost of connecting new customers to the system. Operating expenses for proprietary funds include plant and laboratory expenses, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2. Cash and Investments

As of June 30, 2017, the District had the following deposits and investments:

Cash consisted of the following:	<u>06/30/17</u>
Cash on hand	\$ 250
Cash in bank-La Paz County Treasurer	577,974
Current operating cash	1,079,837
Restricted cash (see note 8)	
Debt retirement	222,672
Customer deposits	11,443
Assessments reserve	400,496
Total restricted cash	<u>634,611</u>
	<u>\$ 2,292,672</u>

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 2. Cash and Investments, Continued

The following is a listing of collateral or insurance on deposits at June 30, 2017:

	06/30/17
Insured FDIC - Wells Fargo & La Paz County Treasurer	\$ 368,272
Collateral held by Wells Fargo	1,241,664
State Collateral Pool - La Paz County Treasurer	682,736
Total bank deposits	\$ 2,292,672

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the district's deposit may not be returned. The District does not have a formal policy for custodial credit risk. As of June 30, 2017, the district's bank balance was \$2,294,916 and none of that balance was exposed to custodial credit risk because it was either fully insured by FDIC insurance or collateralized by a pledging financial institution.

Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with State law.

Fair value measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets

Level 2 inputs are significant other observable inputs

Level 3 inputs are significant unobservable inputs.

At June 30, 2017, the District had no investments.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 3. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets, are defined by the District as assets with an individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated acquisition cost on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest costs incurred during the construction of the sanitation infrastructure in Area 4 of the District during the year and included in construction in progress as of 6/30/17 was \$15,630. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Balance 06/30/16	Additions	Deletions	Prior Period Adjustments	Balance 06/30/17
Capital assets, not being depreciated					
Construction in progress	\$ 77,672	\$ 3,417,578	\$ -	\$ 484,942	\$ 3,980,192
Total capital assets, not being depreciated	<u>77,672</u>	<u>3,417,578</u>	<u>-</u>	<u>484,942</u>	<u>3,980,192</u>
Capital assets, being depreciated					
Furniture and equipment	60,647	-	-	-	60,647
Vehicles	56,298	-	-	-	56,298
Plant equipment	86,651	-	-	-	86,651
Operating plant	15,027,385	10,413	-	-	15,037,798
Total capital assets, being depreciated	<u>15,230,981</u>	<u>10,413</u>	<u>-</u>	<u>-</u>	<u>15,241,394</u>
Less accumulated depreciation for					
Furniture and equipment	(26,141)	(7,672)	-	-	(33,813)
Vehicles	(56,298)	-	-	-	(56,298)
Plant equipment	(71,768)	(7,025)	-	-	(78,793)
Operating plant	(4,245,112)	(508,547)	-	-	(4,753,659)
Total accumulated depreciation	<u>(4,399,319)</u>	<u>(523,244)</u>	<u>-</u>	<u>-</u>	<u>(4,922,563)</u>
Total capital assets, being depreciated, net	<u>10,831,662</u>	<u>(512,831)</u>	<u>-</u>	<u>-</u>	<u>10,318,831</u>
Governmental activities capital assets, net	<u>\$ 10,909,334</u>	<u>\$ 2,904,747</u>	<u>\$ -</u>	<u>\$ 484,942</u>	<u>\$ 14,299,023</u>

Depreciation expense as of June 30, 2017 was \$523,244.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 4. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance 06/30/16	Additions	Retirements	Balance 06/30/17	Current Portion
Bonds payable	\$ 2,784,712	\$ 1,830,000	\$ (172,139)	\$ 4,442,573	\$ 180,105
Loan payable	249,250	-	(85,908)	163,342	89,294
Accrued compensated absences	11,927	5,630	(5,931)	11,626	6,200
Total Long-Term Liabilities	\$ 3,045,889	\$ 1,835,630	\$ (263,978)	\$ 4,617,541	\$ 275,599

Long-term liabilities consist of the following:

Bonds Payable:

\$1,770,050 original United States Department of Agriculture special assessment improvement bond, dated October 2, 1998 principal and semi-annual interest installments ranging from \$40,000 to \$113,000, bearing interest at 4.5%, maturing July 1, 2023. The bond is collateralized by assessments from Area 1 of the District. \$ 301,050

\$2,948,572 original United States Department of Agriculture special assessment improvement bond, dated June 1, 2009 principal and semi-annual interest installments ranging from \$20,000 to \$205,000, bearing interest at 4.625% maturing July 1, 2034. The bond is collateralized by assessments from Area 3 of the District. 2,311,523

\$1,830,000 original United States Department of Agriculture special assessment improvement bond, dated July 6, 2016 principal and semi-annual interest installments ranging from \$20,000 to \$65,000, bearing interest at 1.625% maturing July 1, 2056. The bond is collateralized by assessments from Area 4 of the District. 1,830,000

Total Bonds Payable 4,442,573

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 4. Long-Term Liabilities, Continued

Loans Payable:

\$1,297,660 original Water Infrastructure Finance Authority special assessment improvement note, dated July 23, 1998 principal and semi-annual interest installments ranging from \$25,000 to \$90,000, bearing interest at 3.88%, maturing July 1, 2018. The note is collateralized by assessments from Area 2 of the District.

