

Green Valley Domestic Water Improvement District

Year Ended June 30, 2025

Green Valley Domestic Water Improvement District

Year Ended June 30, 2025

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Green Valley Domestic Water Improvement District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Green Valley Domestic Water Improvement District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Green Valley Domestic Water Improvement District as of June 30, 2025, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Green Valley Domestic Water Improvement District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Correction of an Error

As discussed in Note 10 to the financial statements, certain errors in the amounts previously reported for capital assets, cash, accounts receivable, and accounts payable were discovered by management of the District during the current year. Accordingly, an adjustment has been made to net position as of June 30, 2024 to correct the error. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Valley Domestic Water Improvement District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Green Valley Domestic Water Improvement District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Valley Domestic Water Improvement District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2026, on our consideration of Green Valley Domestic Water Improvement District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Green Valley Domestic Water Improvement District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Green Valley Domestic Water Improvement District’s internal control over financial reporting and compliance.

BeachFleischman PLLC

Tucson, Arizona
February 25, 2026

Management's Discussion and Analysis

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis

Year Ended June 30, 2025

Introduction

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

The Management of the District presents these financial statements with a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those statements in their understanding of the District's financial position.

Overview of the financial statements

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

Statement of Net Position

The statement of net position (balance sheet) presents information about the District's assets and deferred outflows less liabilities and deferred inflows, with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of net position can be found on pages 12 and 13 of this report.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents information showing how the District's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., trade accounts receivable). The statement of revenue, expenses, and changes in net position can be found on page 14 of this report.

Statement of Cash Flows

The statement of cash flows reflects the inflows and outflows of cash and cash equivalents during the year. It shows the various cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the statement of net position. In addition, this statement reconciles cash flows from operating activities to operating loss on the statement of revenues, expenses, and changes in net position. The statement of cash flows can be found on pages 15 and 16 of this report.

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis (continued)

Year Ended June 30, 2025

Overview of the financial statements (continued)

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17 through 35 of this report.

Overview of the District and District activities

The District was formed through the efforts of its residents to ensure they had a local voice about their water. The District serves approximately 4,550 customers in the geographical area south of Mission Twin Buttes Road to Elephant Head Road and generally west of Interstate 19 in Pima County, Arizona. Water is provided to residential, commercial, and golf course customers. Customers have control of their water rates by electing a board of directors from property owners within District boundaries.

In July 2025, the Board identified misappropriation of assets that occurred during the fiscal year ended June 30, 2025 that had been ongoing for multiple years. The misappropriation involved the unauthorized diversion and misuse of certain District assets by the former Business Operations Supervisor. Upon discovery, the District conducted a detailed investigation, including the engagement of external forensic accountants, to quantify the effects of the misappropriation. The current year impact of the misappropriation is reported as theft expense in the statement of revenues, expenses and changes in net position, and is the main driver for the overall decrease in net position for year end.

Statement of Net Position

Net position may serve over time as a useful indicator of the financial position of a government entity. In the case of the Green Valley Domestic Water Improvement District, assets and deferred outflows exceeded liabilities and deferred inflows by \$1,993,868 at the close of the 2025 fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g. land, construction in progress, water systems, buildings and improvements, operating equipment, and vehicles), less any debt used to acquire those assets that is still outstanding, and was \$285,487 at year end. The District uses these capital assets to provide services to residents; consequently, the assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position of \$23,988 reflects amounts restricted for future pension contributions.

The remaining balance of unrestricted net position \$1,684,393, reflects its cash and current accounts receivable less any current liabilities (e.g. accounts payable, accrued payroll, and other accrued expenses) and long-term liabilities not associated with capital assets. The District uses the cash balances to pay current and ongoing financial obligations in order to provide services to residents.

