

**CHANDLER HEIGHTS
CITRUS IRRIGATION DISTRICT**

Annual Financial Statements

June 30, 2021

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT’S REVIEW REPORT 1

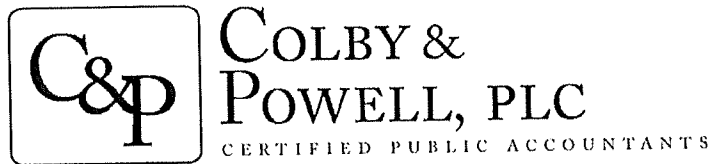
Financial Statements

Statement of Net Position 3

Statement of Revenues, Expenses, and
Changes in Fund Net Position 4

Statements of Cash Flows 6

Notes to Financial Statements..... 8



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Chandler Heights Citrus Irrigation District
Chandler Heights, Arizona

We have reviewed the accompanying financial statements of Chandler Heights Citrus Irrigation District (the District), which comprise the statements of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of District management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Colby + Powell

December 14, 2021

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Current assets

Cash and cash equivalents	\$ 1,909,332
Cash and cash equivalents, restricted	135,595
Domestic water accounts receivable	82,117
Property tax receivable	9,136
Other accounts receivable	1,920
Total current assets	<u>2,138,100</u>

Noncurrent assets

Deposit - reserved for debt service	21,945
Capital assets, not being depreciated	76,994
Capital assets, being depreciated, net	3,168,660
Total noncurrent assets	<u>3,267,599</u>

Total assets

5,405,699

LIABILITIES

Current liabilities

Accounts payable	18,281
Accrued expenses	36,185
Prepaid water	62,997
Long tem debt, current	89,931
Customer water deposits	135,595
Total current liabilities	<u>342,989</u>

Noncurrent liabilities

Long tem debt, net current portion	<u>326,449</u>
------------------------------------	----------------

Total liabilities

669,438

NET POSITION

Net investment in capital assets	2,829,274
Restricted:	
Debt service	21,945
Unrestricted	1,885,042
Total net position	<u><u>\$ 4,736,261</u></u>

See accompanying notes to financial statements.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Statement of Revenues, Expenses, and
Changes in Fund Net Position
For the Year Ended June 30, 2021

Operating revenues	
Domestic water sales	\$ 866,153
Irrigation water sales	344,382
Meter sales	333,000
Other operating revenues	15,039
Penalties	12,026
Tap fees	2,625
Rental income	1,500
Total operating revenues	<u>1,574,725</u>
Operating expenses	
Cost of sales and services	
Domestic operations	
Depreciation	142,725
Wages and salaries	105,923
Repairs and maintenance	80,040
Utilities and telephone	56,190
Insurance expense	21,093
Professional services	13,367
Miscellaneous	8,631
Office expense	1,123
Computer expense	972
Total domestic operations	<u>430,064</u>
Irrigation operations	
Wages and salaries	192,194
Utilities and telephone	152,024
Repairs and maintenance	51,341
Depreciation	49,504
Miscellaneous	12,201
Insurance expense	11,413
Water purchases	8,173
Computer expense	1,472
Office expense	189
Total irrigation operations	<u>478,511</u>
Cost of sales and services	<u>908,575</u>
Net income after cost of sales and services	<u>666,150</u>

See accompanying notes to financial statements.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Statement of Revenues, Expenses, and
Changes in Fund Net Position – *Continued*
For the Year Ended June 30, 2021

Operating expenses	
General and administrative	\$ 104,897
Personnel costs	22,976
Miscellaneous	18,609
Depreciation	13,654
Professional services	18,271
Computer expense	7,543
Office expense	7,530
Board expense	7,692
Utilities and telephone	8,748
Repairs and maintenance	681
Insurance expense	<u>210,601</u>
Total general and administrative	
	<u>455,549</u>
Operating income	
	<u>455,549</u>
Nonoperating revenues (expenses)	
Property tax, fees, meters	238,460
Investment income	253
Interest expense	(19,792)
Scrap metal sales	<u>12,400</u>
Total nonoperating revenues (expenses)	<u>231,321</u>
	686,870
Increase (decrease) in net position	686,870
Net position, beginning of year	<u>4,049,391</u>
Net position, end of year	<u><u>\$ 4,736,261</u></u>

