

Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

## **Comprehensive Annual**

## **Financial Report**

for the fiscal year ended June 30, 2010



Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**2010 COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

for the fiscal year ended June 30, 2010



*Prepared by the Accounting Department of the  
Superstition Mountains Community  
Facilities District No. 1*

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**INTRODUCTORY SECTION**



Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

2010 COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

2010 COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**District Officials**



Board of Directors

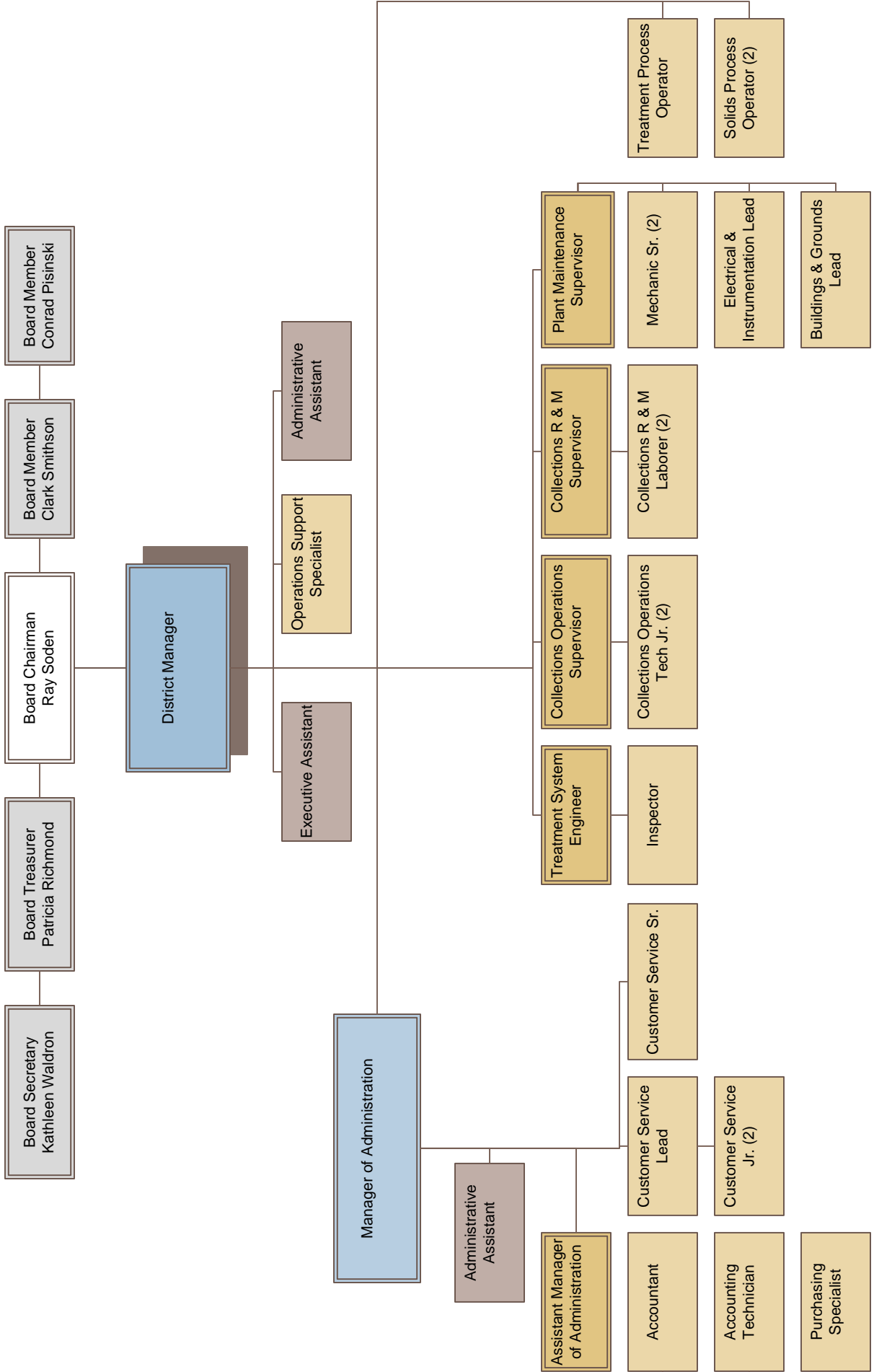
|                   |              |
|-------------------|--------------|
| Ray Soden         | Chairman     |
| Patricia Richmond | Treasurer    |
| Kathleen Waldron  | Secretary    |
| Conrad Pisinski   | Board Member |
| Clark Smithson    | Board Member |

Daniel D. Austin, former Chairman  
Resigned 12/07/09

District Financial Management

|                     |  |
|---------------------|--|
| Edward J. Grabek    | District Manager                       |
| Patricia D. Briseño | Manager of Administration              |
| Susan A. Sopko      | Assistant Manager of<br>Administration |

# Superstition Mountains Community Facilities District No. 1 Organizational Chart







## SUPERSTITION MOUNTAINS COMMUNITY FACILITIES DISTRICT NO. 1

5661 S. Ironwood Drive  
Apache Junction · Arizona 85120

December 16, 2010

To the District Chairman and Members of the Board  
Superstition Mountains Community Facilities District No. 1

Honorable Chairman and Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Superstition Mountains Community Facilities District No. 1 (District) for the year ended June 30, 2010. This is the first year that the District has prepared a CAFR. The CAFR is presented in three sections: Introductory, Financial and Statistical. The **Introductory Section** includes this letter of transmittal, a list of District officials and the District's organizational chart. The **Financial Section** includes the independent auditors' report, management's discussion and analysis, basic financial statements and notes to the financial statements. The **Statistical Section** includes additional financial and operational information presented on a multi-year comparative basis.

Arizona Revised Statutes (ARS) do not require that the District undergo an annual audit. However, the District's Trust Indenture with Bank One Trust Company NA (now the Bank of New York Mellon Global Corporate Trust) dated August 1, 2000, requires that the District prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and use as a guideline the relevant provisions of ARS §9-481 and §41-1279.07.

The responsibility for the completeness, fairness, and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, District management has established a comprehensive framework of internal controls designed to protect District assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Fester & Chapman P.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the results of the audit, there

was a reasonable basis for rendering an unqualified opinion that District's financial statements for the fiscal year ended June 30, 2010 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

### **FINANCIAL REPORTING ENTITY**

The District is a municipal corporation and political subdivision of the State of Arizona. The District was formed on July 7, 1992 under the provisions of the Community Facilities District Act of 1988, as amended, constituting Title 48, Chapter 4, Article 6 of Arizona Revised Statutes.

When the City of Apache Junction (City) was incorporated in 1979, it is believed to have been the largest incorporated area in the continental United States without a sanitary sewer system and central treatment facility. Septic tanks, which provide only primary treatment, were the predominant form of wastewater treatment in the City. Due to the lack of a regional sewer treatment system, the Arizona Department of Environmental Quality (ADEQ) imposed restrictions on the use of septic tanks for new industrial and commercial development within the Apache Junction area. Permits for commercial and industrial uses could be obtained for new septic tanks, but ADEQ had conditioned these permits upon the developer agreeing to connect to a central sewer system when the system was available.

On two separate occasions, the City of Apache Junction sought voter approval to construct a sewer system but was unsuccessful. As an alternative to municipal service, and armed with petitions from the majority of land owners within the boundaries of the proposed community facilities district, the City formed the District to acquire, construct and develop a sewer collection system and water treatment facility for the City.

The District originally consisted of 48 largely noncontiguous parcels of undeveloped land comprising approximately 600 acres located entirely within the City. On June 7, 1994, the City Council approved the expansion of the District. On June 21, 1994, an election of the District's qualified electors was held on the issue of expansion. The electors qualified to vote included all owners of land within the original District, all owners of land in the area proposed to be added to the District and all resident electors of either area. The qualified electors approved the expansion of the District to include 2,388 total parcels of land. On June 29, 1994, the Board of Directors of the District canvassed the election and formally declared the expansion of the District.

Under the terms of the Community Facilities District Act, the City Council appoints citizen volunteers as the Board of Directors of the District. The District's Board consists of five members of the community who serve staggered terms.

Other than Board selection, the City has no authority over the operation of the District or responsibility for its actions. The District is governed by its Board of Directors, much like a city is governed by its council. The Board can pass resolutions which establish the policies and procedures of the District. The resolutions relating to use of the wastewater system and user fees are contained in the District's policies and procedures. Such resolutions have substantially the same purpose as the ordinances of a city, county or other local governmental entity.

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

By definition, the economy of the United States is out of recession and into recovery. However, despite what the numbers say, the average person in the District's service area will most likely not see or feel any visible signs of economic recovery for quite some time. Nationally, the business community is very pessimistic and consumer outlook is grim. At the end of September 2010, only 8% of consumers thought that business conditions were "good" as opposed to 46% who claimed that they were "bad."<sup>1</sup> Locally, the unemployment rate has been greater than 9%<sup>2</sup> for more than a year and home values have dropped to pre-1999 levels.<sup>3</sup> There are simply too few qualified buyers for too many homes and this has greatly suppressed new construction. On a national level, the forecast is that the housing market will not begin to recover to a "normal" level for at least another three years.<sup>4</sup> Given the huge surplus of empty houses in the overbuilt metropolitan Phoenix area, this forecast is seen as wildly optimistic.

All of the above is important because the District has depended upon the growth of its customer base to help increase its revenue stream to meet its rising debt payments and to fund capital projects. The District has also depended upon regular annual increases in its sewer rates to keep pace with rising costs due to inflation and unfunded governmental mandates. If wages remain stagnant, or people remain unemployed, there may be pressure to change this heretofore successful strategy.

While the statistics and forecasts may look bleak, the District actually grew over the past fiscal year after slightly contracting during the previous one. The District saw its customer base expand by 1.8% as it added 106 new connections. A temporary federal tax credit for first time homebuyers undoubtedly had a positive effect on new construction, but to what degree is unknown. The majority of the 80 new homes constructed by Kauffman Homes were not sold to first time home buyers who could qualify for the federal tax credit that ended on April 30, 2010. Of greater impact may have been the climb of the Canadian dollar to near parity with the U.S. dollar,<sup>5</sup> as many sales were made to Canadian retirees. Whatever the case, the District grew unexpectedly. However, continuing problems with the economy do not portend a continuation of this rate of growth in fiscal year 2011.

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<sup>1</sup> Wall Street Journal, Market Watch, 9-28-10, Article titled: September Consumer Confidence Falls. Data in the article was from "The Conference Board," a non-profit Washington D.C. group.

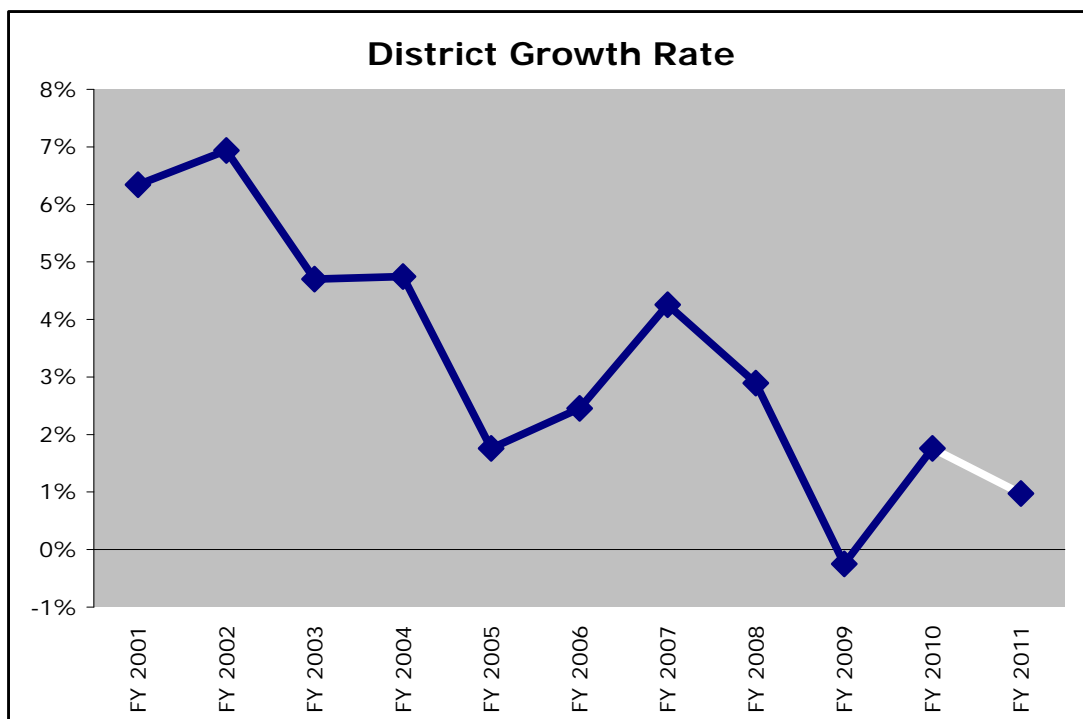
<sup>2</sup> US Department of Labor, Bureau of Labor Statistics, historical unemployment data for Phoenix-Glendale metropolitan area, May 2009 through August 2010 consumer confidence in the US as well as internationally.

<sup>3</sup> Zillow.com Price comparison of 3 new homes constructed in 1999 within the Augusta Ranch subdivision, (east) Mesa, AZ, and recently re-sold May – August, 2010.