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis (continued)

Year Ended June 30, 2025

Overview of the District and District activities (continued)

Statement of Net Position (continued)

A summarized comparison of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2025 and 2024 is as follows:

	2025	2024 (restated*)
Assets:		
Current assets	\$ 2,191,464	\$ 2,562,863
Capital assets, net	6,040,535	6,463,784
Other noncurrent assets	23,988	-
Total assets	<u>8,255,987</u>	<u>9,026,647</u>
Deferred outflows of resources	<u>555,214</u>	<u>565,585</u>
Liabilities:		
Current liabilities	795,281	746,461
Noncurrent liabilities	5,973,247	6,428,610
Total liabilities	<u>6,768,528</u>	<u>7,175,071</u>
Deferred inflows of resources	<u>48,805</u>	<u>37,358</u>
Net position:		
Net investment in capital assets	285,487	256,979
Restricted	23,988	-
Unrestricted	1,684,393	2,122,824
Total net position	<u>\$ 1,993,868</u>	<u>\$ 2,379,803</u>

* Certain amounts for the year ending June 30, 2024 have been restated. The restatement of net position was mainly due to correcting of errors due to the embezzlement, see further detail of the restatement in note 10.

Statement of Revenues, Expenses and Changes in Net Position

For the year ended June 30, 2025, total net position decreased by \$385,935, or 16.2%, which is mainly due to \$775,164 of theft of District assets, as noted above.

Operating revenues - Operating revenues for the year ended June 30, 2025, increased by \$189,957 from 2024. The increase at June 30, 2025 is due to an increase in water rates and usage.

Operating expenses - Operating expenses for the year ended June 30, 2025, increased by \$257,966 from the year ended June 30, 2024. The increase at June 30, 2025 is due to increases in repairs and maintenance for property, plant and equipment in need of repairs during the year.

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis (continued)

Year Ended June 30, 2025

Overview of the District and District activities (continued)

Statement of Revenues, Expenses and Changes in Net Position (continued)

Nonoperating revenues and expenses - Nonoperating revenues for the year ended June 30, 2025, increased by \$51,056 from the year ended June 30, 2024. The increase at June 30, 2025 is due to an increase in interest income.

A summarized comparison of the District's operations for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024 (Restated*)
Operating revenues:		
Metered water sales	\$ 2,348,090	\$ 2,187,975
Service charges and penalties	18,340	50,494
Golf course revenue	667,633	621,442
Other water revenue	280,983	265,178
Total operating revenues	3,315,046	3,125,089
Operating expenses:		
Salaries and employee benefits	828,490	801,060
Materials and supplies	85,724	115,229
Utilities	284,103	306,901
Repairs and maintenance	400,252	300,207
CAP water contract	102,600	100,700
Insurance and taxes	63,644	45,501
Other operating expenses	184,627	73,865
Depreciation and amortization	821,197	755,736
Theft expense	775,164	788,639
Total operating expenses	3,545,802	3,287,836
Operating loss	(230,756)	(162,747)
Nonoperating revenues (expenses):		
Interest income	70,481	25,745
Other	(15,232)	(7,470)
Interest expense	(210,428)	(224,510)
	(155,179)	(206,235)
Change in net position	(385,935)	(368,982)
Net position, beginning of year, as restated	2,379,803	2,748,785
Net position, end of year	\$ 1,993,868	\$ 2,379,803

* Certain amounts for the year ending June 30, 2024 have been restated. The restatement of net position was mainly due to correcting of errors due to the embezzlement, see further detail of the restatement in note 10.

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis (continued)

Year Ended June 30, 2025

Capital Assets

As of June 30, 2025, capital assets amounts to \$6,040,535 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, water systems, buildings and improvements, operating equipment, and vehicles. The total decrease in capital assets for the current fiscal year was \$423,249 or (6.5)%. The decrease is due to more depreciation than additions in the current year.

Additional information regarding the capital assets of the District can be found in the notes to the financial statements on page 23 of this report.