See accompanying notes to financial statements.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	\$ 1,595,307
Receipts from customers	
Payments to suppliers and providers of goods and services	(503,360)
Payments to employees	<u>(412,174)</u>
Net cash provided by (used for) operating activities	<u>679,773</u>
 Cash flows from noncapital and related financing activities	
Proceeds from property tax collection	<u>250,860</u>
 Cash flows from capital and related financing activities	
Interest and penalties paid	(19,792)
Principal paid on long-term debt	(86,428)
Purchase of property and equipment	<u>(878,768)</u>
Net cash provided by (used for) capital and related financing activities	<u>(984,988)</u>
 Cash flows from investing activities	
Interest received	<u>253</u>
 Net increase in cash and cash equivalents	(54,102)
 Cash and cash equivalents, beginning of year	<u>2,099,029</u>
 Cash and cash equivalents, end of year	<u>\$ 2,044,927</u>
 Cash and cash equivalents	\$ 1,909,332
Cash and cash equivalents, restricted	<u>135,595</u>
 Cash and cash equivalents, end of year	<u>\$ 2,044,927</u>

See accompanying notes to financial statements.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Statement of Cash Flows - *Continued*
For the Year Ended June 30, 2021

Reconciliation of operating income (loss) to net cash provided	
by (used for) operating activities:	
Operating income (loss)	\$ 455,549
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	210,838
Changes in assets and liabilities:	
Domestic water accounts receivable	(12,160)
Irrigation water accounts receivable	2,557
Other accounts receivable	(1,921)
Prepaid expenses	7,559
Accounts payable	(4,442)
Accrued expenses	(8,393)
Customer water deposits	13,485
Prepaid irrigation	16,701
Net cash provided by (used for) operating activities	<u><u>\$ 679,773</u></u>

See accompanying notes to financial statements.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The District was formed in 1929 in accordance with Title 48, Chapter 19 of the Arizona Revised Statutes, which provides that irrigation districts shall be political subdivisions of the State and vested with all the rights, privileges and benefits granted municipalities. The District, consisting of approximately 1,460 acres of land located in southeastern Maricopa County, Arizona, provides water to landowners for both domestic and agricultural purposes.

The accounting policies of Chandler Heights Citrus Irrigation District conform to generally accepted accounting principles of the United States of America as applicable to governmental units.

Basis of Presentation – The financial statements include a statement of net position and a statement of revenue, expenses, and changes in net position. These statements report the financial activities of the District. Operating revenues, such as charges for services, result from transactions associated with the District's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings and property taxes, result from transactions in which the parties do not exchange equal values.

Basis of Accounting – The District accounts for its operations using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (including depreciation) of providing water services to the users on a continuing basis, is financed through user charges and acreage tax assessments. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Acreage tax assessments are recognized as revenue in the year for which they are levied.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates

Property and equipment – Depreciation of property and equipment is divided over the estimated useful life of each asset using the straight-line method. Additions and betterments that extend the useful lives of property and equipment are capitalized and depreciated over the estimated remaining useful lives of the related assets. Expenses for repairs and maintenance are charged to expense as incurred. Gains and losses on sales and retirements are reflected in income during the year of actual sale or retirement.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Long-lived assets – Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset; long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Income Taxes – All income earned by the District in its normal course of operations is exempted from federal income taxation under Section 115 of the Internal Revenue Code.

Acreage Assessments – The District's Board of Directors determines the minimum annual assessment for property taxes on each acre of land in the District. Assessments are not refunded and, upon failure to pay, a lien attaches to the land. Assessments are levied in September of each year on approximately 1,360 acres of taxable land within the District's boundaries, and are due and payable in two installments. The first payment is due October 1st and is delinquent on November 1st. The second payment is due March 1st of the following year and is delinquent May 1st. The assessments are billed and collected by Maricopa County and remitted to the District upon request.

Subsequent Events – Management has evaluated subsequent events through the date of issuance of the financial statements, and has determined that there are no significant subsequent events requiring disclosure.

NOTE 2 – DEPOSITS

Arizona Revised Statutes (A.R.S.) authorize the District to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds.

In addition, the District Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The District’s investment policy states that the District will conform with Arizona Revised Statutes. The District does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits – As of June 30, 2021, the carrying amounts of the District’s total cash in bank was \$2,044,927. The bank balance was \$1,701,018. Of the bank balances, \$500,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the District’s name.

