

**GREEN VALLEY DOMESTIC WATER
IMPROVEMENT DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019



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**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
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YEARS ENDED JUNE 30, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Green Valley Domestic Water Improvement District
Green Valley, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Green Valley Domestic Water Improvement District (the District), which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefit information and pension schedules as listed in the table of contents, 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.



CliftonLarsonAllen LLP

Tucson, Arizona
May 17, 2021

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

INTRODUCTION

The Green Valley Domestic Water Improvement District (the District) was formed on December 17, 2002, by the Pima County Board of Supervisors (PCBOS) pursuant to the provisions of Title 48, Chapter 6, Articles 1 through 4, Arizona Revised Statutes, as amended. The District was formed for the purpose of purchasing a water system and operating the water system, with operations commencing May 21, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: 1) statement of net position; 2) statement of revenues, expenses, and changes in net position; 3) statement of cash flows; and 4) notes to the financial statements.

STATEMENTS OF NET POSITION

The statement of net position (balance sheet) presents information about the District's assets and deferred outflows less liabilities and deferred inflows, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on pages 8 and 9 of this report.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., trade accounts receivable). The statement of revenues, expenses, and changes in net position can be found on page 10 of this report.

STATEMENTS OF CASH FLOWS

The statement of cash flows measures the District's ability to fund operations and capital spending from funds generated from operations. This measure excludes noncash gains and losses. The statement of cash flows can be found on page 11 of this report.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies describes accounting policies, which are the specific accounting policies and methods of applying those principles, used by the District in preparing its financial statements. Accounting principles generally accepted in the United States of America require disclosure of all accounting policies that materially affect the determination of financial position, results of operations, and cash flows. The summary of significant accounting policies are listed on pages 12 through 16 of this report as Note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 through 28 of this report.

BUSINESS ACTIVITIES

The District was formed through the efforts of its residents to ensure they had a local voice about their water. The District serves approximately 4,400 customers in the geographical area south of Mission Twin Buttes Road to Elephant Head Road and generally west of Interstate 19 in Pima County, Arizona. Water is provided to residential, commercial, and golf course customers. Customers have control of their water rates by electing a board of directors from property owners within District boundaries.

THE DISTRICT AS A WHOLE

On May 21, 2003, Green Valley Municipal Property Corporation, an Arizona nonprofit corporation, acquired substantially all of the operating assets of Green Valley Water Company for lease to Green Valley Domestic Water Improvement District, an Arizona tax-levying improvement district. The purchase was financed through issuance of \$9,305,000 lease revenue bonds.

The District's net position at June 30, 2020 of \$3.545 million, decreased by 1.65% from June 30, 2019. The decrease is the result of an increase in CAP water contract expenses and debt issuance costs during fiscal year 2020. The District's net position at June 30, 2019 increased by 41.4% from June 30, 2018, increasing from \$2.549 million to \$3.605 million. The fiscal year 2019 increase is the result of a significant amount of contributed capital. The statement of net position and the statement of revenues, expenses, and changes in net position report information about the District that includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

THE DISTRICT AS A WHOLE (CONTINUED)

The following table shows a comparison of assets, deferred outflows, liabilities, deferred inflows, and net position for June 30, 2020, 2019, and 2018, is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
ASSETS			
Current Assets	\$ 2,936,683	\$ 2,211,138	\$ 2,252,510
Capital Assets, Net of Accumulated Depreciation and Amortization	<u>8,721,334</u>	<u>8,320,063</u>	<u>7,535,764</u>
Total Assets	<u>11,658,017</u>	<u>10,531,201</u>	<u>9,788,274</u>
DEFERRED OUTFLOWS			
Excess Consideration Provided for Acquisition	602,776	649,442	696,109
Pension	71,489	82,518	77,022
Loss on Refunding Debt, Net	<u>100,845</u>	<u>108,315</u>	<u>115,785</u>
Total Deferred Outflows	<u>775,110</u>	<u>840,275</u>	<u>888,916</u>
CURRENT LIABILITIES	662,509	575,097	519,426
NONCURRENT LIABILITIES	<u>8,185,889</u>	<u>7,118,852</u>	<u>7,566,618</u>
Total Liabilities	8,848,398	7,693,949	8,086,044
DEFERRED INFLOWS			
Pension	<u>39,247</u>	<u>72,533</u>	<u>41,670</u>
NET POSITION			
Net Investment in Capital Assets	1,625,864	1,509,807	358,922
Unrestricted	<u>1,919,618</u>	<u>2,095,187</u>	<u>2,190,554</u>
Total Net Position	<u>\$ 3,545,482</u>	<u>\$ 3,604,994</u>	<u>\$ 2,549,476</u>