Green Valley Domestic Water Improvement District Capital Assets (net of depreciation) As of June 30, 2025 and 2024

	2025	2024	Increase (decrease)
Land	\$ 89,077	\$ 89,077	\$ -
Construction in progress	61,488	-	61,488
Water systems	10,955,265	10,955,888	(623)
Buildings and improvements	6,367,522	6,367,522	-
Operating equipment	2,372,346	2,091,482	280,864
Vehicles	240,628	240,628	-
Other	-	25,500	(25,500)
Accumulated depreciation	<u>(14,045,791)</u>	<u>(13,306,313)</u>	<u>(739,478)</u>
	<u>\$ 6,040,535</u>	<u>\$ 6,463,784</u>	<u>\$ (423,249)</u>

Long-Term Liabilities

At the end of the current fiscal year, the District had \$6,479,232 million in long-term liabilities outstanding. Long-term liabilities include compensated absences, bonds payable, notes payable, and net pension/OPEB liability. The total decrease in long-term liabilities for the current fiscal year was \$447,757 or 6.5%. The decrease is the result of normal payments on debt throughout the year.

The District continues to retire and manage debt to fund various capital projects which support program services. As of June 30, 2025, the District had total long-term debt (bonds and notes payable) outstanding of \$5,818,543. This debt currently requires annual debt service payments that consist of principal and interest of approximately \$670,000.

In accordance with GASB 68 and GASB 75, the District is required to include the net pension/OPEB liability on the financial statements. The net pension/OPEB liability is measured as the total pension/OPEB liability, less the pension/OPEB plans' fiduciary net position. A net pension/OPEB liability is recorded at June 30, 2025 relating to the District's participation in the Arizona State Retirement System (ASRS) of \$619,360.

Green Valley Domestic Water Improvement District

Management's Discussion and Analysis (continued)

Year Ended June 30, 2025

Long-Term Liabilities (continued)

Additional information regarding the long-term liabilities of the District can be found in the notes to the financial statements on pages 24 - 27 of this report.

Green Valley Domestic Water Improvement District
Outstanding Debt
As of June 30, 2025 and 2024

	2025	2024	Increase (decrease)
Compensated absences	\$ 41,329	\$ 39,179	\$ 2,150
Bonds payable	4,389,356	4,847,200	(457,844)
Direct borrowings	1,429,187	1,430,570	(1,383)
Net pension/OPEB liability	<u>619,360</u>	<u>610,040</u>	<u>9,320</u>
Total noncurrent liabilities	<u>\$ 6,479,232</u>	<u>\$ 6,926,989</u>	<u>\$ (447,757)</u>

Economic Factors and Next Year's Rates

The District is committed to controlling operational costs, while providing the highest level of service to the community. Rates effective July 1, 2025 were adopted by the Board of Directors on May 5, 2025. Increases in rates are expected to increase revenue for the upcoming year by approximately 10%.

Contacting the District Office

This financial report is designed to provide our customers, consultants, and financial advisors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have any questions about this report or need additional information, contact the Chairman, Green Valley Domestic Water Improvement District, 3200 S Camino Del Sol, Green Valley, Arizona 85622 or call 520-625-9112.

Basic Financial Statements

Green Valley Domestic Water Improvement District

Statement of Net Position

June 30, 2025

Assets and Deferred Outflows of Resources

Current assets:

Cash and cash equivalents	\$ 1,625,278
Accounts receivable, net	456,836
Unbilled accounts receivable	<u>109,350</u>
Total current assets	<u>2,191,464</u>

Noncurrent assets:

Net pension asset	23,988
Capital assets, non-depreciable	150,565
Capital assets, depreciable net	<u>5,889,970</u>
Total noncurrent assets	<u>6,064,523</u>
Total assets	<u>8,255,987</u>

Deferred outflows of resources:

Deferred outflows related to pensions/OPEB	122,277
Excess consideration provided for acquisition	369,442
Deferred charge on refunding of debt	<u>63,495</u>
Total deferred outflows of resources	<u>555,214</u>
Total assets and deferred outflows of resources	<u>\$ 8,811,201</u>

Green Valley Domestic Water Improvement District

Statement of Net Position (continued)