<sup>4</sup> Wall Street Journal, 9-22-10, Article titled: Slight Improvement in U.S. Home Price Outlook

<sup>5</sup> X-Rates.com, Canadian Dollars to 1 USD, Period 4-12-10 to 9-27-10.

The housing market remains in a free-fall. Home values have dropped to the point where the square foot costs for upscale existing homes in established neighborhoods have reached parity with the cost of new construction. Any further erosion in home values threatens to choke off what little new construction there still is. Taking all factors into consideration, District management thought it wise to budget for only 18 additions to its customer count in fiscal year 2011. However, that forecast may have over weighted how termination of the first time home buyers program would affect the new home market. A revised look three months into the new fiscal year forecasts that new connections will easily exceed the original estimate of 18 units, but not reach last years total of 106 new connections. A revised estimate puts growth in the range of 1% or 60 units for fiscal year 2011.



## MAJOR INITIATIVES

### Administrative Office Complex

The District's major undertaking in fiscal year 2010 was the completion of the Administrative Office Complex. This self funded project, substantially completed with District labor, allowed for the consolidation of the District's personnel and operations in one location.

### Operational Efficiencies

The District continued to examine opportunities for process improvements and related cost savings. While this is an ongoing initiative, special emphasis will be placed on it for the next three to five fiscal years.

### Treatment Plant Expansion

Once growth returns to the local market, the District will once again need to focus on the expansion of its existing treatment facility. The District is implementing actions in the current and near term periods to prepare for this eventuality. The preparation of this CAFR, for example, is one step that the District hopes will make its future bonded debt more marketable.

### **ACKNOWLEDGMENTS**

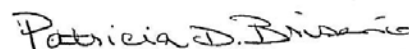
The preparation of the District's Comprehensive Annual Financial Report was made possible with the assistance and cooperation of many District employees as well as staff at the City of Apache Junction. Special thanks is due to District employees Susan A. Sopko, Assistant Manager of Administration, and Maria Zagar, District Accountant, for compiling and assembling the majority of the financial information and schedules presented in this report. Additional thanks goes to Andrea Dominguez, Executive Assistant, and Sahndra Marshall, Administrative Assistant, for their tireless efforts related to data collection and input. Appreciation is also due to John C. White and Steve Filipowicz at the City of Apache Junction for providing some of the economic data for this report.

We would like to conclude by thanking the Board of Directors for their continued support and guidance. We all recognize that while your time is uncompensated, the value of your support is beyond measure.

Respectfully submitted,



Edward J. Grabek  
District Manager



Patricia D. Briseño  
Manager of Administration

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**FINANCIAL SECTION**



Independent Auditors' Report

To the Board of Directors  
Superstition Mountains Community Facilities District No. 1  
Apache Junction, Arizona

We have audited the accompanying statements of net assets of Superstition Mountains Community Facilities District No. 1 (the District) as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis (MD&A) on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The MD&A has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming our opinion on the financial statements that comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents in the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Fester & Chapman P.C.*

December 16, 2010



**SUPERSTITION MOUNTAINS COMMUNITY FACILITIES DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010 AND 2009**

The Superstition Mountains Community Facilities District's (the "District's") discussion and analysis provides an overview of the District's financial performance for the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL SUMMARY**

- Net assets decreased by \$982 thousand or 25%, to end the fiscal year at \$2.9 million.
- Operating revenues increased by \$211 thousand, or 4%, over fiscal 2009.
- Operating expenses increased by \$217 thousand over fiscal 2009.
- Net non-operating expenses decreased by \$45 thousand from the prior year.
- Checking account and fund balances, which consist of cash, cash equivalents and investments in US Treasury Notes, increased by \$196 thousand over 2009.

**DESCRIPTION OF BASIC FINANCIAL STATEMENTS**

The District's financial statements are prepared using proprietary fund (enterprise fund) accounting which uses the same basis of accounting as private-sector business enterprises. The District's costs of providing services to the public on a continuing basis are financed primarily through user charges.

The District's financial statements consist of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows. These statements were prepared using the accrual basis of accounting which recognizes income when earned and expenses when incurred.

## CONDENSED FINANCIAL DATA

The following table summarizes the total assets, liabilities and net assets for the District as of June 30, 2010. The information is provided in greater detail in the basic financial statements which follow this analysis.

|                            | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <b>Increase (Decrease)<br/>current year from prior</b> |                   | <u>June 30, 2008</u> |
|----------------------------|----------------------|----------------------|--|-------------------|----------------------|
|                            |                      |                      | <u>Amount</u>  | <u>Percentage</u> |                      |
| Cash & cash equivalents    | \$ 3,089,301         | \$ 8,696,029         | \$ (5,606,728)   | -64.47%           | \$ 8,671,181         |
| Investments                | 5,802,745            | 0                    | 5,802,745  | n/a               | 0                    |
| Other current assets       | 866,902              | 903,233              | (36,331)   | -4.02%            | 1,092,999            |
| Capital assets             | 23,123,619           | 24,289,232           | (1,165,613)  | -4.80%            | 25,475,382           |
| Bond issuance costs        | <u>922,393</u>       | <u>968,350</u>       | <u>(45,957)</u>  | -4.75%            | <u>1,014,307</u>     |
| <b>Total assets</b>        | 33,804,960           | 34,856,844           | (1,051,884)  | -3.02%            | 36,253,869           |
| Current liabilities        | 1,551,513            | 1,371,411            | 180,102  | 13.13%            | 1,602,138            |
| Long term liabilities      |                      |                      |  |                   |                      |
| Series 2000 bond           | <u>29,380,000</u>    | <u>29,630,000</u>    | <u>(250,000)</u>                                       | -0.84%            | <u>29,775,000</u>    |
| <b>Total liabilities</b>   | 30,931,513           | 31,001,411           | (69,898)   | -0.23%            | 31,377,138           |
| Invested in capital assets | (2,752,352)          | (1,802,439)          | (949,913)  | 52.70%            |                      |
| Restricted                 | 4,637,187            | 4,278,994            | 358,193  | 8.37%             | 1,820,420            |
| Unrestricted               | <u>988,612</u>       | <u>1,378,878</u>     | <u>(390,266)</u>                                       | -28.30%           | <u>3,056,311</u>     |
| <b>Total net assets</b>    | \$ 2,873,447         | \$ 3,855,433         | \$ (981,986)   | -25.47%           | \$ 4,876,731         |

### Net Assets

The net assets, defined as total assets less total liabilities, decreased by 25.47%, or \$982 thousand over the prior year. Total assets decreased by 3.02% or \$1.1 million; total liabilities decreased \$69.9 thousand, or .23%.

*Cash and cash equivalents* decreased by \$5.6 million. The decrease resulted from a transfer of \$5.8 million to *Investments*.

The balance of \$5.8 million in *Investments* at the end of fiscal year 2010 reflects the District's move to enhance its interest earnings. The District invested \$5.8 million of *Cash and cash equivalents* in US Treasury Notes in May 2010.

When taken as a whole, *Cash and cash equivalents* and *Investments* increased by \$196 thousand over 2009 due primarily to increases in the Capital Funds as projects that were budgeted and funded for fiscal year 2010 were extended or moved into fiscal year 2011. A summary of the components of *Cash and cash equivalents* and *Investments* is provided in Table 2.

Net additions to *Capital assets* for fiscal year 2010 totaled \$488 thousand; after normal depreciation of \$1.7 million, *Capital assets* decreased by \$1.2 million. The most significant asset placed into service during fiscal year 2010 was the District's administrative office costing \$576 thousand. A summary of the components of *Capital assets* is provided in Table 4.

*Current liabilities* increased by \$180 thousand primarily from increase of \$105 thousand in *Current portion, bonds payable*. The long term portion of the *Series 2000 bonds payable* decreased by \$250 thousand resulting in an overall decrease in liabilities of \$69.9 thousand.

|   | <u>June 30, 2010</u> | <u>June 30, 2009</u> | Increase (Decrease)<br>current year from prior |                   | <u>June 30, 2008</u> |
|---|----------------------|----------------------|--|-------------------|----------------------|
|   |                      |                      | <u>Amount</u>                                  | <u>Percentage</u> |                      |
| Checking accounts                                   | \$ 500,830           | \$ 733,705           | \$ (232,875)                                   | -31.74%           | \$ 858,754           |
| Restricted funds                                    |                      |                      |  |                   |                      |
| Revenue Fund  | 38,800               | 31,758               | 7,042  | 22.17%            | 137,181              |
| Debt Service Funds                                  | 1,072,280            | 1,001,517            | 70,763   | 7.07%             | 964,834              |
| Debt Service Reserve                                | 2,681,749            | 2,681,812            | (63)   | 0.00%             | 2,702,837            |
| Capital Funds                                       | 1,090,314            | 834,508              | 255,806  | 30.65%            | 674,063              |
| Land Purchase Fund                                  | 2,397,902            | 2,396,653            | 1,249  | 0.05%             | 2,383,124            |
| District Reserves                                   | <u>1,110,171</u>     | <u>1,016,076</u>     | <u>94,095</u>                                  | 9.26%             | <u>950,388</u>       |
| <b>Total cash, cash equivalents and investments</b> | <b>\$ 8,892,046</b>  | <b>\$ 8,696,029</b>  | <b>\$ 196,017</b>                              | <b>2.25%</b>      | <b>\$ 8,671,181</b>  |

### **Cash, Cash Equivalents and Investments**

In addition to its regular checking accounts used to accumulate daily receipts and to disburse periodic payments for payroll, goods and services, the District maintains several accounts managed by its Trustee and monitored by its bondholder, Allstate Insurance. The purpose and ultimate use of monies in the Trust Accounts is dictated by the terms of the Trust Indenture between the District and Bank One Trust Company (now the Bank of New York Mellon Global Corporate Trust as successor Trustee) dated August 1, 2000.

#### *Revenue Fund*

The Revenue Fund serves as a flow-through account for all revenues received by the District. On a monthly basis, all available funds are transferred from the Revenue Fund to other District accounts according to specific criteria outlined in the Trust Indenture and annual budget. Balances in the Revenue Fund at the reporting dates will vary based upon the timing of cash receipts and transfers.

#### *Debt Service Funds*

The Debt Service Funds serve to accumulate the full amount of the next debt payment due on the Series 2000 bonds, both principal and interest. As of June 30, 2010, the funds contained \$1.1 million to meet the scheduled debt payment of \$998.9 thousand due on July 1, 2010.

### *Debt Service Reserve*

The Debt Service Reserve Fund represents a secondary source of funds to make scheduled payments on the Series 2000 bond debt. Monies are deposited in accordance with the Trust Indenture until the fund balance reaches \$2.68 million. The balance as of June 30, 2010, including the investment in US Treasury Notes, slightly exceeds the target because of the accumulation of interest. Funds in excess of \$2.68 million are transferred to the Revenue Fund by the Trustee in January of each year.

### *Capital Funds*

The Capital Funds contain monies for the purchase of capital assets. The balances in these funds represent capital improvements, expansions and other acquisitions that have been approved by the District's Board of Directors as part of the annual budgeting process but not yet expended.

### *Land Purchase Account*

The Land Purchase Fund was created to accumulate monies for a setback buffer via an odor easement on, or outright purchase of, approximately 89 acres of land surrounding the water reclamation facility ("WRF"). This is to comply with an Arizona Department of Environmental Quality ("ADEQ") rule in Arizona Administrative Code Title 18, R18-9-B201.I and is a condition of licensing the District's WRF. The District made an initial attempt to purchase the property in fiscal year 2002 but the Arizona State Land Department ("ASLD") was in dispute with the Maricopa County Flood Control District ("MCFCD") over another easement matter concerning the same property. ASLD refused to consider the District's overture to purchase the land at that time until the matter was settled with the MCFCD. Instead they issued a temporary approval of the District's impact on the property until they were ready to sell the odor easement. The dispute between ASLD and MCFCD was settled in fiscal 2008 and the District moved forward with its attempt to purchase the odor easement and 20 acres of land. At the end of fiscal 2010, the District's applications were in process with ASLD. Resolution is not anticipated until fiscal year 2012.

The balance of \$2.4 million at June 30, 2010 exceeds the initial target of \$2.16 million because of accumulated earnings. No new funds were contributed during fiscal 2010.

### *District Reserves*

These funds serve to supplement shortfalls that occur in other funds. These reserves can be used for District operations, capital assets or debt repayment. A portion of the reserve is mandated by the Trust Indenture to maintain a balance of \$750 thousand. As of June 30, 2010, the reserve balances exceeded the requirements of the Trust Indenture.