	163,342
Total Loans Payable	163,342

Accrued Compensated Absences

11,626

Total Long-Term Debt	4,617,541
Less Current Portion:	(275,599)
Net Long-Term Debt	\$ 4,341,942

The annual requirements for the next five years and 5-year increments thereafter to amortize long-term debt outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2018	\$ 269,399	\$ 181,284	\$ 450,683
2019	267,999	156,580	424,579
2020	231,682	146,925	378,607
2021	165,758	128,217	293,975
2022	146,038	121,777	267,815
2023-2027	818,031	521,051	1,339,082
2028-2032	988,713	350,377	1,339,090
2033-2037	620,695	142,149	762,844
2038-2042	292,900	79,471	372,371
2043-2047	266,700	58,987	325,687
2048-2052	289,200	36,777	325,977
2053-2057	248,800	12,696	261,496
Total	\$ 4,605,915	\$ 1,936,291	\$ 6,542,206

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 5. Accounts Receivable / Intergovernmental Receivables

The District had accounts receivables as of June 30, 2017 as follows:

	<u>06/30/17</u>
Sewer monthly user fees	\$ 47,477
Assessments receivable, current	24,771
Miscellaneous receivables	<u>1,017</u>
	<u><u>\$ 73,265</u></u>

The District had intergovernmental receivables as of June 30, 2017 as follows:

	<u>06/30/17</u>
Property taxes receivable	\$ 12,603
Grants receivable	<u>309,820</u>
	<u><u>\$ 322,423</u></u>

Note 6. Contributions

During the year, the District began construction of sanitation infrastructure in Area 4 of the District. The District received financing through the use of a special assessment improvement bond totaling \$1,830,000. As required by State Statute, land owners residing in the area from which the special assessment will be levied are given the opportunity to pay for their portion of the bonds before they are issued. For the year ended June 30, 2017, land owners in Area 4 of the District paid \$462,648. These payments from land owners in 2017 are presented as contributions in the Statement of Revenues, Expenses and Changes in Net Position.

Note 7. Prior Period Adjustment

Certain expenses that were for the construction of sanitation infrastructure in Area 4 of the District were expensed in prior years when they should have been included in construction in progress. \$484,942 was added to construction in progress as of June 30, 2017 and unrestricted net position was increased by the same amount.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 8. Net Position – Restricted and Restricted Cash

Restricted net position and restricted cash consisted of the following at June 30, 2017:

	<u>06/30/17</u>
Required debt reserve-WIFA Loan - Area 2	
Balance at beginning of year	\$ 222,300
Current year funding	372
Balance at end of year	<u>222,672</u>
Assessment debt retirement	
Balance at beginning of year	464,636
Current year funding	374,508
Current year debt retirement	(389,562)
Current year adjustments to reserves	(49,086)
Balance at end of year	<u>400,496</u>
Customer deposits	
Balance at beginning of year	8,559
Current year funding	2,884
Balance at end of year	<u>11,443</u>
Total restricted net position	<u>\$ 634,611</u>

The Water Infrastructure Finance Authority, as part of the covenants related to the note, requires the District to reserve certain amounts for bond payments. The District has complied with the note covenant and reserved \$222,672 as listed above for debt retirement.

All assessment payments made for each area in the District are restricted for the repayment of loans made to the District by the U.S. Department of Agriculture and Water Infrastructure Finance Authority of Arizona, for the construction or upgrade of infrastructure. These funds are tracked in the Assessment Debt Retirement listed above.

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 assesses these risks and carries commercial insurance for risks of loss, including workers' compensation, and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

BUCKSKIN SANITARY DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

Note 10. Commitments

The District entered into several construction and engineering contracts during the fiscal year for the construction of the sanitation infrastructure in Area 4 in the District. The balance of these commitments as of June 30, 2017 are as follows:

	<u>06/30/17</u>
Energy & Water Solutions, Area 4	\$ 22,557
Energy & Water Solutions, Area 5/6	6,405
CNB Excavating, Inc	3,111,320
NCS Engineers, Area 4 Construction	12,558
Slater Hanifan Group	<u>38,422</u>
	<u>\$ 3,191,262</u>

Note 11. Subsequent Events

Subsequent to June 30, 2017, the sanitation infrastructure for Area 4 within the District will be completed. Additional grant monies from U.S. Department of Agriculture will be received to continue to fund the completion and contribute to the required hookup costs. The first assessments will be billed April 15, 2018 and due June 1, 2018 which will be \$140 per year for 40 years totaling \$4,200 per equivalent development unit in Area 4 with 1.625% interest over the 40 years.

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**OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS**

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