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

THE DISTRICT AS A WHOLE (CONTINUED)

The following table shows a comparison of the revenues and expenses for the years ended June 30, 2020, 2019, and, 2018, is as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
OPERATING REVENUE			
Metered Water Sales	\$ 1,898,700	\$ 1,832,715	\$ 1,800,882
Service Charges and Penalties	191,157	126,742	77,284
Golf Course Revenue	636,077	576,484	641,002
Other Water Revenue	101,960	136,867	117,978
Total Operating Revenue	<u>2,827,894</u>	<u>2,672,808</u>	<u>2,637,146</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	650,903	639,657	582,755
Materials and Supplies	69,896	75,035	63,519
Utilities	179,605	183,115	212,090
Repairs and Maintenance	443,604	437,617	430,171
CAP Water Contract	106,400	77,900	85,500
Insurance and Taxes	85,593	90,081	81,488
Other Operating Expenses	200,409	193,496	191,925
Depreciation and Amortization	875,812	875,808	876,878
Total Operating Expenses	<u>2,612,222</u>	<u>2,572,709</u>	<u>2,524,326</u>
OPERATING INCOME	215,672	100,099	112,820
GAIN ON DISPOSAL OF ASSETS	-	-	7,500
NONOPERATING EXPENSES			
Amortization of Loss on Refunding of Debt	7,470	7,470	7,470
Interest Expense, Net	231,714	237,849	252,125
Debt Issuance Costs	36,000	-	-
Total Nonoperating Expenses	<u>275,184</u>	<u>245,319</u>	<u>259,595</u>
CONTRIBUTED CAPITAL	<u>-</u>	<u>1,200,738</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	(59,512)	1,055,518	(139,275)
Net Position – Beginning of Year	<u>3,604,994</u>	<u>2,549,476</u>	<u>2,688,751</u>
NET POSITION – END OF YEAR	<u>\$ 3,545,482</u>	<u>\$ 3,604,994</u>	<u>\$ 2,549,476</u>

The District's net position decreased this year due to an increase in CAP water contract expenses and debt issuance costs. For 2019, the District's net position increased due to a significant amount of contributed capital.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019**

REVENUES AND EXPENSES

Total expenses exceed revenues by \$59,512 for the year ended June 30, 2020. Total revenues exceed expenses by \$1,055,518 for the year ended June 30, 2019.

Operating revenues for the year ended June 30, 2020 increased by \$155,086 over 2019. The increase at June 30, 2020 is due to a rate increase in July 2019. Operating revenues for the year ended June 30, 2019 increased by \$35,662 over 2018. The increase at June 30, 2019 is due to a rate increase in February 2018.

Operating expenses for the year ended June 30, 2020 increased by \$39,513 from the year ended June 30, 2019. The increase at June 30, 2020 is due to an increase in CAP water contract expense. Operating expenses for the year ended June 30, 2019 increased by \$48,383 from the year ended June 30, 2018 due to a rise in materials and supplies expenses.

CAPITAL ASSETS

Capital assets, net of accumulated depreciation and amortization increased by \$401,271 as of the year ended June 30, 2020. The increase is due to a significant amount of construction in progress for work on a new office building and construction of a new well. Capital assets, net of accumulated depreciation and amortization, increased by \$784,299 during the year ended June 30, 2019. The increase was due to a significant amount of contributed capital.

LONG-TERM DEBT

As of June 30, 2020, 2019, and 2018, long-term debt was \$7,967,318, \$6,918,571, and \$7,292,627, respectively. The increase in long-term debt was the result of a note from a direct borrowing for the financing of the new well taken out in 2020. As of June 30, 2020, the above amount represents two 2013 series bonds and one note secured by water revenue sources. As of June 30, 2019 and 2018, these amounts represent two 2013 series bonds secured by water revenue sources.

CONTACTING THE DISTRICT OFFICE

This financial report is designed to provide our customers, consultants, and financial advisors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have any questions about this report or need additional information, contact the Chairman, Green Valley Domestic Water Improvement District, P.O. Box 623, Green Valley, Arizona 85622 or call 520-625-9112.