## CHANGES IN NET ASSETS

|   | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <b>Increase (Decrease)<br/>current year from prior</b> |                   | <u>June 30, 2008</u> |
|---|----------------------|----------------------|--|-------------------|----------------------|
|   |                      |                      | <u>Amount</u>  | <u>Percentage</u> |                      |
| Operating revenues                      |                      |                      |  |                   |                      |
| Sewer services                          | \$ 5,177,456         | \$ 5,037,505         | \$ 139,951   | 2.78%             | \$ 4,900,927         |
| Connection fees                         | 240,170              | 98,854               | 141,316  | 142.95%           | 284,261              |
| Septage charges                         | 421,608              | 411,627              | 9,981  | 2.42%             | 388,145              |
| Recharge credit sales                   | 110,210              | 158,326              | (48,116)   | -30.39%           | 154,364              |
| Miscellaneous                           | <u>171,994</u>       | <u>203,750</u>       | <u>(31,756)</u>  | -15.59%           | <u>122,621</u>       |
| Total operating revenue                 | 6,121,438            | 5,910,062            | 211,376  | 3.58%             | 5,850,318            |
| Operating expenses                      | 5,305,505            | 5,088,079            | 217,426  | 4.27%             | 4,734,252            |
| Operating income                        | 815,933              | 821,983              | (6,050)  | -0.74%            | 1,116,066            |
| Nonoperating income/(expense)           |                      |                      |  |                   |                      |
| Mediation & litigation settlement       | 0                    | 0                    | 0  | n/a               | 184,152              |
| Interest & accretion                    | (1,781,100)          | (1,787,460)          | 6,360  | -0.36%            | (1,788,420)          |
| Other nonoperating                      | <u>(16,819)</u>      | <u>(55,821)</u>      | <u>39,002</u>  | -69.87%           | <u>471,915</u>       |
| Total nonoperating<br>revenue/(expense) | (1,797,919)          | (1,843,281)          | 45,362   | -2.46%            | (1,132,353)          |
| <b>Decrease in net assets</b>           | \$ (981,986)         | \$ (1,021,298)       | \$ 39,312  | -3.85%            | \$ (16,287)          |

### Operating Revenues

Operating revenues increased 3.58% over the prior year. Slight revenue gains were realized in *Sewer service* fees where income increased \$139.9 thousand, or 2.78%, over fiscal 2009. This increase is due primarily to a modest rate increase over the prior year.

*Connection fees* increased \$141.3 thousand, or 142.95%, from the prior year. The District issued 100 more fee generating permits to connect Single Family homes in fiscal 2010 when compared to the prior year. According to the developer responsible for the majority of these permits, Canadian buyers were very active in the local market during fiscal year 2010.

In March 2005, the District received its final permits allowing for the recharge of effluent and the accumulation of saleable recharge credits. The District negotiated agreements to sell its recharge credits to the Water Utilities Community Facilities District, known as Apache Junction Water Company, and to Roadhaven RV Resort HOA. Revenues realized from recharge activities in fiscal 2010 were negatively impacted when maintenance on the recharge beds and flow meters temporarily reduced flows; revenues were \$48.1 thousand lower than the previous year.

*Miscellaneous revenues* were \$31.8 thousand, or 15.59%, lower than the prior year. This decrease is the result of slightly lower revenues realized on disconnection activities.

### **Operating Expenses**

Operating expenses increased by 4.27% over fiscal 2009. Expense categories showing significant increases include *Payroll and payroll related*, *Administrative* and *Repairs and maintenance – treatment facility*. Expense categories showing significant decreases include *Consulting*, *Legal* and *Office rent*. Increases in *Payroll and payroll related* expenses resulted from budgeted wage increases and increased benefit costs. *Administrative* expenses were higher than the prior year because of costs related to the relocation of the administrative office. *Repairs and maintenance – treatment facility* was higher than the prior year because of expenses related to the refurbishing of the used relocatable classroom buildings into the District’s administrative office and for maintenance required at the Baseline Pump Station during a rebuilding of one of the 100 horsepower pumps. *Consulting* expense was lower in fiscal 2010 because the prior year included \$130 thousand related to the completion of the polymer assisted sludge drying beds. *Legal* expense was lower in 2010 because of fewer demands for general services; *Office rent* was eliminated in September 2009 when the administrative staff was relocated to the refurbished administrative buildings located at the treatment facility.

### **Non-operating Revenues and Expenses**

*Total non-operating expense* was \$45.3 thousand lower than fiscal 2009. In the prior year, non-operating expenses included \$86.1 thousand in architectural fees originally incurred to design a new Administration building that were expensed when the District opted to purchase used relocatable classroom buildings to serve the purpose. Non-operating revenues showed marked declines when compared to the prior year. *Interest income* declined by \$49.1 thousand because of the continued decline in market rates on the District’s invested balances.

## CAPITAL ASSETS

**Table 4**  
**Superstition Mountains Community Facilities District No. 1**  
**Capital Assets**

|                             | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <b>Increase (Decrease)</b><br><b>current year from prior</b> |                   | <u>June 30, 2008</u> |
|-----------------------------|----------------------|----------------------|--|-------------------|----------------------|
|                             |                      |                      | <u>Amount</u>  | <u>Percentage</u> |                      |
| Land and easements          | \$ 332,518           | \$ 329,518           | \$ 3,000   | 0.91%             | \$ 332,698           |
| Treatment plant             | 14,513,412           | 14,380,146           | 133,266  | 0.93%             | 14,397,623           |
| Collection system           | 22,194,334           | 22,168,375           | 25,959   | 0.12%             | 22,164,300           |
| Buildings & grounds         | 576,515              | 0                    | 576,515  | n/a               | 0                    |
| Machinery & equipment       | 2,063,455            | 2,062,590            | 865  | 0.04%             | 1,858,942            |
| Office equipment & software | 241,581              | 229,993              | 11,588   | 5.04%             | 195,697              |
| Construction in process     | <u>149,392</u>       | <u>412,976</u>       | <u>(263,584)</u>   | -63.83%           | <u>147,495</u>       |
| <b>Total capital assets</b> | 40,071,207           | 39,583,598           | 487,609  | 1.23%             | 39,096,755           |
| Accumulated depreciation    | <u>(16,947,588)</u>  | <u>(15,294,366)</u>  | <u>(1,653,222)</u>   | 10.81%            | <u>(13,621,373)</u>  |
| <b>Net capital assets</b>   | <b>\$ 23,123,619</b> | <b>\$ 24,289,232</b> | <b>\$ (1,165,613)</b>  | <b>-4.80%</b>     | <b>\$ 25,475,382</b> |

### Capital Assets

The District operates and maintains approximately 109 miles of sewer line throughout the City of Apache Junction as well as a 2.1 MGD (million gallons per day) capacity wastewater treatment plant. The District is continually expanding, replacing and maintaining the collection system and treatment plant. Most components of the sewer system and treatment plant have exceeded 15 years of use, with a small portion of the contributed system nearing 30 years of service.

In fiscal 2010, increases in Capital assets resulted primarily from the addition of \$576.5 thousand in *Buildings & grounds* from the completion of the administrative office. There were also several mid-range additions to the *Treatment plant*. *Construction in process* decreased by \$263.5 thousand with the completion of the administrative office.

## DEBT ADMINISTRATION

The District has one bond issue, Series 2000, held by Allstate Insurance Company. The bond was considered to be a capital appreciation bond through January 1, 2005 at which point it became a current interest obligation. The District is in compliance with all terms and conditions of the debt obligation. One of the terms of the debt obligation requires that the District maintain a ratio of net revenues to bond service charges of at least 1.10. For fiscal year 2010, the District's ratio was 1.27. Note 5 to the Financial Statements provides additional information about the bond debt.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S RESULTS**

The District was able to realize growth in its customer base and in cash generated from operations despite the continued repression of the local housing market and bleak overall economic conditions in the District's service area. A large percentage of this growth was realized as a result of home sales to foreign investors who were able to capitalize on favorable currency valuations.

Revenue growth resulted from the District's practice of annual, modest rate increases for the services it provides. These rate increases, when factored with the modest growth, allowed the District to cover its regular operating expenses and debt service as well as contribute toward capital additions and replacements.

The District is somewhat insulated from economic downturns by its broad residential customer base. Approximately 96% of the units billed by the District for sewer service are residential, representing 45% of total sewer service revenue for fiscal year 2010. Although the District experienced very high levels of residential disconnections, revenues were not significantly impacted because delinquent balances are nearly always collected in full once a property changes hands.

Expenses reflected the District's continued commitment to expense control by focusing on preventative and proactive repairs and maintenance to extend the useful lives of the District's equipment, systems and facilities.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability and compliance with respect to fiscal matters. If there are questions concerning this report or if further information is required, please contact the Superstition Mountains Community Facilities District No. 1 at 5661 S. Ironwood Drive, Apache Junction, Arizona 85120.



Superstition Mountains Community Facilities District No. 1

STATEMENTS OF NET ASSETS

June 30,

|  | ASSETS | <u>2010</u>         | <u>2009</u>         |
|--|--------|---------------------|---------------------|
| <b>CURRENT ASSETS</b>  |        |                     |                     |
| Cash and cash equivalents  |        | \$ 500,830          | \$ 733,705          |
| Cash and cash equivalents, restricted  |        | 2,561,356           | 2,107,211           |
| Accounts receivable – sewage, net of allowance for doubtful accounts of \$117,947 and \$92,688 |        | 517,808             | 503,376             |
| Accounts receivable - other  |        | 222,995             | 259,467             |
| Inventory  |        | 29,822              | 36,651              |
| Prepaid expenses   |        | <u>96,277</u>       | <u>103,739</u>      |
| Total current assets   |        | 3,929,088           | 3,744,149           |
| <b>NONCURRENT ASSETS</b>   |        |                     |                     |
| Capital assets:  |        |                     |                     |
| Capital assets not being depreciated   |        | 463,518             | 724,103             |
| Capital assets, net of accumulated depreciation  |        | <u>22,660,101</u>   | <u>23,565,129</u>   |
| Total capital assets   |        | 23,123,619          | 24,289,232          |
| Other assets:  |        |                     |                     |
| Bond issuance costs, net of accumulated amortization of \$456,312 and \$410,355                |        | 922,393             | 968,350             |
| Cash and cash equivalents, restricted  |        | 27,115              | 5,855,113           |
| Investments, restricted  |        | <u>5,802,745</u>    | <u>0</u>            |
| Total other assets   |        | <u>6,752,253</u>    | <u>6,823,463</u>    |
| Total assets   |        | <u>33,804,960</u>   | <u>34,856,844</u>   |
| <b>LIABILITIES AND NET ASSETS</b>  |        |                     |                     |
| <b>CURRENT LIABILITIES</b>   |        |                     |                     |
| Accounts payable   |        | \$ 92,874           | \$ 73,476           |
| Accrued expenses   |        | 245,772             | 197,917             |
| Accrued interest payable   |        | 888,900             | 893,250             |
| Current portion, bonds payable   |        | 250,000             | 145,000             |
| Unearned revenue   |        | <u>73,967</u>       | <u>61,768</u>       |
| Total current liabilities  |        | 1,551,513           | 1,371,411           |
| <b>NONCURRENT LIABILITIES</b>  |        |                     |                     |
| Long term debt   |        |                     |                     |
| Series 2000 bonds payable, less current maturity   |        | <u>29,380,000</u>   | <u>29,630,000</u>   |
| Total liabilities  |        | 30,931,513          | 31,001,411          |
| <b>NET ASSETS</b>  |        |                     |                     |
| Invested in capital assets, net of related debt  |        | (2,752,352)         | (1,802,439)         |
| Restricted:  |        |                     |                     |
| Capital acquisition  |        | 3,488,216           | 3,469,944           |
| Operations   |        | 1,148,971           | 809,050             |
| Unrestricted   |        | <u>988,612</u>      | <u>1,378,878</u>    |
| Total net assets   |        | <u>\$ 2,873,447</u> | <u>\$ 3,855,433</u> |

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

Superstition Mountains Community Facilities District No. 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years Ended June 30,

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| Operating revenues:                          |                     |                     |
| Charges for services                         | \$ 5,417,626        | \$ 5,136,359        |
| Charges for septage                          | 421,608             | 411,627             |
| Sales of recharge credits                    | 110,210             | 158,326             |
| Miscellaneous                                | 171,994             | 203,750             |
| Total operating revenues                     | <u>6,121,438</u>    | <u>5,910,062</u>    |
| Operating expenses:                          |                     |                     |
| Payroll and payroll related                  | 2,362,689           | 2,079,004           |
| Repairs and maintenance - treatment facility | 385,595             | 321,350             |
| Repairs and maintenance - other              | 6,408               | 9,483               |
| Supplies and services - treatment facility   | 346,623             | 315,627             |
| Accounting                                   | 14,000              | 14,900              |
| Consulting                                   | 14,903              | 154,309             |
| Administrative                               | 249,851             | 185,480             |
| Insurance                                    | 71,563              | 79,525              |
| Legal  | 63,810              | 96,575              |
| Office rent                                  | 11,704              | 40,087              |
| Depreciation and amortization                | 1,743,773           | 1,726,690           |
| Bad debt                                     | 34,082              | 44,049              |
| Miscellaneous                                | 504                 | 21,000              |
| Total operating expenses                     | <u>5,305,505</u>    | <u>5,088,079</u>    |
| Operating income                             | 815,933             | 821,983             |
| Nonoperating revenues and (expenses):        |                     |                     |
| Interest income                              | 3,598               | 52,658              |
| Loss on equipment disposed                   | (12,417)            | (91,045)            |
| Trust and cash management fees               | (8,000)             | (17,434)            |
| Interest expense                             | (1,781,100)         | (1,787,460)         |
| Total nonoperating revenues and (expenses)   | <u>(1,797,919)</u>  | <u>(1,843,281)</u>  |
| Decrease in net assets                       | (981,986)           | (1,021,298)         |
| Total net assets, July 1                     | <u>3,855,433</u>    | <u>4,876,731</u>    |
| Total net assets, June 30                    | <u>\$ 2,873,447</u> | <u>\$ 3,855,433</u> |