June 30, 2025

Liabilities, Deferred Inflows of Resources and Net Position

Current liabilities:	
Accounts payable	\$ 80,368
Accrued expenses and other liabilities	39,953
Due to Pima County	132,383
Deposits	36,592
Current portion of compensated absences	31,000
Current portion of notes payable	1,436
Current portion of bonds payable	<u>473,549</u>
Total current liabilities	<u>795,281</u>
Noncurrent liabilities:	
Compensated absences, net of current portion	10,329
Notes payable, net of current portion	1,427,751
Bonds payable, net of current portion	3,915,807
Net pension/OPEB liability	<u>619,360</u>
Total noncurrent liabilities	<u>5,973,247</u>
Total liabilities	<u>6,768,528</u>
Deferred inflows of resources:	
Deferred inflows related to pensions/OPEB	<u>48,805</u>
Total deferred inflows of resources	<u>48,805</u>
Net position:	
Net investment in capital assets	285,487
Restricted - pension	23,988
Unrestricted	<u>1,684,393</u>
Total net position	<u>1,993,868</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 8,811,201</u>

Green Valley Domestic Water Improvement District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2025

Operating revenues:	
Metered water sales	\$ 2,348,090
Service charges and penalties	18,340
Golf course revenue	667,633
Other water revenue	<u>280,983</u>
Total operating revenues	<u>3,315,046</u>
Operating expenses:	
Salaries and employee benefits	828,490
Materials and supplies	85,724
Utilities	284,103
Repairs and maintenance	400,252
CAP water contract	102,600
Insurance and taxes	63,644
Other operating expenses	184,627
Depreciation and amortization	821,197
Theft expense	<u>775,164</u>
Total operating expenses	<u>3,545,802</u>
Operating loss	<u>(230,756)</u>
Nonoperating revenues and expenses:	
Interest income	70,481
Loss on disposal of assets	(7,762)
Amortization of loss on refunding of debt	(7,470)
Interest expense	<u>(210,428)</u>
Nonoperating revenues and expenses	<u>(155,179)</u>
Change in net position	<u>(385,935)</u>
Net position, beginning of year, as previously reported	3,617,645
Restatements	<u>(1,237,842)</u>
Net position, beginning of year, as restated	<u>2,379,803</u>
Net position, end of year	<u>\$ 1,993,868</u>

See notes to financial statements.

Green Valley Domestic Water Improvement District

Statement of Cash Flows

Year Ended June 30, 2025

Cash flows from operating activities:	
Cash received from customers	\$ 3,178,465
Cash payments to suppliers of goods and services	(1,112,692)
Cash payments to employees for services	(825,985)
Cash lost due to theft	<u>(775,164)</u>
Net cash provided by operating activities	<u>464,624</u>
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(459,227)
Interest paid on long-term debt	(210,534)
Purchases of capital assets	<u>(359,044)</u>
Net cash used in capital financing activities	<u>(1,028,805)</u>
Cash flows from investing activities:	
Interest received	<u>70,481</u>
Net cash provided by investing activities	<u>70,481</u>
Net increase in cash and cash equivalents	(493,700)
Cash and cash equivalents, beginning	<u>2,118,978</u>
Cash and cash equivalents, ending	<u><u>\$ 1,625,278</u></u>

See notes to financial statements.

Green Valley Domestic Water Improvement District

Statement of Cash Flows (continued)

Year Ended June 30, 2025

Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	<u>\$ (230,756)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	774,531
Amortization of excess consideration	46,666
Changes in operating assets and liabilities:	
Accounts receivable	(148,951)
Unbilled receivable	26,650
Net pension/OPEB asset	(23,988)
Deferred outflows related to pensions/OPEB	(43,766)
Accounts payable	(79,474)
Accrued expenses	4,840
Due to Pima County	132,383
Deposits	(14,278)
Net pension/OPEB liability	9,320
Deferred inflows related to pensions/OPEB	<u>11,447</u>
Net cash provided by operating activities	<u><u>\$ 464,624</u></u>

Supplemental noncash transactions:

Amortization of loss on refunding of debt	\$ 7,470
Loss on disposal of assets	\$ 7,762

Green Valley Domestic Water Improvement District

Notes to Financial Statements

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies:

The accounting policies of Green Valley Domestic Water Improvement District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities engaged in business-type activities as promulgated by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101 – Compensated Absences, which clarifies how governments recognize liabilities for compensated absences, improving consistency in financial reporting. All types of leave, such as vacation, sick leave, paid time off (PTO), and similar benefits, are now subject to the same principles. As a result, the District’s financial statements have been modified to reflect the provisions of GASB 101. Implementation of this standard had no impact on beginning net position.