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,524,681	\$ 1,863,726
Trade Accounts Receivable, Net of Allowance	275,833	228,245
Unbilled Water Revenue	136,169	119,167
Total Current Assets	2,936,683	2,211,138
NONCURRENT ASSETS		
Capital Assets, Not Being Depreciated	2,736,235	1,619,287
Capital Assets, Net of Accumulated Depreciation and Amortization	5,985,099	6,700,776
Total Noncurrent Assets	8,721,334	8,320,063
Total Assets	11,658,017	10,531,201
DEFERRED OUTFLOWS		
Excess Consideration Provided for Acquisition	602,776	649,442
Pension	71,489	82,518
Loss on Refunding of Debt, Net	100,845	108,315
Total Deferred Outflows	775,110	840,275
Total Assets and Deferred Outflows	\$ 12,433,127	\$ 11,371,476

See accompanying Notes to Financial Statements.

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS, AND NET POSITON	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 138,937	\$ 89,734
Accrued Liabilities	54,122	38,623
Sales Tax Payable	22,841	35,754
Deposits	45,300	24,120
Current Portion of Note Payable	1,191	-
Current Portion of Bond Payable	400,118	386,866
Total Current Liabilities	662,509	575,097
NONCURRENT LIABILITIES		
Note Payable, Less Current Portion	1,434,422	-
Bonds Payable, Less Current Portion	6,131,587	6,531,705
Net Pension Liability – ASRS	619,880	587,147
Total Noncurrent Liabilities	8,185,889	7,118,852
Total Liabilities	8,848,398	7,693,949
DEFERRED INFLOWS		
Pension	39,247	72,533
NET POSITION		
Net Investment in Capital Assets	1,625,864	1,509,807
Unrestricted	1,919,618	2,095,187
Total Net Position	3,545,482	3,604,994
Total Liabilities, Deferred Inflows, and Net Position	\$ 12,433,127	\$ 11,371,476

See accompanying Notes to Financial Statements.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
Metered Water Sales	\$ 1,898,700	\$ 1,832,715
Service Charges and Penalties	191,157	126,742
Golf Course Revenues	636,077	576,484
Other Water Revenues	101,960	136,867
Total Operating Revenues	2,827,894	2,672,808
OPERATING EXPENSES		
Salaries and Employee Benefits	650,903	639,657
Materials and Supplies	69,896	75,035
Utilities	179,605	183,115
Repairs and Maintenance	443,604	437,617
CAP Water Contract	106,400	77,900
Insurance and Taxes	85,593	90,081
Other Operating Expenses	200,409	193,496
Depreciation and Amortization	875,812	875,808
Total Operating Expenses	2,612,222	2,572,709
OPERATING INCOME	215,672	100,099
NONOPERATING EXPENSES		
Amortization of Loss on Refunding of Debt	7,470	7,470
Interest Expense, Net	231,714	237,849
Debt Issuance Costs	36,000	-
Total Nonoperating Expenses	275,184	245,319
LOSS BEFORE CONTRIBUTIONS	(59,512)	(145,220)
CONTRIBUTED CAPITAL	-	1,200,738
INCREASE (DECREASE) IN NET POSITION	(59,512)	1,055,518
Net Position – Beginning of Year	3,604,994	2,549,476
NET POSITION – END OF YEAR	\$ 3,545,482	\$ 3,604,994

See accompanying Notes to Financial Statements.

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 2,742,124	\$ 2,692,857
Cash Payments to Suppliers of Goods and Services	(1,049,908)	(1,050,543)
Cash Payments to Employees for Services	(628,314)	(614,439)
Net Cash Provided by Operating Activities	1,063,902	1,027,875
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Property, Plant, and Equipment	(113,469)	(412,703)
Cash Paid for Construction in Progress	(1,073,897)	-
Cash Received from Loan	1,436,000	-
Debt Issuance Costs Paid	(36,000)	-
Repayment of Long-Term Debt	(387,253)	(374,056)
Interest Paid on Long-Term Debt	(228,328)	(245,319)
Net Cash Used by Capital and Related Financing Activities	(402,947)	(1,032,078)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	660,955	(4,203)
Cash and Cash Equivalents – Beginning of Year	1,863,726	1,867,929
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 2,524,681</u>	<u>\$ 1,863,726</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 215,672	\$ 100,099
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	875,812	875,809
Effects of Changes in Operating Assets and Liabilities:		
Trade Accounts Receivable, Net of Allowance	(47,588)	46,958
Unbilled Accounts Receivable	(17,002)	(9,789)
Deferred Outflows Related to Pension	11,029	1,974
Accounts Payable	6,152	17,191
Accrued Liabilities	12,113	1,794
Deposits	21,180	17,120
Net Pension Liability	32,733	(60,900)
Sales Tax Payable	(12,913)	6,756
Deferred Inflows Related to Pension	(33,286)	30,863
Net Cash Provided by Operating Activities	\$ 1,063,902	\$ 1,027,875
NONCASH DISCLOSURES		
Amortization of Loss on Refunding of Debt	\$ 7,470	\$ 7,470
Contributed Capital	\$ -	\$ 1,200,738
Accounts Payable Related to Construction in Progress	\$ 43,051	\$ -