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

Superstition Mountains Community Facilities District No. 1

STATEMENTS OF CASH FLOWS

Years Ended June 30,

|   | <u>2010</u>         | <u>2009</u>         |
|---|---------------------|---------------------|
| Cash flows from operating activities:   |                     |                     |
| Cash received from customers  | \$ 5,983,683        | \$ 5,684,151        |
| Other operating receipts  | 175,592             | 440,560             |
| Cash payments to suppliers for goods and services                                       | (1,173,354)         | (1,304,505)         |
| Cash payments to employees for services   | <u>(2,314,834)</u>  | <u>(2,389,310)</u>  |
| Net cash provided by operating activities   | 2,671,087           | 2,430,896           |
| Cash flows from capital and related financing activities:                               |                     |                     |
| Acquisition of structures, sewer improvements and equipment                             | (544,620)           | (585,628)           |
| Principal payments on bonds payable   | (145,000)           | (32,000)            |
| Bond interest paid  | <u>(1,785,450)</u>  | <u>(1,788,420)</u>  |
| Net cash used by capital and related financing activities                               | (2,475,070)         | (2,406,048)         |
| Cash flows from investing activities  |                     |                     |
| Net increase in investments   | <u>(5,802,745)</u>  | 0                   |
| Net cash used by investing activities   | (5,802,745)         | 0                   |
| Net (decrease)/increase in cash   | (5,606,728)         | 24,848              |
| Cash and cash equivalents, beginning of year  | <u>8,696,029</u>    | <u>8,671,181</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 3,089,301</u> | <u>\$ 8,696,029</u> |
| Cash and cash equivalents at June 30, 2010 and 2009 consist of:                         |                     |                     |
| Unrestricted cash and cash equivalents  | \$ 500,830          | \$ 733,705          |
| Restricted cash and cash equivalents, current   | 2,561,356           | 2,107,211           |
| Restricted cash and cash equivalents, noncurrent  | <u>27,115</u>       | <u>5,855,113</u>    |
| Total   | <u>\$ 3,089,301</u> | <u>\$ 8,696,029</u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                     |                     |
| Operating income  | \$ 815,933          | \$ 821,983          |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization   | 1,743,773           | 1,726,690           |
| Interest income, net of trust and cash management fees                                  | (4,402)             | 35,224              |
| Changes in assets and liabilities:  |                     |                     |
| Accounts receivable - sewage  | (14,432)            | (14,240)            |
| Accounts receivable - other   | 36,472              | 183,361             |
| Inventory   | 6,829               | 9,857               |
| Prepaid expenses  | 7,462               | 10,788              |
| Accounts payable  | 19,398              | (25,331)            |
| Accrued expenses  | 47,855              | (310,306)           |
| Unearned revenue  | <u>12,199</u>       | <u>(7,130)</u>      |
| Net cash provided by operating activities   | <u>\$ 2,671,087</u> | <u>\$ 2,430,896</u> |

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

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1 – BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Superstition Mountains Community Facilities District No. 1 (the District) is a public utility, formed under the laws of the State of Arizona on July 7, 1992. The District was formed to finance, construct, own and operate a wastewater treatment plant and collection system (the Project) to serve as the central sewer system for a portion of the City of Apache Junction, Arizona.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to proprietary funds of governmental units. The more significant accounting policies of the District follow:

Description of Fund: A Fund is described as an independent fiscal and accounting entity with a self-balancing set of accounts used to record assets, related liabilities, reserves and equities which are segregated for the purpose of carrying on activities of the reporting entity.

Proprietary (Enterprise) Fund: This fund type is used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Pronouncements of GASB and FASB: Government Accounting Standards Board (GASB) Statement No. 20 states that Financial Accounting Standards Board (FASB) and its predecessor body pronouncements issued before November 30, 1989, continue to be applicable to Enterprise Funds unless they conflict with or contradict GASB guidance.

Enterprise Funds may take either of the following approaches to FASB guidance issued subsequent to November 30, 1989:

1. An entity may elect to continue to follow FASB guidance that does not conflict with or contradict GASB guidance. If this election is made, it must be followed consistently. It would not be appropriate to follow some FASB pronouncements, issued subsequent to the cutoff date, but not others.
2. An entity may elect not to subject itself to FASB guidance issued subsequent to the cutoff date. In that case, even FASB amendments of guidance issued prior to the cutoff date would not be applicable to proprietary operations.

Superstition Mountains Community Facilities District No. 1 has elected to subject itself to FASB guidance issued subsequent to November 30, 1989.

Basis of Presentation: The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes income when earned and expenses when incurred.

Cash and cash equivalents: Cash and cash equivalents consist of cash and short term investments with an initial maturity of three months or less.

Allowance for Doubtful Accounts: The District provides an allowance for doubtful accounts equal to the estimated uncollectible portion. This estimate is based on historical collection experience and a review of the current status of accounts receivable.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1 – BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory: Inventory is stated at purchased cost (which approximates market). Inventory on hand at year-end is determined using the first-in, first-out method.

Capital Assets: Capital assets are stated at cost, which is allocated to current and future periods through depreciation. Capital asset expenditures are considered for capitalization when unit costs exceed \$5,000. Capitalized sewer improvement costs represent expenditures for the design and construction of the Project, along with capitalized interest. Depreciation and amortization are computed using the straight-line method based on economic lives of the assets as follows:

|                                   |                |
|-----------------------------------|----------------|
| Equipment                         | 3 to 10 years  |
| Structures and sewer improvements | 10 to 30 years |

Contributed Capital Assets: The District receives contributed capital assets in the form of sewer lines built and connected by developers of new residential and business properties in Apache Junction. The contributions are made in lieu of the developers paying the District to build the lines with District personnel. The District may also receive contributed capital assets in the form of easements granted by property owners in lieu of paying connection or other fees to the District.

Bond Issuance Costs: Bond issuance costs are deferred and amortized using the straight-line method over the 30 year term of the bonds.

Investments: Investments are purchased with the intent to hold to maturity and are stated at amortized cost.

Income Taxes: The District is exempt from income taxes as a public utility.

Operating and Nonoperating Revenues and Expenses: Operating revenues include all income derived from the operation of the sewer system or water treatment facility. Operating expenses include all costs incurred to support the operation of the sewer system and water treatment facility, including repair and maintenance expenses, administrative expenses and depreciation on capital assets.

Nonoperating revenues include income realized from contributed capital assets, proceeds received from mediation and litigation settlements and earned interest. Nonoperating expenses include interest expense, cash management fees and losses realized from the disposal or abandonment of capital assets.

Use of Estimates: In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications were made to the 2009 financial statement presentation in order to conform to the 2010 presentation.

Subsequent Events: Subsequent events have been evaluated through December 16, 2010 which was the date the District's financial statements were issued.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 2 – RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Restricted cash, cash equivalents and investments consist of amounts established relative to the District's Trust Indenture with Bank One Trust Company (now the Bank of New York Mellon Global Corporate Trust), as amended. The Trust Indenture authorizes the District to invest in government obligations; repurchase agreements that are fully collateralized by government obligations; interest earning investments such as certificates of deposit or other time deposits which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or similar federal agency; shares in any investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and whose only investments are government obligations; any other investment agreement, guaranteed investment contract or similar debt obligation permitted by law which meets specified credit risk criteria; and investments in the Arizona State Treasurer's Local Government Investment Pool as long as investments are comprised of government obligations. The District has not adopted a formal investment policy.

Restricted Cash and Cash Equivalents

Cash and cash equivalents, consisting primarily of deposits in the JP Morgan 100% US Treasury Securities Money Market Fund, are allocated as follows at June 30,

|  | <u>2010</u>         | <u>2009</u>         |
|--|---------------------|---------------------|
| Principal fund                             | \$ 126,788          | \$ 51,776           |
| Interest fund                              | 945,492             | 949,741             |
| Revenue fund                               | 38,800              | 31,758              |
| Debt service reserve fund                  | 12,125              | 2,681,812           |
| Operations reserve fund                    | 363,760             | 1,016,076           |
| Capital improvement fund                   | 732,143             | 596,626             |
| Replacement reserve fund                   | 358,171             | 237,882             |
| Land purchase fund                         | <u>11,192</u>       | <u>2,396,653</u>    |
| Total restricted cash and cash equivalents | <u>\$ 2,588,471</u> | <u>\$ 7,962,324</u> |

On July 1, 2009, a transfer of \$238,783 was made from the Operations reserve fund to the Capital improvement fund. On the Statements of Net Assets for fiscal year 2009, net assets restricted for capital acquisition reflects the addition of this transfer; net assets restricted for operations reflects the reduction.

Restricted Investments

Restricted investments, consisting of amounts invested in US Treasury Notes purchased with a remaining maturity of less than one year, are stated at amortized cost which approximates fair value and are allocated as follows at June 30,

|                              | <u>2010</u>         | <u>2009</u> |
|------------------------------|---------------------|-------------|
| Debt service reserve fund    | 2,669,624           | -           |
| Operations reserve fund      | 746,411             | -           |
| Land purchase fund           | <u>2,386,710</u>    | -           |
| Total restricted investments | <u>\$ 5,802,745</u> | <u>\$ -</u> |

Investments on hand at June 30, 2010 mature on December 31, 2010.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The District maintains its cash balances with financial institutions located in Phoenix, Arizona. At June 30, 2010 all amounts held in excess of FDIC limits were fully collateralized by securities held by the Federal Reserve Bank of Boston in the District's name; at June 30, 2009 all amounts held were fully insured by the FDIC.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

|                               | Balance at<br>July 1, 2009 | Additions           | Deletions           | Balance at<br>June 30, 2010 |
|-------------------------------|----------------------------|---------------------|---------------------|-----------------------------|
| <u>Nondepreciable assets:</u> |                            |                     |                     |                             |
| Land                          | \$ 220,925                 | \$ -                | \$ -                | \$ 220,925                  |
| Easements                     | 90,201                     | 3,000               | -                   | 93,201                      |
| Construction in process       | 412,976                    | 102,120             | (365,704)           | 149,392                     |
| <u>Depreciable assets:</u>    |                            |                     |                     |                             |
| Treatment plant               | 14,380,146                 | 138,598             | (5,332)             | 14,513,412                  |
| Collection system             | 22,168,375                 | 25,959              | -                   | 22,194,334                  |
| Equipment                     | 2,292,583                  | 69,652              | (57,199)            | 2,305,036                   |
| Buildings & grounds           | -                          | 576,515             | -                   | 576,515                     |
| Rights of Way                 | 18,392                     | -                   | -                   | 18,392                      |
| Total                         | 39,583,598                 | 915,844             | (428,235)           | 40,071,207                  |
| Less accumulated depreciation | (15,294,366)               | (1,697,816)         | 44,594              | (16,947,588)                |
| Net capital assets            | <u>\$ 24,289,232</u>       | <u>\$ (781,972)</u> | <u>\$ (383,641)</u> | <u>\$ 23,123,619</u>        |

NOTE 5 – LONG TERM DEBT

The District's long term debt consists of a single bond obligation, the Series 2000 sewer revenue bond, held by a single bond holder, Allstate Insurance Company. All revenues of the District are assigned and used as security for the bond.

The Series 2000 sewer revenue bond, with a stated interest rate of 6%, was issued on August 1, 2000 in place of the previously issued Series 1994 and Series 1995 sewer revenue bonds. The bond obligation has two phases over its 30 year term. In the first phase, which began August 1, 2000 and ended January 1, 2005, the bond was considered to be a capital appreciation bond. During this phase, the terms of the bond required that the District make partial interest payments with the remaining accrued interest added to the outstanding bond balance. The accreted interest increased the face amount of the bond from \$26,812,088 to \$30,767,000 at January 1, 2005, prior to the application of the sinking fund amount. In the second phase, which began January 1, 2005 and continues through July 1, 2030, the bond is considered to be a current interest obligation with principal and interest payments due and payable each January 1 and July 1.

The following is a summary of changes in long term debt for the year ended June 30, 2010:

|                     | Balance at<br>July 1, 2009 | Increases         | Decreases         | Balance at<br>June 30, 2010 |
|---------------------|----------------------------|-------------------|-------------------|-----------------------------|
| Series 2000 bonds   |                            |                   |                   |                             |
| Current portion     | \$ 145,000                 | \$ 250,000        | \$ 145,000        | \$ 250,000                  |
| Noncurrent portion  | 29,630,000                 | -                 | 250,000           | 29,380,000                  |
| Total bonds payable | <u>\$ 29,775,000</u>       | <u>\$ 250,000</u> | <u>\$ 395,000</u> | <u>\$ 29,630,000</u>        |

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 5 – LONG TERM DEBT (CONTINUED)

Maturities of the sewer revenue bond, including interest payments, are as follows for June 30,

|             | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|-------------|----------------------|----------------------|----------------------|
| 2011        | \$ 250,000           | \$ 1,774,500         | \$ 2,024,500         |
| 2012        | 310,000              | 1,758,450            | 2,068,450            |
| 2013        | 400,000              | 1,739,100            | 2,139,100            |
| 2014        | 520,000              | 1,713,150            | 2,233,150            |
| 2015        | 530,000              | 1,680,150            | 2,210,150            |
| 2016 - 2020 | 4,680,000            | 7,744,800            | 12,424,800           |
| 2021 - 2025 | 8,770,000            | 5,823,750            | 14,593,750           |
| 2026 - 2030 | 11,765,000           | 2,644,650            | 14,409,650           |
| 2031        | 2,405,000            | 72,150               | 2,477,150            |
| Total       | <u>\$ 29,630,000</u> | <u>\$ 24,950,700</u> | <u>\$ 54,580,700</u> |

NOTE 6 – RETIREMENT PLAN

Plan Description

The District contributes to the Arizona State Retirement System (ASRS) which administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long term disability, survivor and health insurance premium benefits.

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling:

ASRS  
 3300 N. Central Ave.  
 PO Box 33910  
 Phoenix, AZ 85067-3910  
 Phone (602) 240-2000 or (800) 621-3778

Funding Policy

The Arizona State Legislature establishes and may amend contribution rates and employer matches for active plan members and employers.