Restricted cash and cash equivalents – Restricted cash on the balance sheet also consists of cash held by the District for the repayment of customer’s water deposits. The amount of customer’s water deposits held by the District at June 30, 2021 was \$135,595.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 76,994	\$ -	\$ -	\$ 76,994
Total capital assets not being depreciated	<u>76,994</u>	<u>-</u>	<u>-</u>	<u>76,994</u>
Capital assets being depreciated:				
Buildings	122,565	-	-	122,565
Water system	6,299,014	843,956	-	7,142,970
Fixtures and equipment	90,238	-	-	90,238
Vehicles	151,177	34,813	(11,277)	174,713
Software	24,746	-	-	24,746
Total	<u>6,687,740</u>	<u>878,769</u>	<u>(11,277)</u>	<u>7,555,232</u>
Less accumulated depreciation for:				
Buildings	(62,082)	(3,651)	-	(65,733)
Water system	(3,904,491)	(191,782)	-	(4,096,273)
Fixtures and equipment	(76,804)	(3,964)	-	(80,768)
Vehicles	(118,888)	(11,441)	11,277	(119,052)
Software	(24,746)	-	-	(24,746)
Total	<u>(4,187,011)</u>	<u>(210,838)</u>	<u>11,277</u>	<u>(4,386,572)</u>
Total capital assets being depreciated, net	<u>2,500,729</u>	<u>667,931</u>	<u>-</u>	<u>3,168,660</u>
Capital assets, net	<u>\$ 2,577,723</u>	<u>\$ 667,931</u>	<u>\$ -</u>	<u>\$ 3,245,654</u>

Depreciation expense for the year ended June 30, 2021, was \$210,838.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 4 – LONG-TERM DEBT

The following schedule details the District’s long-term liability and obligation activity for the year ended June 30, 2021:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
Notes payable from direct borrowings and direct placements	\$ 80,249	\$ -	\$ 18,924	\$ 61,325	\$ 19,663
Capital leases payable	422,559	-	67,504	355,055	70,267
	<u>\$ 502,808</u>	<u>\$ -</u>	<u>\$ 86,428</u>	<u>\$ 416,380</u>	<u>\$ 89,931</u>

In July 2004, the District incurred a note payable to the Water Infrastructure Finance Authority of Arizona (WIFA) for the redesign and construction of a new water distribution system. The original note balance was \$306,000. Principal payments are due on the first day of each month commencing January 1, 2005, with the final principal repayment on June 1, 2024. Interest at 3.84% is payable monthly, commencing January 1, 2008, with the final interest payment due September 1, 2020.

The following schedule details debt service requirements to maturity for the District’s note’s payable at June 30, 2021:

Year Ending June 30,	Notes payable from direct borrowings and direct placements	
	Principle	Interest
2022	\$ 19,663	\$ 2,011
2023	20,432	1,243
2024	21,230	1,088
Total	<u>\$ 61,325</u>	<u>\$ 4,342</u>

Capital leases – The District has entered into capital lease purchase agreements for the acquisition and betterment of the water system of the District.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

NOTE 4 – LONG-TERM DEBT – Continued

The following schedule details the debt service requirements to maturity for the District’s capital leases payable at June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 84,349
2023	84,349
2024	84,349
2025	84,349
2026	56,232
Total minimum lease payments	393,627
Less amount representing interest	(38,572)
Present value of net minimum lease payments	\$ 355,055

NOTE 5 – CONCENTRATIONS

As a quasi-governmental unit, Chandler Heights Citrus Irrigation District provides proprietary fund-type services (i.e. domestic and irrigation water) to customers in a limited geographic area. Consequently, the ability of the District’s funds to cover their operating costs is at risk due to this geographic concentration of customers in the area. As with the majority of municipalities and other quasi-governmental units that operate similar proprietary funds, a downturn in the local economy or other unforeseen circumstances could adversely affect the District’s ability to collect amounts due from customers or to continue to generate the revenue needed to cover the costs of providing services.

NOTE 6 – CONTINGENCY

Chandler Heights Citrus Irrigation District has been named, along with other water and irrigation districts, in an action (initiated in the 1970’s) intended to confirm water rights throughout the major watersheds in central and southern Arizona. The loss of water rights could severely impact the revenue and operations of the District. The District has filed a statement of claim to protect its water rights and is vigorously contesting the action. Legal council is currently monitoring the situation and has stated that no opinion on this matter can be expressed. This adjudication has been ongoing and is expected to continue indefinitely.

CHANDLER HEIGHTS CITRUS IRRIGATION DISTRICT
Notes to Financial Statements
June 30, 2021

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; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.