See accompanying Notes to Financial Statements.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Green Valley Domestic Water Improvement District (the District) was formed on December 17, 2002, with operations commencing May 21, 2003, by the Pima County Board of Supervisors (PCBOS) pursuant to the provisions of Title 48, Chapter 6, Articles 1 through 4, Arizona Revised Statutes, as amended. The District was formed for the purpose of purchasing a water system and operating the water system.

The Green Valley Domestic Water Improvement District Board of Directors on February 21, 2003, formed the Green Valley Municipal Property Corporation (MPC) – a nonprofit corporation, for the sole purpose of assisting the District in financing the acquisition of substantially all of the operating assets of Green Valley Water Company, and to assist the District in any other matters and financings requested. During 2014, the board of directors approved the dissolution of the MPC and all accounts in MPC were transferred to the District.

The following is a summary of the District's significant policies:

The District's basic financial statements conform to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended*, and related pronouncements. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, costs to be recovered from future revenues, and unamortized debt expense 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 net investment in capital assets. 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 placed on net position used through external constraints imposed by creditors (such as through debt covenants), contributors, or 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 the net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reporting Entity

The financial statements of the District include all the operations of the District that are within the powers of the District's board of directors. The District is a stand-alone political subdivision of the State of Arizona. The District is considered a primary government and is not a component unit of any other political subdivision in the State of Arizona.

On October 21, 2015, the District board of directors and the bank servicing the bonds approved the change of fiscal year-end from December 31 to June 30, effective as of that date.

Proprietary Fund Accounting

The accounts of the District are organized as an Enterprise Fund. An Enterprise Fund is used to account for business-type activities that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statements of net position. Net position is segregated into components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Deposits and Investments

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

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments are reported at fair value.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations, which generally require payment within 15 days from the invoice date. Accounts receivable are stated at the invoice amount. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts and the aging of accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due to the District could be adversely affected. Accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to allowance for doubtful accounts.

An allowance for doubtful accounts of \$5,000 was recorded as of June 30, 2020 and 2019.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Additions to property, plant, and equipment are initially recorded at cost or, if contributed, at their estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of property, plant, and equipment is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Reservoirs, Transmission and Distribution Mains, Hydrants, and Valves	7 to 20 Years
Structures, Buildings, and Improvements	20 Years
Wells, Pumping Equipment, Water Treatment Equipment, and Meters	7 to 20 Years
Other Plant Equipment	3 to 5 Years
Office Furniture, Equipment, and Vehicles	3 to 5 Years

Excess Consideration Provided for Acquisition

The District acquired substantially all of the operating assets of Green Valley Water Company in a business combination accounted for as a purchase. The purchase price of \$8,100,000 exceeded the net asset values of Green Valley Water Company at the date of acquisition by \$1,400,000. This excess consideration is reported as a deferred outflow and is being amortized on the straight-line method over 30 years.

Accumulated amortization totaled \$797,224 and \$750,558 at June 30, 2020 and 2019, respectively. Amortization expense was \$46,666 and \$46,667 for the years ended June 30, 2020 and 2019, respectively.

Unbilled Accounts Receivable

Unbilled accounts receivable are charges for services provided but not billed.

Presentation of Deferred Outflows and Deferred Inflows

Deferred outflows of resources are reported in the statement of net position in a separate section following assets and represent amounts related to the requirements of accounting and financial reporting for pensions, loss on refunding of debt, and excess consideration provided for acquisition. Deferred inflows of resources are reported in a separate section following liabilities and represent amounts related to requirements of accounting and financial reporting for pensions.

Compensated Absences

The District accrues vacation and sick leave as a liability when earned by employees.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The District is a governmental agency organized under the laws of the state of Arizona and is not subject to federal or state income taxes.