For the ASRS years ended June 30, 2010 and 2009, the active ASRS members and employers were each required by statute to contribute at the actuarially determined rate. The rates for the years ended June 30, 2010 and 2009 were 9.40% (9.00% retirement and 0.40% long term disability) and 9.45% (8.95% retirement and 0.50% long term disability) of the members' annual covered payroll. The District's contribution to ASRS for the years ended June 30, 2010 and 2009 were \$153,482 and \$134,089 respectively, which equaled the required contributions for the year.



Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

On September 23, 2008, the District sued a private party to condemn an easement for a sewer main the District constructed in the party's property. On November 10, 2008, the private party asserted a counterclaim seeking general damages of \$100,000 for trespass and unjust enrichment and for punitive damages resulting from the District's construction of the sewer main. The District obtained summary judgment in its favor dismissing those claims. Pursuant to a stipulation of the parties, a final judgment in condemnation was entered on November 15, 2010 granting a perpetual easement and right of way to the District for just compensation of \$1,175. The stipulation preserved the parties' rights to appeal the final judgment, and the private party filed a notice of appeal on or about December 13, 2010. The District is considering filing a cross-appeal from an adverse ruling on what the District believes is a dispositive issue if decided in the District's favor. The District accrued \$3,000 in the 2010 financial statements in recognition of the anticipated adjudication of the suit.

On July 23, 2008, the District mediated a claim related to events occurring prior to June 30, 2008. As a result of the agreement reached through the mediation, the District was responsible for project costs not to exceed \$142,534 once specific performance criteria were met by the other parties to the agreement. Because the performance criteria were not met by June 30, 2008, these amounts were not recorded in the fiscal year 2008 financial statements. The performance criteria were met prior to June 30, 2009. Expenses totaling \$132,171 were recorded in the 2009 financial statements in full settlement of the claim.

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**STATISTICAL SECTION**



# Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

## **STATISTICAL SECTION**

This part of the Superstition Mountains Community Facilities District No. 1 comprehensive annual financial report presents detailed information as a context for understanding what the information in the statements, note disclosures and required supplementary information says about the District's financial health.

| <b><u>Contents</u></b>   | <b><u>Page</u></b> |
|--|--------------------|
| <b>Financial Trends</b>  | 23-24              |
| These schedules contain trend information to assist the reader in understanding how the District's financial performance and well-being has changed over time.   |                    |
| <b>Revenue Capacity</b>  | 25-28              |
| These schedules contain information to assist the reader in assessing the District's most significant revenue source, sewer fees.  |                    |
| <b>Debt Capacity</b>   | 29-30              |
| These schedules present information to assist the reader in assessing the affordability of the District's current level of outstanding debt.   |                    |
| <b>Demographic and Economic Information</b>  | 31-32              |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.           |                    |
| <b>Operating Information</b>   | 33-34              |
| These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services that the District provides and the activities that it performs. |                    |

**Schedule A-1  
 Superstition Mountains Community Facilities District No. 1  
 Net Assets by Component  
 Last Eight Fiscal Years**

|  | Fiscal Year Ended June 30, |                     |                     |                     |                     |                     |                     |                     |
|--|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2003                       | 2004                | 2005                | 2006                | 2007                | 2008                | 2009 <sup>2</sup>   | 2010                |
| Net assets:  |                            |                     |                     |                     |                     |                     |                     |                     |
| Invested in capital assets,<br>net of related debt |                            |                     |                     |                     |                     |                     | \$ (1,802,439)      | \$ (2,752,352)      |
| Restricted:  |                            |                     |                     |                     |                     |                     |                     |                     |
| Debt service                                       | \$ 1,390,000               | \$ 1,660,000        | \$ 1,825,820        | \$ 1,803,870        | \$ 1,788,420        | \$ 1,820,420        |                     |                     |
| Capital acquisition                                |                            |                     |                     |                     |                     |                     | 3,469,944           | 3,488,216           |
| Operations   |                            |                     |                     |                     |                     |                     | 809,050             | 1,148,971           |
| Unrestricted                                       | 553,271                    | 291,145             | 387,516             | 1,814,207           | 3,104,598           | 3,056,311           | 1,378,878           | 988,612             |
| Total net assets                                   | <u>\$ 1,943,271</u>        | <u>\$ 1,951,145</u> | <u>\$ 2,213,336</u> | <u>\$ 3,618,077</u> | <u>\$ 4,893,018</u> | <u>\$ 4,876,731</u> | <u>\$ 3,855,433</u> | <u>\$ 2,873,447</u> |

<sup>1</sup> The District adopted GASB Statement 34 for the fiscal year ended June 30, 2003.

<sup>2</sup> The District modified its presentation of Net Assets with the issuance of the comparative June 30, 2010 financial statements to conform with direction received from the AICPA. Prior years are stated as they were reported on the District's audited financial statements.

Source: Statements of Net Assets

**Schedule A-2  
Superstition Mountains Community Facilities District No. 1  
Changes in Net Assets  
Last Eight Fiscal Years**