Long-Term Obligations

Long-term debt obligations are reported as liabilities on the statement of net position. Bond premiums, discounts are amortized over the life of the bonds using the straight-line method, which is substantially equivalent to the effective interest method.

Operating and Nonoperating Revenues and Expense

Operating revenues include the sales of water and other operating revenues such as service charges and hookup fee revenues. Operating expense includes power and water purchases and other costs to operate and maintain the District's water system, including salaries, materials and supplies, contract services, insurance and taxes, depreciation, and other operating expenses. Nonoperating revenues include interest income and contributed capital. Nonoperating expenses include interest, amortization of intangible assets, and amortization of bond-related expenses.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported total net position.

New Accounting Standards

GASB Statement No. 87, *Leases*. This Statement increases the usefulness a of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement is effective for fiscal year 2021. Management is in the process of determining the effect on the District upon adoption of this Statement.

Subsequent Events

Management evaluated subsequent events through May 17, 2021, the date the financial statements were available to be issued.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 2 CASH AND CASH EQUIVALENTS

As of June 30, 2020, the District held no investments.

Interest Rate Risk

In accordance with Arizona statutes and its investment policy, the District manages its exposure to declines in fair values by limiting the maturity of investments to a maximum of five years. Operating funds are limited to three years.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two top ratings issued by nationally recognized statistical rating organizations. The District's investment policy incorporates these limits by reference to state law.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District policies require that deposits in excess of depository insurance be secured by collateral pledged by the depository institution. As of June 30, 2020, the bank balances were fully insured or collateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy is to secure its investments through third-party custody and safekeeping procedures with an institution designated as the primary agent. The primary agent issues a safekeeping receipt listing the specific instrument, the interest rate, the maturity, the CUSIP number, and other pertinent information.

The above fair values of deposits and investments are summarized on the accompanying statement of net position as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Total Deposits	\$ 2,524,681	\$ 1,863,726

Summary of cash and cash equivalents and noncash equivalents is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Cash Equivalents	\$ 2,524,681	\$ 1,863,726
Total Deposits and Investments	\$ 2,524,681	\$ 1,863,726

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	June 30, 2019			June 30, 2020	
	Balances	Increases	Decreases	Balances	
Capital Assets Not Being Depreciated:					
Land	\$ 89,077	\$ -	\$ -	\$ 89,077	
Water Supply and Recharge Rights	1,171,248	-	-	1,171,248	
Construction in Progress	358,962	1,116,948	-	1,475,910	
Total Capital Assets Not Being Depreciated	1,619,287	1,116,948	-	2,736,235	
Capital Assets Being Depreciated:					
Water Systems	10,940,345	-	-	10,940,345	
Building and Improvements	2,504,434	-	-	2,504,434	
Vehicles, Machinery, and Equipment	2,440,608	113,469	-	2,554,077	
Land Rights	25,500	-	-	25,500	
Total Capital Assets Being Depreciated	15,910,887	113,469	-	16,024,356	
Less: Accumulated Depreciation and Amortization for:					
Water Systems	6,323,476	491,860	-	6,815,336	
Building and Improvements	1,200,787	179,437	-	1,380,224	
Vehicles, Machinery, and Equipment	1,672,758	156,829	-	1,829,587	
Land Rights	13,090	1,020	-	14,110	
Total Accumulated Depreciation and Amortization	9,210,111	829,146	-	10,039,257	
Total Capital Assets Being Depreciated and Amortized, Net	6,700,776	(715,677)	-	5,985,099	
Capital Assets, Net	<u>\$ 8,320,063</u>	<u>\$ 401,271</u>	<u>\$ -</u>	<u>\$ 8,721,334</u>	

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2019 was as follows:

	June 30, 2018			June 30, 2019		
	Balances	Increases	Decreases	Balances		
Capital Assets Not Being Depreciated:						
Land	\$ 89,077	\$ -	\$ -	\$ 89,077		
Water Supply and Recharge Rights	1,171,248	-	-	1,171,248		
Construction in Progress	36,570	358,962	(36,570)	358,962		
Total Capital Assets Not Being Depreciated	1,296,895	358,962	(36,570)	1,619,287		
Capital Assets Being Depreciated:						
Water Systems	9,703,387	1,236,958	-	10,940,345		
Building and Improvements	2,504,434	-	-	2,504,434		
Vehicles, Machinery, and Equipment	2,386,517	54,091	-	2,440,608		
Land Rights	25,500	-	-	25,500		
Total Capital Assets Being Depreciated	14,619,838	1,291,049	-	15,910,887		
Less: Accumulated Depreciation and Amortization for:						
Water Systems	5,831,616	491,860	-	6,323,476		
Building and Improvements	1,021,350	179,437	-	1,200,787		
Vehicles, Machinery, and Equipment	1,515,933	156,825	-	1,672,758		
Land Rights	12,070	1,020	-	13,090		
Total Accumulated Depreciation and Amortization	8,380,969	829,142	-	9,210,111		
Total Capital Assets Being Depreciated and Amortized, Net	6,238,869	461,907	-	6,700,776		
Capital Assets, Net	<u>\$ 7,535,764</u>	<u>\$ 820,869</u>	<u>\$ (36,570)</u>	<u>\$ 8,320,063</u>		

Depreciation and amortization expense was \$829,146 and \$829,142 for the years ended June 30, 2020 and 2019, respectively.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 BONDS PAYABLE

Revenue refunding bonds payable at June 30, 2020 and 2019 are comprised of the following:

<u>Description</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Green Valley Domestic Water Improvement District of Pima County, Water Revenue Refunding Bond, Series 2013, due in monthly installments of principal and interest in the amount of \$40,716 through July 1, 2033; interest rate is 3.25%, secured by water revenues.	\$ 5,201,513	\$ 5,515,504
Green Valley Domestic Water Improvement District of Pima County, Water Revenue Refunding Bond, Second Series 2013, due in monthly installments of principal and interest in the amount of \$10,525 through January 1, 2034; interest rate is 3.90%, secured by water revenues.	<u>1,330,192</u>	<u>1,403,067</u>
Total Bonds Payable	6,531,705	6,918,571
Less: Current Portion	<u>(400,118)</u>	<u>(386,866)</u>
Total Long-Term Bonds Payable, Net of Current Portion	<u>\$ 6,131,587</u>	<u>\$ 6,531,705</u>

In a resolution adopted June 27, 2013, the District approved the authorization of the Series 2013 Water Revenue Refunding bonds not to exceed \$7.05 million. The primary purpose of the bond issue was to pay and redeem the Series 2003 bonds.

In a resolution adopted December 12, 2013, the District approved the authorization of the Second Series 2013 bond not to exceed \$1.8 million. The primary purpose of this bond issue was to prepay the outstanding WIFA loans.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 5 REFUNDING OF BONDS

On June 27, 2013, the District issued \$7,050,000 water revenue refunding bonds Series 2013 to refund Series 2003 lease revenue bonds and to pay costs related to the issuance of the bonds. The interest rate on Series 2013 was 3.25% with a final maturity due July 1, 2033. The refunded bonds will reduce the total debt service payment over the next 20 years of the bonds by approximately \$2,520,000 and obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,892,000.

NOTE 6 SOURCES OF PAYMENT OF THE BONDS

At June 30, 2020, the bonds are special revenue obligations of the District, payable solely from water system revenues. The District has pledged net revenues to the trustee, for the benefit of the owners of the bonds, its right to receive the net revenues. The bonds are not general obligations of the District, the county, or the state, and neither constitutes an indebtedness of the District or a charge against the general taxing power of the District nor a liability of the District or the District for payment of the bonds from any source other than the sources pledged therefore. The bonds are not secured in any manner by special assessments levied by the District.

General

The bonds are payable as to both principal and interest from water revenues derived by the District from the operation of the water system. For purposes of the bond issuance, the term "water revenues" means all service charges, income, moneys, and receipts derived by the District from the ownership, use, and operation of the water system, or any part thereof, including, without limitation, interest received on, and profits realized from the sale of, investments made with moneys of the water system, minus operating expenses (all reasonable and normal expenses incurred by the District in connection with the operation of the water system).

Rate Covenant

At June 30, 2020, the District has covenanted in its resolution and to establish and maintain water system rates, fees, and other charges sufficient to pay operating expenses and to produce an aggregate amount of water revenues in excess of expense in each fiscal year equal to at least 120% of the then-current fiscal year's principal and interest requirements on the bonds. At June 30, 2020, management believes the District was in compliance with the covenant.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 NOTE PAYABLE FROM DIRECT BORROWING

Note payable consisted of the following at June 30, 2020:

Description

Green Valley Domestic Water Improvement District of Pima County, Financing Agreement for the Replacement Well Project, due in monthly installments of principal and interest in the amount of \$4,572 through July 1, 2034 and then increasing to \$9,989 through February 1, 2050; interest rate is 3.74%, secured by water revenues.	<u>\$ 1,435,613</u>
Total Note Payable	1,435,613
Less: Current Portion	<u>(1,191)</u>
Total Long-Term Note Payable, Net of Current Portion	<u><u>\$ 1,434,422</u></u>

In a resolution adopted January 9, 2020, the District approved the authorization of the Financing Agreement not to exceed \$1.50 million. The primary purpose of the note issue was to finance the acquisition, design, construction and improvement of a replacement well.

NOTE 8 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the years ended June 30, 2020 and 2019 are as follows:

	June 30, 2019	Increases	Decreases	June 30, 2020	Current Portion
Series 2013 Bonds	\$ 6,918,571	\$ -	\$ (386,866)	\$ 6,531,705	\$ 400,118
Notes from Direct Borrowing	-	1,436,000	(387)	1,435,613	1,191
Total	<u>\$ 6,918,571</u>	<u>\$ 1,436,000</u>	<u>\$ (387,253)</u>	<u>\$ 7,967,318</u>	<u>\$ 401,309</u>
	June 30, 2018	Increases	Decreases	June 30, 2019	Current Portion
Series 2013 Bonds	\$ 7,292,627	\$ -	\$ (374,056)	\$ 6,918,571	\$ 386,866
Total	<u>\$ 7,292,627</u>	<u>\$ -</u>	<u>\$ (374,056)</u>	<u>\$ 6,918,571</u>	<u>\$ 386,866</u>

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 LONG-TERM OBLIGATIONS (CONTINUED)

Debt service requirements on long-term obligations after June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>2013 Series I Bonds</u>		<u>2013 Series II Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 324,349	\$ 164,244	\$ 75,769	\$ 50,533
2022	335,047	153,546	78,778	47,524
2023	346,104	142,493	81,905	44,397
2024	357,518	131,077	85,158	41,144
2025	368,812	119,280	88,539	37,763
2026 – 2030	2,037,546	405,423	498,301	133,209
2031 – 2034	1,432,137	74,869	421,742	30,839
Total	<u>\$ 5,201,513</u>	<u>\$ 1,190,932</u>	<u>\$ 1,330,192</u>	<u>\$ 385,409</u>

<u>Year Ending June 30,</u>	<u>Notes From Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,191	\$ 53,672
2022	1,237	53,626
2023	1,284	53,579
2024	1,332	53,530
2025	1,383	53,480
2026 – 2030	7,746	266,568
2031 – 2035	69,860	264,041
2036 – 2040	380,463	218,871
2041 – 2045	458,563	140,771
2046 – 2050	512,554	46,826
Total	<u>\$ 1,435,613</u>	<u>\$ 1,204,964</u>

NOTE 9 RETIREMENT PLAN

The District records its retirement plan in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The other postemployment benefit plan is not described below due to its relative insignificance to the District's financial statements.

Plan Description – The District participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its web site at www.azasrs.gov.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 RETIREMENT PLAN (CONTINUED)

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date on or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of Years and Age Equals 80 10 Years Age 62 5 Years Age 50 * Any Years Age 65	30 Years Age 55 25 Years Age 60 10 Years Age 62 5 Years Age 50 * Any Years Age 65
Final Average Salary is Based on	Highest 36 Months of Last 120 Months	Highest 60 Months of Last 120 Months
Benefit Percent per Year of Service	2.1% to 2.3%	2.1% to 2.3%

*With Actuarially Reduced Benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013 are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long-term disability) of the active members' annual covered payroll. For the year ended June 30, 2019, active ASRS members and the District were each required by statute to contribute at the actuarially determined rate of 11.80% (11.64% for retirement and 0.16% for long-term disability) of the active members' annual covered payroll.