|  | Fiscal Year Ended June 30, |                    |                    |                  |                  |                    |                    |                    |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
|--|----------------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------------------------------|--------|--------|---------|---------|---------|---------|---------|---------|---------------------------------|---------|----------|---------|---------|---------|---------|----------|----------|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|--|------------|----------|------------|--------------|--------------|-------------|----------------|--------------|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|--------|--------|--------|--------|--------|--------|---------|--------|----------------|---------|---------|---------|---------|---------|---------|---------|---------|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|---------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|-------------------------------|-----------|-----------|-----------|------------|------------|------------|-----------|-----------|-------------------------------------|---------|---------|---------|---------|---------|---------|--------|--------|-----------------|--------|--------|---------|---------|---------|---------|--------|-------|---------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|----------|---------|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|-------------------------------------|------------|----------|------------|--------------|--------------|-------------|----------------|--------------|-----------------|--------|--------|---------|---------|---------|---------|--------|-------|---------------------------------|----|----------|----|---------|---|---|----------|----------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|---------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|----------------------|------------|----------|------------|--------------|--------------|-------------|----------------|--------------|
|  | 2003                       | 2004               | 2005               | 2006             | 2007             | 2008               | 2009               | 2010               |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Operating revenues:                          |                            |                    |                    |                  |                  |                    |                    |                    | Charges for services        | \$ 4,219,104 | \$ 4,069,311 | \$ 4,207,070 | \$ 4,838,257 | \$ 5,096,524 | \$ 5,185,188 | \$ 5,136,359 | \$ 5,417,626 | Charges for septage                          | 311,502 | 374,238 | 386,691 | 382,572 | 404,169 | 388,145 | 411,627 | 421,608 | Sales of recharge credits       | -      | -      | 27,882  | 74,717  | 135,201 | 154,364 | 158,326 | 110,210 | Miscellaneous                   | 83,253  | 73,292   | 76,978  | 63,057  | 73,723  | 122,621 | 203,750  | 171,994  | Total operating revenue        | <u>4,613,859</u> | <u>4,516,841</u> | <u>4,698,621</u> | <u>5,358,603</u> | <u>5,709,617</u> | <u>5,850,318</u> | <u>5,910,062</u> | <u>6,121,438</u> | Operating expenses: |             |             |             |             |             |             |             |             | Payroll and payroll related              | \$ 850,167         | \$ 1,051,932       | \$ 1,027,864       | \$ 1,109,559     | \$ 1,276,237     | \$ 1,975,047       | \$ 2,079,004       | \$ 2,362,689       | Repairs and maintenance - treatment facility | 138,508    | 142,127  | 148,111    | 188,786      | 253,666      | 269,925     | 321,350        | 385,595      | Repairs and maintenance - other | 16,304 | 12,892 | 11,615 | 10,028 | 17,497 | 21,521 | 9,483  | 6,408  | Supplies and services | 184,219 | 230,696 | 227,838 | 291,449 | 315,232 | 338,507 | 315,627 | 346,823 | Accounting                    | 12,000    | 11,745    | 12,000    | 12,600    | 13,300    | 13,500    | 14,900    | 14,000    | Consulting | 54,822 | 24,550 | 59,716 | 51,436 | 37,672 | 43,924 | 154,309 | 14,903 | Administrative | 128,964 | 162,328 | 137,278 | 144,605 | 207,755 | 213,769 | 185,480 | 249,851 | Insurance                | 57,287           | 75,025           | 88,107           | 88,961           | 85,082           | 84,451           | 79,525           | 71,563           | Legal            | 23,178    | 32,097    | 63,804    | 72,429    | 93,545    | 97,645    | 96,575  | 63,810  | Office rent                           | 24,491 | 26,804 | 27,646 | 27,068 | 41,474 | 38,238 | 40,087 | 11,704 | Depreciation and amortization | 1,182,926 | 1,276,820 | 1,311,246 | 1,341,256  | 1,416,855  | 1,581,271  | 1,726,690 | 1,743,773 | Bad debt                            | 10,330  | -       | -       | -       | -       | 53,219  | 44,049 | 34,082 | Miscellaneous   | 2,120  | 6,018  | 383     | 110     | 189     | 3,235   | 21,000 | 504   | Total operating expenses        | <u>2,685,316</u> | <u>3,053,034</u> | <u>3,115,608</u> | <u>3,338,287</u> | <u>3,758,504</u> | <u>4,734,252</u> | <u>5,088,079</u> | <u>5,305,505</u> | Operating income               | 1,928,543 | 1,463,807 | 1,583,013 | 2,020,316 | 1,951,113 | 1,116,066 | 821,983  | 815,933 | Nonoperating revenues and (expenses): |             |             |             |             |             |             |             |             | Contributed capital assets               | \$ 44,234          | \$ 55,006          | \$ 46,163          | \$ 786,827       | \$ 156,680       | \$ 235,902         | \$ -               | \$ -               | Mediation and litigation settlement | 392,326    | 268,226  | 334,190    | 139,074      | 586,184      | 184,152     | -              | -            | Interest income | 50,590 | 45,081 | 110,390 | 273,306 | 397,785 | 263,587 | 52,658 | 3,598 | Equipment scrapped or abandoned | 50 | (26,771) | 29 | (1,862) | - | - | (91,045) | (12,417) | Trust and cash management fees | (35,141) | (17,850) | (19,750) | (23,150) | (28,401) | (27,574) | (17,434) | (8,000) | Interest expense | (1,752,891) | (1,779,625) | (1,791,844) | (1,789,770) | (1,788,420) | (1,788,420) | (1,787,460) | (1,781,100) | Total nonoperating revenue and (expense) | <u>(1,300,832)</u> | <u>(1,455,933)</u> | <u>(1,320,822)</u> | <u>(615,575)</u> | <u>(676,172)</u> | <u>(1,132,353)</u> | <u>(1,843,281)</u> | <u>(1,797,919)</u> | Change in net assets | \$ 627,711 | \$ 7,874 | \$ 262,191 | \$ 1,404,741 | \$ 1,274,941 | \$ (16,287) | \$ (1,021,298) | \$ (981,986) |
| Charges for services                         | \$ 4,219,104               | \$ 4,069,311       | \$ 4,207,070       | \$ 4,838,257     | \$ 5,096,524     | \$ 5,185,188       | \$ 5,136,359       | \$ 5,417,626       |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Charges for septage                          | 311,502                    | 374,238            | 386,691            | 382,572          | 404,169          | 388,145            | 411,627            | 421,608            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Sales of recharge credits                    | -                          | -                  | 27,882             | 74,717           | 135,201          | 154,364            | 158,326            | 110,210            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Miscellaneous                                | 83,253                     | 73,292             | 76,978             | 63,057           | 73,723           | 122,621            | 203,750            | 171,994            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Total operating revenue                      | <u>4,613,859</u>           | <u>4,516,841</u>   | <u>4,698,621</u>   | <u>5,358,603</u> | <u>5,709,617</u> | <u>5,850,318</u>   | <u>5,910,062</u>   | <u>6,121,438</u>   |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Operating expenses:                          |                            |                    |                    |                  |                  |                    |                    |                    | Payroll and payroll related | \$ 850,167   | \$ 1,051,932 | \$ 1,027,864 | \$ 1,109,559 | \$ 1,276,237 | \$ 1,975,047 | \$ 2,079,004 | \$ 2,362,689 | Repairs and maintenance - treatment facility | 138,508 | 142,127 | 148,111 | 188,786 | 253,666 | 269,925 | 321,350 | 385,595 | Repairs and maintenance - other | 16,304 | 12,892 | 11,615  | 10,028  | 17,497  | 21,521  | 9,483   | 6,408   | Supplies and services           | 184,219 | 230,696  | 227,838 | 291,449 | 315,232 | 338,507 | 315,627  | 346,823  | Accounting                     | 12,000           | 11,745           | 12,000           | 12,600           | 13,300           | 13,500           | 14,900           | 14,000           | Consulting          | 54,822      | 24,550      | 59,716      | 51,436      | 37,672      | 43,924      | 154,309     | 14,903      | Administrative                           | 128,964            | 162,328            | 137,278            | 144,605          | 207,755          | 213,769            | 185,480            | 249,851            | Insurance                                    | 57,287     | 75,025   | 88,107     | 88,961       | 85,082       | 84,451      | 79,525         | 71,563       | Legal                           | 23,178 | 32,097 | 63,804 | 72,429 | 93,545 | 97,645 | 96,575 | 63,810 | Office rent           | 24,491  | 26,804  | 27,646  | 27,068  | 41,474  | 38,238  | 40,087  | 11,704  | Depreciation and amortization | 1,182,926 | 1,276,820 | 1,311,246 | 1,341,256 | 1,416,855 | 1,581,271 | 1,726,690 | 1,743,773 | Bad debt   | 10,330 | -      | -      | -      | -      | 53,219 | 44,049  | 34,082 | Miscellaneous  | 2,120   | 6,018   | 383     | 110     | 189     | 3,235   | 21,000  | 504     | Total operating expenses | <u>2,685,316</u> | <u>3,053,034</u> | <u>3,115,608</u> | <u>3,338,287</u> | <u>3,758,504</u> | <u>4,734,252</u> | <u>5,088,079</u> | <u>5,305,505</u> | Operating income | 1,928,543 | 1,463,807 | 1,583,013 | 2,020,316 | 1,951,113 | 1,116,066 | 821,983 | 815,933 | Nonoperating revenues and (expenses): |        |        |        |        |        |        |        |        | Contributed capital assets    | \$ 44,234 | \$ 55,006 | \$ 46,163 | \$ 786,827 | \$ 156,680 | \$ 235,902 | \$ -      | \$ -      | Mediation and litigation settlement | 392,326 | 268,226 | 334,190 | 139,074 | 586,184 | 184,152 | -      | -      | Interest income | 50,590 | 45,081 | 110,390 | 273,306 | 397,785 | 263,587 | 52,658 | 3,598 | Equipment scrapped or abandoned | 50               | (26,771)         | 29               | (1,862)          | -                | -                | (91,045)         | (12,417)         | Trust and cash management fees | (35,141)  | (17,850)  | (19,750)  | (23,150)  | (28,401)  | (27,574)  | (17,434) | (8,000) | Interest expense                      | (1,752,891) | (1,779,625) | (1,791,844) | (1,789,770) | (1,788,420) | (1,788,420) | (1,787,460) | (1,781,100) | Total nonoperating revenue and (expense) | <u>(1,300,832)</u> | <u>(1,455,933)</u> | <u>(1,320,822)</u> | <u>(615,575)</u> | <u>(676,172)</u> | <u>(1,132,353)</u> | <u>(1,843,281)</u> | <u>(1,797,919)</u> | Change in net assets                | \$ 627,711 | \$ 7,874 | \$ 262,191 | \$ 1,404,741 | \$ 1,274,941 | \$ (16,287) | \$ (1,021,298) | \$ (981,986) |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Payroll and payroll related                  | \$ 850,167                 | \$ 1,051,932       | \$ 1,027,864       | \$ 1,109,559     | \$ 1,276,237     | \$ 1,975,047       | \$ 2,079,004       | \$ 2,362,689       |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Repairs and maintenance - treatment facility | 138,508                    | 142,127            | 148,111            | 188,786          | 253,666          | 269,925            | 321,350            | 385,595            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Repairs and maintenance - other              | 16,304                     | 12,892             | 11,615             | 10,028           | 17,497           | 21,521             | 9,483              | 6,408              |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Supplies and services                        | 184,219                    | 230,696            | 227,838            | 291,449          | 315,232          | 338,507            | 315,627            | 346,823            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Accounting                                   | 12,000                     | 11,745             | 12,000             | 12,600           | 13,300           | 13,500             | 14,900             | 14,000             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Consulting                                   | 54,822                     | 24,550             | 59,716             | 51,436           | 37,672           | 43,924             | 154,309            | 14,903             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Administrative                               | 128,964                    | 162,328            | 137,278            | 144,605          | 207,755          | 213,769            | 185,480            | 249,851            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Insurance                                    | 57,287                     | 75,025             | 88,107             | 88,961           | 85,082           | 84,451             | 79,525             | 71,563             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Legal  | 23,178                     | 32,097             | 63,804             | 72,429           | 93,545           | 97,645             | 96,575             | 63,810             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Office rent                                  | 24,491                     | 26,804             | 27,646             | 27,068           | 41,474           | 38,238             | 40,087             | 11,704             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Depreciation and amortization                | 1,182,926                  | 1,276,820          | 1,311,246          | 1,341,256        | 1,416,855        | 1,581,271          | 1,726,690          | 1,743,773          |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Bad debt                                     | 10,330                     | -                  | -                  | -                | -                | 53,219             | 44,049             | 34,082             |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Miscellaneous                                | 2,120                      | 6,018              | 383                | 110              | 189              | 3,235              | 21,000             | 504                |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Total operating expenses                     | <u>2,685,316</u>           | <u>3,053,034</u>   | <u>3,115,608</u>   | <u>3,338,287</u> | <u>3,758,504</u> | <u>4,734,252</u>   | <u>5,088,079</u>   | <u>5,305,505</u>   |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Operating income                             | 1,928,543                  | 1,463,807          | 1,583,013          | 2,020,316        | 1,951,113        | 1,116,066          | 821,983            | 815,933            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Nonoperating revenues and (expenses):        |                            |                    |                    |                  |                  |                    |                    |                    | Contributed capital assets  | \$ 44,234    | \$ 55,006    | \$ 46,163    | \$ 786,827   | \$ 156,680   | \$ 235,902   | \$ -         | \$ -         | Mediation and litigation settlement          | 392,326 | 268,226 | 334,190 | 139,074 | 586,184 | 184,152 | -       | -       | Interest income                 | 50,590 | 45,081 | 110,390 | 273,306 | 397,785 | 263,587 | 52,658  | 3,598   | Equipment scrapped or abandoned | 50      | (26,771) | 29      | (1,862) | -       | -       | (91,045) | (12,417) | Trust and cash management fees | (35,141)         | (17,850)         | (19,750)         | (23,150)         | (28,401)         | (27,574)         | (17,434)         | (8,000)          | Interest expense    | (1,752,891) | (1,779,625) | (1,791,844) | (1,789,770) | (1,788,420) | (1,788,420) | (1,787,460) | (1,781,100) | Total nonoperating revenue and (expense) | <u>(1,300,832)</u> | <u>(1,455,933)</u> | <u>(1,320,822)</u> | <u>(615,575)</u> | <u>(676,172)</u> | <u>(1,132,353)</u> | <u>(1,843,281)</u> | <u>(1,797,919)</u> | Change in net assets                         | \$ 627,711 | \$ 7,874 | \$ 262,191 | \$ 1,404,741 | \$ 1,274,941 | \$ (16,287) | \$ (1,021,298) | \$ (981,986) |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Contributed capital assets                   | \$ 44,234                  | \$ 55,006          | \$ 46,163          | \$ 786,827       | \$ 156,680       | \$ 235,902         | \$ -               | \$ -               |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Mediation and litigation settlement          | 392,326                    | 268,226            | 334,190            | 139,074          | 586,184          | 184,152            | -                  | -                  |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Interest income                              | 50,590                     | 45,081             | 110,390            | 273,306          | 397,785          | 263,587            | 52,658             | 3,598              |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Equipment scrapped or abandoned              | 50                         | (26,771)           | 29                 | (1,862)          | -                | -                  | (91,045)           | (12,417)           |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Trust and cash management fees               | (35,141)                   | (17,850)           | (19,750)           | (23,150)         | (28,401)         | (27,574)           | (17,434)           | (8,000)            |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Interest expense                             | (1,752,891)                | (1,779,625)        | (1,791,844)        | (1,789,770)      | (1,788,420)      | (1,788,420)        | (1,787,460)        | (1,781,100)        |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Total nonoperating revenue and (expense)     | <u>(1,300,832)</u>         | <u>(1,455,933)</u> | <u>(1,320,822)</u> | <u>(615,575)</u> | <u>(676,172)</u> | <u>(1,132,353)</u> | <u>(1,843,281)</u> | <u>(1,797,919)</u> |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |
| Change in net assets                         | \$ 627,711                 | \$ 7,874           | \$ 262,191         | \$ 1,404,741     | \$ 1,274,941     | \$ (16,287)        | \$ (1,021,298)     | \$ (981,986)       |                             |              |              |              |              |              |              |              |              |  |         |         |         |         |         |         |         |         |                                 |        |        |         |         |         |         |         |         |                                 |         |          |         |         |         |         |          |          |                                |                  |                  |                  |                  |                  |                  |                  |                  |                     |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |  |            |          |            |              |              |             |                |              |                                 |        |        |        |        |        |        |        |        |                       |         |         |         |         |         |         |         |         |                               |           |           |           |           |           |           |           |           |            |        |        |        |        |        |        |         |        |                |         |         |         |         |         |         |         |         |                          |                  |                  |                  |                  |                  |                  |                  |                  |                  |           |           |           |           |           |           |         |         |                                       |        |        |        |        |        |        |        |        |                               |           |           |           |            |            |            |           |           |                                     |         |         |         |         |         |         |        |        |                 |        |        |         |         |         |         |        |       |                                 |                  |                  |                  |                  |                  |                  |                  |                  |                                |           |           |           |           |           |           |          |         |                                       |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                                     |            |          |            |              |              |             |                |              |                 |        |        |         |         |         |         |        |       |                                 |    |          |    |         |   |   |          |          |                                |          |          |          |          |          |          |          |         |                  |             |             |             |             |             |             |             |             |  |                    |                    |                    |                  |                  |                    |                    |                    |                      |            |          |            |              |              |             |                |              |

<sup>1</sup> The District adopted GASB Statement 34 for the fiscal year ended June 30, 2003.

Source: Statements of Revenues, Expenses and Changes in Fund Net Assets

**Schedule B-1  
Superstition Mountains Community Facilities District No. 1  
Ten Largest Customers <sup>1</sup>  
Current Year and Nine Years Ago**

| <b>Customer Name<sup>2</sup></b>               | <b>Year Ended June 30, 2010</b> |                            | <b>Year Ended June 30, 2001</b> |                            |
|--|---------------------------------|----------------------------|---------------------------------|----------------------------|
|  | <b>Sales</b>                    | <b>Percentage of Sales</b> | <b>Sales</b>                    | <b>Percentage of Sales</b> |
| Coopers Sewer & Drain Inc                      | \$ 250,834                      | 4.50%                      | \$ 141,932                      | 4.78%                      |
| Golden Vista RV                                | 131,742                         | 2.36%                      | 85,156                          | 2.87%                      |
| Dolce Vita                                     | 131,229                         | 2.36%                      |                                 |                            |
| Roadhaven Resort                               | 112,944                         | 2.03%                      |                                 |                            |
| AJUSD High School                              | 109,323                         | 1.96%                      |                                 |                            |
| Water Utility Community Facilities District    | 104,517                         | 1.88%                      |                                 |                            |
| Desert Harbor                                  | 72,031                          | 1.29%                      |                                 |                            |
| AJ Health Center                               | 71,980                          | 1.29%                      | 38,477                          | 1.30%                      |
| Leesburg Group                                 | 68,544                          | 1.23%                      | 63,609                          | 2.14%                      |
| La Casa Blanca                                 | 68,157                          | 1.22%                      | 38,451                          | 1.30%                      |
| RC Roberts                                     |                                 |                            | 48,493                          | 1.63%                      |
| Windsong Associates                            |                                 |                            | 45,846                          | 1.55%                      |
| Quail Creek Apartments                         |                                 |                            | 38,352                          | 1.29%                      |
| Merrill Garden (Apache Junction LP)            |                                 |                            | 36,086                          | 1.22%                      |
| Frys Food Stores of AZ                         |                                 |                            | 34,379                          | 1.16%                      |
| Subtotal of ten largest customers              | 1,121,300                       | 20.12%                     | 570,781                         | 19.24%                     |
| Balance from other customers                   | 4,450,468                       | 79.88%                     | 2,396,213                       | 80.76%                     |
| Total sewer, septage & recharge credit revenue | <u>\$ 5,571,768</u>             | <u>100.00%</u>             | <u>\$ 2,966,993</u>             | <u>100.00%</u>             |

<sup>1</sup> Excludes revenues from application, connection and onsite fees

<sup>2</sup> A customer is listed only if in the top ten for the year presented. A customer listed in one table but not the other may, or may not have been, in business as a lower ranked customer during the comparative year.