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 RETIREMENT PLAN (CONTINUED)

The District's contributions for the current and prior period, all of which were equal to the required contributions, were as follows:

Period Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
June 30, 2019	\$ 45,611	\$ 1,841	\$ 669
June 30, 2020	50,250	2,068	718

Pension Liability – At June 30, 2020, the District reported a liability of \$619,880 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2018 to the measurement date of June 30, 2019. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. At June 30, 2019, the District reported a liability of \$587,147 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2017 to the measurement date of June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The District's proportion measured as of June 30, 2020 and 2019 was 0.00426% and 0.00421%, respectively, an increase of 0.00005% and 0.00005%, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources – For the years ended June 30, 2020 and 2019, the District recognized pension expense for ASRS of \$65,365 and \$8,984, respectively. The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 11,198	\$ 117
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	13,933
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	7,421	512
Changes in Assumptions	2,620	24,685
District Contributions Subsequent to the Measurement Date	50,250	-
Total	<u>\$ 71,489</u>	<u>\$ 39,247</u>

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 RETIREMENT PLAN (CONTINUED)

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 16,175	\$ 3,237
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	14,119
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	5,195	3,118
Changes in Assumptions	15,537	52,059
District Contributions Subsequent to the Measurement Date	45,611	-
Total	\$ 82,518	\$ 72,533

The \$50,250 reported as deferred outflows of resources related to ASRS pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020 related to the ASRS pension will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2021	\$ (4,835)
2022	(14,229)
2023	(2,676)
2024	3,732

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows at June 30:

	2020	2019
Actuarial Valuation Date	June 30, 2018	June 30, 2017
Actuarial Roll-Forward Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation	Fair value	Fair value
Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	2.7 – 7.2%	2.7 – 7.2%
Inflation	2.3%	2.3%
Permanent Benefit Increase	Included	Included
Mortality Rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP

Actuarial assumptions used in the June 30, 2018 and 2017 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016.

GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 RETIREMENT PLAN (CONTINUED)

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following tables:

For the Year Ended June 30, 2020			
Expected Return Geometric Basis			
Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	50%	6.09%	3.05%
Credit	20%	5.36%	1.07%
Interest Rate Sensitive Bonds	10%	1.62%	0.16%
Real Estate	20%	5.85%	1.17%
Total	<u>100%</u>		<u>5.45%</u>

For the Year Ended June 30, 2019			
Expected Return Geometric Basis			
Asset Class	Target Asset Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	50%	5.50%	2.75%
Fixed Income	30%	3.83%	1.15%
Real Estate	20%	5.85%	1.17%
Total	<u>100%</u>		<u>5.07%</u>

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5% for 2019 and 2018, which is more than the long-term expected rate of return of 5.45%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 9 RETIREMENT PLAN (CONTINUED)

Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 8% as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	2020		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's Proportionate Share of Net Pension Liability	\$ 882,232	\$ 619,880	\$ 400,620
	2019		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's Proportionate Share of Net Pension Liability	\$ 836,991	\$ 587,147	\$ 378,406

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

NOTE 10 INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained commercial coverage for Workers' Compensation Insurance, Employers Liability Insurance, Other States Insurance, and Commercial Property Coverage. The District retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs. There have been no significant reductions in coverage from the prior year and settled claims for each of the past three fiscal years have not exceeded the insurance coverage amounts.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year-end, the District is still uncertain of the lasting effects the pandemic will have. Management believes the District is taking appropriate action to mitigate any negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as it is still developing.

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY COST-SHARING PLANS
JUNE 30, 2020 AND 2019**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's Proportion of the Net Pension Liability	0.004260%	0.004210%	0.004160%	0.004207%	0.004210%
District's Proportionate Share of the Net Pension Liability	\$ 619,880	\$ 587,147	\$ 648,047	\$ 679,536	\$ 656,240
District's Covered-Employee Payroll	\$ 445,159	\$ 477,983	\$ 430,154	\$ 416,990	\$ 400,835
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.25%	122.84%	150.65%	162.96%	163.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.24%	73.00%	69.92%	67.06%	68.35%

**GREEN VALLEY DOMESTIC WATER IMPROVEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
JUNE 30, 2020 AND 2019**

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)				
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Statutorily Required Contribution	\$ 50,250	\$ 45,611	\$ 43,705	\$ 42,740	\$ 44,258
District's Contributions in Relation to the Statutorily Required Contribution	<u>(50,250)</u>	<u>(45,611)</u>	<u>(43,705)</u>	<u>(44,258)</u>	<u>(44,258)</u>
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 445,159	\$ 477,983	\$ 430,154	\$ 416,990	\$ 400,835
District's Contributions as a Percentage of Covered-Employee Payroll	11.29%	9.54%	10.16%	11.04%	11.04%

The pension schedules in the required supplementary information are intended to show information for 10 years, and additional information will be displayed as it becomes available.