Source: District Billing Records

**Schedule B-2**  
**Superstition Mountains Community Facilities District No. 1**  
**Permits Issued, Active Accounts and Connected Units**  
**Last Ten Fiscal Years**

| <b>PERMITS ISSUED</b>             |             |             |             |             |             |             |             |             |             |             |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fiscal Year Ended June 30,</b> |             |             |             |             |             |             |             |             |             |             |
| <b>Service Class</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
| Single Family                     | 267         | 354         | 194         | 176         | 90          | 179         | 210         | 80          | 15          | 125         |
| Multi Family                      | 32          | 188         | 5           | 9           | 73          | 18          | 6           | 8           | 7           | 18          |
| RV & Mobile Home Parks            | 131         | 78          | 5           | 15          | 135         | 414         | 58          | 9           | 15          | 12          |
| All Other                         | 22          | 13          | 8           | 8           | 11          | 14          | 5           | 17          | 9           | 10          |
| Total permits                     | 452         | 633         | 212         | 208         | 309         | 625         | 279         | 114         | 46          | 165         |
| % Change <sup>2</sup>             | -           | 40.04%      | -66.51%     | -1.89%      | 48.56%      | 102.27%     | -55.36%     | -59.14%     | -59.65%     | 258.70%     |

| <b>ACTIVE ACCOUNTS</b>            |             |             |             |             |             |             |             |             |                         |             |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------|-------------|
| <b>Fiscal Year Ended June 30,</b> |             |             |             |             |             |             |             |             |                         |             |
| <b>Service Class</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009<sup>3</sup></b> | <b>2010</b> |
| Single Family                     | 4,241       | 4,552       | 4,770       | 5,011       | 5,095       | 5,218       | 5,449       | 5,605       | 5,593                   | 5,697       |
| Multi Family                      | 100         | 99          | 102         | 104         | 110         | 112         | 112         | 115         | 114                     | 114         |
| Undeveloped Land                  | 91          | 84          | 82          | 75          | 73          | 71          | 71          | 70          | 65                      | 57          |
| RV Parks                          | 24          | 24          | 26          | 25          | 25          | 25          | 25          | 25          | 25                      | 25          |
| Mobile Home Parks                 | 21          | 23          | 24          | 24          | 24          | 24          | 25          | 26          | 26                      | 26          |
| Church/Government                 | 23          | 26          | 27          | 31          | 33          | 34          | 36          | 36          | 37                      | 40          |
| Light Commercial                  | 76          | 80          | 85          | 90          | 94          | 105         | 108         | 116         | 115                     | 120         |
| Medium Commercial                 | 31          | 38          | 42          | 43          | 44          | 44          | 47          | 50          | 53                      | 56          |
| Heavy Commercial                  | 5           | 6           | 6           | 6           | 6           | 6           | 6           | 6           | 6                       | 5           |
| Industrial                        | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0           | 0                       | 0           |
| Total accounts                    | 4,612       | 4,932       | 5,164       | 5,409       | 5,504       | 5,639       | 5,879       | 6,049       | 6,034                   | 6,140       |
| % Change <sup>2</sup>             | 6.34%       | 6.94%       | 4.70%       | 4.74%       | 1.76%       | 2.45%       | 4.26%       | 2.89%       | -0.25%                  | 1.76%       |

| <b>CONNECTED UNITS</b>            |             |             |             |             |             |             |             |             |             |             |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fiscal Year Ended June 30,</b> |             |             |             |             |             |             |             |             |             |             |
| <b>Service Class</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |
| Multi Family                      | 770         | 927         | 949         | 958         | 1,060       | 1,069       | 1,073       | 1,085       | 1,085       | 1,075       |
| Undeveloped Land <sup>1</sup>     | 411         | 395         | 390         | 371         | 352         | 337         | 337         | 326         | 310         | 251         |
| RV Parks                          | 3,323       | 3,442       | 3,600       | 3,700       | 3,700       | 4,764       | 4,764       | 4,764       | 4,754       | 4,774       |
| Mobile Home Parks                 | 1,545       | 1,679       | 1,682       | 1,702       | 1,761       | 2,235       | 2,299       | 2,308       | 2,317       | 2,332       |
| Total units                       | 11,117      | 11,698      | 12,106      | 12,442      | 12,621      | 13,815      | 14,060      | 14,232      | 14,192      | 14,250      |
| % Change <sup>2</sup>             | -           | 5.23%       | 3.49%       | 2.78%       | 1.44%       | 9.46%       | 1.77%       | 1.22%       | -0.28%      | 0.41%       |

<sup>1</sup> Number of acres

<sup>2</sup> From prior year presented

<sup>3</sup> Decrease in select customer classes resulted from removal of properties that had petitioned into the the District at the time of formation but never completed physical connection.

Source: Permits Issued - Engineering Records; Active Accounts and Connected Units - Monthly Disclosure Reports



**Schedule B-3  
 Superstition Mountains Community Facilities District No. 1  
 Select Revenues by Service Class  
 Last Ten Fiscal Years**

| Service Class               | SEWER SERVICE REVENUE |              |              |              |              |              |              |              |              |              |
|-----------------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                             | 2001                  | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         |
| Single Family               | \$ 1,368,553          | \$ 1,517,473 | \$ 1,653,399 | \$ 1,795,693 | \$ 1,875,821 | \$ 1,952,476 | \$ 2,074,625 | \$ 2,220,534 | \$ 2,313,242 | \$ 2,399,104 |
| Multi Family                | 204,478               | 202,027      | 240,277      | 269,983      | 285,869      | 322,942      | 338,997      | 352,639      | 366,130      | 377,405      |
| Undeveloped Land            | 33,807                | 31,772       | 31,694       | 31,323       | 26,690       | 29,934       | 30,038       | 30,809       | 29,607       | 25,882       |
| RV Parks                    | 323,677               | 329,722      | 355,430      | 372,279      | 390,859      | 494,772      | 555,560      | 587,430      | 563,613      | 566,921      |
| Mobile Home Parks           | 254,377               | 283,887      | 340,080      | 368,411      | 363,340      | 477,365      | 586,634      | 632,668      | 686,851      | 677,142      |
| Church/Government           | 100,305               | 166,554      | 177,963      | 279,421      | 258,275      | 248,851      | 220,646      | 225,735      | 244,957      | 246,273      |
| Light Commercial            | 135,914               | 148,044      | 150,449      | 159,838      | 173,416      | 206,543      | 243,334      | 241,976      | 256,762      | 282,828      |
| Medium Commercial           | 179,046               | 185,242      | 221,545      | 223,319      | 228,913      | 273,502      | 303,170      | 317,278      | 339,987      | 290,330      |
| Heavy Commercial            | 87,208                | 101,975      | 139,718      | 139,031      | 148,033      | 165,491      | 180,657      | 182,346      | 167,378      | 174,066      |
| Industrial                  | 0                     | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |
| Total sewer service revenue | \$ 2,687,365          | \$ 2,966,696 | \$ 3,310,555 | \$ 3,639,298 | \$ 3,751,216 | \$ 4,171,876 | \$ 4,533,661 | \$ 4,791,415 | \$ 4,968,527 | \$ 5,039,951 |

| Service Class                | CONNECTION FEE REVENUE |            |            |            |            |            |            |            |           |            |
|------------------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|-----------|------------|
|                              | 2001                   | 2002       | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009      | 2010       |
| Single Family                | \$ 487,872             | \$ 553,153 | \$ 417,478 | \$ 261,531 | \$ 199,778 | \$ 277,307 | \$ 361,200 | \$ 166,514 | \$ 25,650 | \$ 193,183 |
| Multi Family                 | 16,710                 | 12,640     | 208,400    | 45,986     | 77,882     | 36,129     | 6,300      | 17,303     | 9,400     | 0          |
| RV and Mobile Home Parks     | 6,590                  | 44,368     | 129,543    | 6,773      | 28,980     | 149,040    | 20,240     | 10,205     | 11,465    | 10,100     |
| All Other                    | 98,744                 | 78,371     | 35,748     | 36,926     | 34,736     | 54,180     | 31,715     | 90,239     | 52,339    | 36,887     |
| Total connection fee revenue | \$ 609,916             | \$ 688,532 | \$ 791,169 | \$ 351,216 | \$ 341,376 | \$ 516,656 | \$ 419,455 | \$ 284,261 | \$ 98,854 | \$ 240,170 |

Source: Monthly Disclosure Reports

**Schedule B-4**  
**Superstition Mountains Community Facilities District No. 1**  
**Monthly Service Minimums, Usage Charges and Connection Fees by Service Class**  
**Last Ten Fiscal Years**

| <b>MONTHLY MINIMUMS</b>           |             |             |             |             |             |             |             |             |             |             |  |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| <b>Fiscal Year Ended June 30,</b> |             |             |             |             |             |             |             |             |             |             |  |
| <b>Service Class</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |  |
| Single Family                     | \$ 27.85    | \$ 28.40    | \$ 29.25    | \$ 30.25    | \$ 30.85    | \$ 31.55    | \$ 32.40    | \$ 33.50    | \$ 34.60    | \$ 35.80    |  |
| Multi Family <sup>2</sup>         | 21.95       | 22.40       | 23.07       | 23.75       | 24.25       | 25.70       | 26.40       | 27.30       | 28.20       | 29.20       |  |
| Undeveloped Land <sup>1</sup>     | 6.43        | 6.56        | 6.76        | 6.96        | 7.10        | 7.25        | 7.45        | 7.70        | 7.95        | 8.25        |  |
| RV Parks <sup>2</sup>             | 6.40        | 6.53        | 6.72        | 7.00        | 7.15        | 7.40        | 7.60        | 7.85        | 8.10        | 8.40        |  |
| Mobile Home Parks <sup>2</sup>    | 11.10       | 11.32       | 11.66       | 12.00       | 12.25       | 16.25       | 16.70       | 17.25       | 17.80       | 18.40       |  |
| Church/Government                 | 27.85       | 28.40       | 29.25       | 30.25       | 30.85       | 31.55       | 32.40       | 33.50       | 34.60       | 35.80       |  |
| Light Commercial                  | 33.00       | 33.66       | 34.67       | 35.75       | 36.50       | 37.45       | 38.50       | 39.80       | 41.10       | 42.55       |  |
| Medium Commercial                 | 36.42       | 37.15       | 38.26       | 40.00       | 41.00       | 42.10       | 43.25       | 44.70       | 46.15       | 47.75       |  |
| Heavy Commercial                  | 41.78       | 42.62       | 43.89       | 45.25       | 46.25       | 46.80       | 48.10       | 49.75       | 51.35       | 53.15       |  |
| Industrial                        | 45.00       | 45.90       | 102.98      | 106.00      | 108.50      | 112.30      | 115.40      | 119.20      | 123.05      | 127.35      |  |

| <b>USAGE CHARGES, per gallon <sup>3</sup></b> |             |             |             |             |             |             |             |             |             |             |  |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| <b>Fiscal Year Ended June 30,</b>             |             |             |             |             |             |             |             |             |             |             |  |
| <b>Service Class</b>                          | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |  |
| RV Parks                                      | \$ 0.174    | \$ 0.177    | \$ 0.183    | \$ 0.188    | \$ 0.192    | \$ 0.213    | \$ 0.219    | \$ 0.226    | \$ 0.234    | \$ 0.242    |  |
| Mobile Home Parks                             | 0.174       | 0.177       | 0.183       | 0.188       | 0.192       | 0.213       | 0.219       | 0.226       | 0.234       | 0.242       |  |
| Church/Government                             | 0.174       | 0.177       | 0.183       | 0.188       | 0.192       | 0.213       | 0.219       | 0.226       | 0.234       | 0.242       |  |
| Light Commercial                              | 0.174       | 0.177       | 0.183       | 0.188       | 0.192       | 0.213       | 0.219       | 0.226       | 0.234       | 0.242       |  |
| Medium Commercial                             | 0.192       | 0.196       | 0.202       | 0.208       | 0.212       | 0.240       | 0.246       | 0.254       | 0.263       | 0.271       |  |
| Heavy Commercial                              | 0.215       | 0.219       | 0.226       | 0.233       | 0.238       | 0.266       | 0.274       | 0.283       | 0.292       | 0.302       |  |
| Industrial                                    | 0.215       | 0.219       | 0.546       | 0.562       | 0.573       | 0.639       | 0.657       | 0.678       | 0.700       | 0.724       |  |

| <b>MINIMUM CONNECTION FEES</b>    |             |             |             |             |             |             |             |             |             |             |  |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| <b>Fiscal Year Ended June 30,</b> |             |             |             |             |             |             |             |             |             |             |  |
| <b>Service Class</b>              | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> |  |
| Single Family                     | \$ 2,080    | \$ 2,120    | \$ 2,184    | \$ 2,250    | \$ 2,300    | \$ 2,500    | \$ 2,575    | \$ 2,750    | \$ 2,850    | \$ 2,950    |  |
| Multi Family <sup>2</sup>         | 1,040       | 1,060       | 1,092       | 1,125       | 1,150       | 2,040       | 2,100       | 2,250       | 2,350       | 2,430       |  |
| RV Parks <sup>2</sup>             | 416         | 424         | 437         | 450         | 460         | 585         | 605         | 650         | 675         | 700         |  |
| Mobile Home Parks <sup>2</sup>    | 416         | 424         | 437         | 450         | 460         | 1,290       | 1,330       | 1,425       | 1,480       | 1,530       |  |
| Church/Government                 | 2,080       | 2,120       | 2,184       | 2,250       | 2,300       | 2,500       | 2,575       | 2,750       | 2,850       | 2,950       |  |
| Light Commercial                  | 2,080       | 2,120       | 2,184       | 2,250       | 2,300       | 2,500       | 2,575       | 2,750       | 2,850       | 2,950       |  |
| Medium Commercial                 | 2,080       | 2,120       | 2,184       | 2,250       | 2,300       | 2,500       | 2,575       | 2,750       | 2,850       | 2,950       |  |
| Heavy Commercial                  | 2,080       | 2,120       | 2,184       | 2,250       | 2,300       | 2,500       | 2,575       | 2,750       | 2,850       | 2,950       |  |
| Industrial                        | 2,080       | 2,120       | 2,184       | 2,250       | 2,300       | 2,500       | 2,575       | 2,750       | 2,850       | 2,950       |  |

<sup>1</sup> per acre

<sup>2</sup> per unit

<sup>3</sup> When connected to the sewer, the customer classes listed are charged a monthly fee that is the greater of the Monthly Minimum or the charge calculated using the prior 12 months water usage times a water use multiplier times the applicable rate.

Source: Approved Tariff Sheets

**Schedule C-1**  
**Superstition Mountains Community Facilities District No. 1**  
**Outstanding Debt Balances**  
**Last Ten Fiscal Years**

| Fiscal Year<br>Ended June<br>30 | Series 2000 Sewer Revenue Bond <sup>1</sup> |                      |                                      |                   | Per<br>Connected<br>Unit <sup>4</sup> |
|---------------------------------|---|----------------------|--------------------------------------|-------------------|---------------------------------------|
|                                 | Beginning<br>Balance <sup>2</sup>           | Accreted<br>Interest | Principal<br>Reductions <sup>3</sup> | Ending<br>Balance |                                       |
| 2001                            | \$26,812,088                                | \$ 1,493,086         | \$ -                                 | \$28,305,175      | 2,546                                 |
| 2002                            | 28,305,175                                  | 1,223,175            | -                                    | 29,528,350        | 2,524                                 |
| 2003                            | 29,528,350                                  | 62,891               | -                                    | 29,591,241        | 2,444                                 |
| 2004                            | 29,591,241                                  | 279,625              | -                                    | 29,870,866        | 2,401                                 |
| 2005                            | 29,870,866                                  | -                    | (13,866)                             | 29,857,000        | 2,366                                 |
| 2006                            | 29,857,000                                  | -                    | (35,000)                             | 29,822,000        | 2,159                                 |
| 2007                            | 29,822,000                                  | -                    | (15,000)                             | 29,807,000        | 2,120                                 |
| 2008                            | 29,807,000                                  | -                    | -                                    | 29,807,000        | 2,094                                 |
| 2009                            | 29,807,000                                  | -                    | (32,000)                             | 29,775,000        | 2,098                                 |
| 2010                            | 29,775,000                                  | -                    | (145,000)                            | 29,630,000        | 2,079                                 |

<sup>1</sup> See Note 5 to the Financial Statements for a complete description of the District's outstanding debt.

<sup>2</sup> The beginning balance for fiscal year 2001 is as of 08/01/00.

<sup>3</sup> Shows principal payments by fiscal year as made. Schedule C-2 shows principal payments as funded.

<sup>4</sup> Connected unit information is substituted for per capita; per capita information is not available because the District's service area does not coincide with the City of Apache Junction.

Source: Series 2000 Sewer Revenue Bond Amortization Schedule

**Schedule C-2  
 Superstition Mountains Community Facilities District No. 1  
 Debt Service Requirements  
 Last Ten Fiscal Years**

| Fiscal Year<br>Ended June 30 | Gross<br>Revenues | Deductible<br>Operating<br>Expenses <sup>2</sup> | Net Revenues<br>Available for<br>Debt Service <sup>3</sup> | Debt Service Requirements <sup>1</sup> |           |           | Coverage<br>Ratio | Required<br>Coverage<br>Ratio <sup>3</sup> |
|------------------------------|-------------------|--|--|--|-----------|-----------|-------------------|--|
|                              |                   |  |  | Principal                              | Interest  | Total     |                   |  |
| 2001                         | \$ 3,825,988      | \$ 1,633,040                                     | \$ 2,192,948   | \$ -                                   | \$ 35,000 | \$ 35,000 | 62.66             | 1.10                                       |
| 2002                         | 7,774,813         | 1,652,768  | 6,122,045  | -                                      | 900,000   | 900,000   | 6.80              | 1.10                                       |
| 2003                         | 5,101,059         | 1,537,531  | 3,563,528  | -                                      | 1,240,000 | 1,240,000 | 2.87              | 1.10                                       |
| 2004                         | 4,885,154         | 1,820,835  | 3,064,319  | -                                      | 1,500,000 | 1,500,000 | 2.04              | 1.10                                       |
| 2005                         | 5,189,393         | 1,824,112  | 3,365,281  | 33,866                                 | 1,791,844 | 1,825,710 | 1.84              | 1.10                                       |
| 2006                         | 6,557,810         | 2,022,043  | 4,535,767  | 30,000                                 | 1,789,770 | 1,819,770 | 2.49              | 1.10                                       |
| 2007                         | 6,850,266         | 2,370,050  | 4,480,216  | -                                      | 1,788,420 | 1,788,420 | 2.51              | 1.10                                       |
| 2008                         | 6,533,959         | 3,036,096  | 3,497,863  | -                                      | 1,788,420 | 1,788,420 | 1.96              | 1.10                                       |
| 2009                         | 5,962,720         | 3,469,868  | 2,492,852  | 67,000                                 | 1,787,460 | 1,854,460 | 1.34 <sup>4</sup> | 1.10                                       |
| 2010                         | 6,125,036         | 3,582,149  | 2,542,887  | 220,000                                | 1,781,100 | 2,001,100 | 1.27              | 1.10                                       |

<sup>1</sup> Includes debt service payments due on July 1 of subsequent fiscal year since payment will be paid from funds on hand as of June 30

<sup>2</sup> Operating expenses before depreciation, amortization and interest

<sup>3</sup> As defined in the Trust Indenture

<sup>4</sup> Restated from fiscal year 2009 Management Discussion and Analysis to include principal and interest obligation as funded. Originally calculated with obligation as paid.

Source: Statements of Revenues, Expenses and Changes in Fund Net Assets; Series 2000 Sewer Revenue Bond Amortization Schedule

**Schedule D-1**  
**Superstition Mountains Community Facilities District No. 1**  
**Demographic Statistics - City of Apache Junction**  
**Current Year and Nine Years Ago**

|      | <b>Population<br/>Year Round</b> | <b>Personal<br/>Income</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>Unemployment<br/>Rates</b> |
|------|----------------------------------|----------------------------|---|-------------------------------|
| 2001 | 32,800                           | \$ 647,636                 | \$ 19,745                                 | 3.1%                          |
| 2002 | 33,570                           | 672,944                    | 20,046                                    | 4.5%                          |
| 2003 | 34,400                           | 709,328                    | 20,620                                    | 5.0%                          |
| 2004 | 35,117                           | 755,683                    | 21,519                                    | 4.6%                          |
| 2005 | 34,070                           | 783,576                    | 22,999                                    | 3.9%                          |
| 2006 | 35,685                           | 860,794                    | 24,122                                    | 3.7%                          |
| 2007 | 37,538                           | 972,047                    | 25,895                                    | 3.1%                          |
| 2008 | 37,917                           | 808,770                    | 21,330                                    | 3.7%                          |
| 2009 | 37,864                           | 767,541                    | 20,271                                    | 6.4%                          |
| 2010 | unavailable <sup>1</sup>         | unavailable <sup>1</sup>   | unavailable <sup>1</sup>                  | 8.4%                          |

**Source:** City of Apache Junction, Office of Economic Development

<sup>1</sup> Because of delays at the State level, complete data for 2010 was not available at the time of financial statement issuance.

**Schedule D-2  
 Superstition Mountains Community Facilities District No. 1  
 Principal Employers in the City of Apache Junction  
 Current Year and Nine Years Ago**

| <u>Employer</u>                                      | <u>Year ended June 30, 2010</u>               |  | <u>Year ended June 30, 2001</u>               |  |
|--|---|--|---|--|
|  | <u>Full Time<br/>Equivalent<br/>Employees</u> | <u>Percentage of<br/>Total City<br/>Employment</u> | <u>Full Time<br/>Equivalent<br/>Employees</u> | <u>Percentage of<br/>Total City<br/>Employment</u> |
| Apache Junction Unified School District #43          | 668   | 4.44%  | 625   | 6.31%  |
| Wal-Mart Supercenter Store # 1831                    | 370   | 2.46%  |   |  |
| City of Apache Junction                              | 239   | 1.59%  | 242   | 2.44%  |
| Superstition Mountain Mental Health Center           | 220   | 1.46%  | 120   | 1.21%  |
| Apache Junction Medical Center                       | 170   | 1.13%  | 110   | 1.11%  |
| Fry's Food and Drug                                  | 143   | 0.95%  | 130   | 1.31%  |
| Central Arizona College-Superstition Mountain Campus | 112   | 0.74%  |   |  |
| Apache Junction Fire District                        | 85  | 0.56%  | 70  | 0.71%  |
| United States Postal Service                         | 89  | 0.59%  | 108   | 1.09%  |
| Safeway Stores                                       | 70  | 0.46%  | 129   | 1.30%  |
| K-Mart   |   |  | 75  | 0.76%  |
| The Good Apple                                       |   |  | 35  | 0.35%  |
|  | <hr/>   | <hr/>  | <hr/>   | <hr/>  |
| Total  | <u>2,166</u>                                  | <u>14.38%</u>                                      | <u>1,644</u>                                  | <u>16.59%</u>                                      |

**Source:** City of Apache Junction, Office of Economic Development

**Schedule E-1**  
**Superstition Mountains Community Facilities District No. 1**  
**Budgeted Full Time Equivalent Employees by Function**  
**Last Ten Fiscal Years**

| Division                             | Fiscal Year Ended June 30, |              |              |              |              |              |              |              |              |              |
|--------------------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                      | 2001                       | 2002         | 2003         | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         |
| <b>Administrative Division</b>       |                            |              |              |              |              |              |              |              |              |              |
| District Manager                     | 1.00                       | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         | 1.00         |
| District Administration              | 1.00                       | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 3.00         | 3.00         | 3.00         |
| Finance                              | 1.00                       | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 2.00         | 3.00         | 3.25         | 3.60         |
| Engineering                          | -                          | -            | -            | -            | -            | -            | 1.00         | 2.00         | 2.00         | 2.00         |
| Customer Service                     | 2.00                       | 2.00         | 3.00         | 2.00         | 2.00         | 3.25         | 4.75         | 4.00         | 3.75         | 4.00         |
| <b>Total Administrative Division</b> | <b>5.00</b>                | <b>7.00</b>  | <b>8.00</b>  | <b>7.00</b>  | <b>7.00</b>  | <b>8.25</b>  | <b>10.75</b> | <b>13.00</b> | <b>13.00</b> | <b>13.60</b> |
| <b>Operations Division</b>           |                            |              |              |              |              |              |              |              |              |              |
| Manager of Operations                | -                          | -            | -            | -            | -            | -            | 1.00         | 1.00         | 1.00         | -            |
| Operations Administration            | -                          | -            | -            | -            | -            | -            | -            | 2.00         | 2.00         | 2.00         |
| Treatment Plant                      | 3.00                       | 4.00         | 6.00         | 6.00         | 6.00         | 8.00         | 8.00         | 8.00         | 8.00         | 8.00         |
| Collection System                    | 3.00                       | 3.00         | 3.00         | 4.00         | 4.00         | 5.00         | 5.00         | 7.00         | 7.00         | 6.00         |
| <b>Total Operations Division</b>     | <b>6.00</b>                | <b>7.00</b>  | <b>9.00</b>  | <b>10.00</b> | <b>10.00</b> | <b>13.00</b> | <b>14.00</b> | <b>18.00</b> | <b>18.00</b> | <b>16.00</b> |
| <b>Total</b>                         | <b>11.00</b>               | <b>14.00</b> | <b>17.00</b> | <b>17.00</b> | <b>17.00</b> | <b>21.25</b> | <b>24.75</b> | <b>31.00</b> | <b>31.00</b> | <b>29.60</b> |

Source: District Budgetary Records

**Schedule E-2  
Superstition Mountains Community Facilities District No. 1  
Operating and Capital Indicators  
Last Ten Fiscal Years**

|  | Fiscal Year Ended June 30, |        |        |        |        |        |        |        |        |        |
|--|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 2001                       | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   |
| <b>Collection System</b>                         |                            |        |        |        |        |        |        |        |        |        |
| Miles of Collection Mains <12" dia.              | 86.4                       | 86.4   | 86.8   | 87.2   | 87.7   | 88.1   | 92.0   | 93.0   | 93.0   | 93.2   |
| Miles of Collection Mains >12" dia               | 16.0                       | 16.0   | 16.0   | 16.0   | 16.0   | 16.0   | 16.0   | 16.0   | 16.0   | 16.0   |
| Customer Connections                             | 4,271                      | 4,611  | 4,863  | 5,128  | 5,252  | 5,398  | 5,658  | 5,848  | 5,858  | 6,007  |
| <b>Pumping</b>                                   |                            |        |        |        |        |        |        |        |        |        |
| Pump Stations                                    | 1                          | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Miles of Pressure Forcemain                      | 1.8                        | 1.8    | 1.8    | 1.8    | 1.8    | 1.8    | 1.8    | 1.8    | 1.8    | 1.8    |
| <b>Treatment</b>                                 |                            |        |        |        |        |        |        |        |        |        |
| Water Reclamation Facilities                     | 1                          | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      | 1      |
| Permitted Capacity, MGD <sup>1</sup>             | 2.14                       | 2.14   | 2.14   | 2.14   | 2.14   | 2.14   | 2.14   | 2.14   | 2.14   | 2.14   |
| Annual Average Daily Flow, MGD <sup>1</sup>      | 0.95                       | 1.02   | 1.13   | 1.19   | 1.23   | 1.31   | 1.36   | 1.40   | 1.43   | 1.41   |
| % of Total Permitted Capacity                    | 44.4%                      | 47.7%  | 52.8%  | 55.6%  | 57.5%  | 61.2%  | 63.6%  | 65.4%  | 66.8%  | 65.9%  |
| Population Served (75 gpd/pop. eq.) <sup>2</sup> | 12,667                     | 13,600 | 15,067 | 15,867 | 16,400 | 17,467 | 18,133 | 18,667 | 19,067 | 18,800 |
| <b>Effluent Disposal</b>                         |                            |        |        |        |        |        |        |        |        |        |
| Effluent Recharge Basin Surface Acres            | 0                          | 0      | 0      | 1.6    | 1.6    | 1.6    | 4.4    | 4.4    | 4.4    | 4.4    |
| Effluent Recharge Vadose Zone Wells              | 0                          | 0      | 0      | 6      | 6      | 6      | 20     | 20     | 20     | 20     |

<sup>1</sup> Million Gallons per Day

<sup>2</sup> Wastewater Engineering Treatment and Reuse, Fourth Edition, by Metcalf & Eddy, Inc.

Source: District Operational Records