Description of business:

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

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

Reporting entity:

The District is a governmental domestic water improvement district; as such the accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District's only fund is an enterprise fund.

The District is considered a primary government and is not a component unit of any other political subdivision in the State of Arizona.

Basis of accounting:

The basis of accounting relates to the timing of the measurements made and determines when revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements of the District are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies (continued):

Estimates:

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Management evaluates its estimates and assumptions on an ongoing basis. Actual results could differ materially from those estimates and assumptions.

Financial statement presentation:

The financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Deferred outflows/inflows of resources are resources that will be consumed or acquired in a future reporting period. Net position is classified according to external restrictions or availability of assets to satisfy obligations.

The Statement of Revenues, Expenses and Changes in Net Position provides information about the District's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating and all changes in net position are reported. Operating revenues include the sales of water and other operating revenues such as service charges and hookup fee revenues. Operating expenses includes power and water purchases and other costs to operate and maintain the District's water system, including salaries, materials and supplies, contract services, insurance and taxes, depreciation, and other operating expenses. Other revenues, such as interest income and contributed capital, are not considered generated from operations and are reported as nonoperating revenues. Nonoperating expenses include interest and amortization of bond related charges.

The Statement of Cash Flows provides information about the District's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital financing or investing activities.

Cash and cash equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. Investment earnings are comprised primarily of interest earnings and net changes in the fair value of applicable investments.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies (continued):

Accounts receivable:

Accounts receivable are uncollateralized customer obligations, which generally require payment within 15 days from the invoice date. Accounts receivable are stated at the invoice amount. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts and the aging of accounts receivable. If there is a deterioration of a major customer's credit worthiness or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due to the District could be adversely affected. Accounts or portions deemed to be uncollectible or to require an excessive collection cost are written off to allowance for doubtful accounts. An allowance for doubtful accounts of \$39,820 was recorded as of June 30, 2025.

Unbilled accounts receivable:

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

Capital assets:

Capital assets, which include land, construction in progress, water systems, buildings and improvements, operating equipment, and vehicles are reported in the financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if actual cost is not available. Donated capital assets are recorded at acquisition value when received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not depreciated
Water systems	5 - 20 years
Buildings and improvements	5 - 30 years
Operating equipment	7 - 20 years
Vehicles	5 years

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies (continued):

Excess consideration provided for acquisition:

In May 2023, the District acquired substantially all of the operating assets of Green Valley Water Company in a business combination accounted for as a purchase. The purchase price of \$8,100,000 exceeded the net asset values of Green Valley Water Company at the date of acquisition by \$1,400,000. This excess consideration is reported as a deferred outflow and is being amortized on the straight-line method over 30 years.

Accumulated amortization totaled \$1,030,558 at June 30, 2025. Amortization expense was \$46,666 for the year ended June 30, 2025.

Deferred outflows and inflows of resources:

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows related to pension and OPEB, deferred charge on refunding of debt, and excess consideration provided for acquisition. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to the excess considerations relates to the consideration provided in an acquisition in excess of the net assets acquired.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred amounts related to pension and OPEB.

Compensated absences:

The District recognizes a liability for compensated absences for leave time that has been earned for services previously rendered by employees, accumulates and is allowed to be carried over to subsequent years, and is more likely than not to be used as time off or otherwise paid in cash or settled through noncash means. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences includes salary-related benefits, where applicable.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies (continued):

Compensated absences (continued):

The District's vacation policy permits employees to accumulate earned but unused time off, which is eligible for payment at the employee's current pay rate upon separation from employment. The District's sick leave policy permits employees to accumulate earned by unused sick leave, and an estimate of sick leave that will be used by employees as time off is included in the liability for compensated absences. Sick leave is not eligible for payout upon separation from employment.

Long-term obligations:

Long-term debt, lease liabilities, and other long-term obligations are reported as noncurrent liabilities on the statement of net position. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its requisition price, and are amortized over the shorter of the life of the refunded or refunding debt.

Postemployment benefits:

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

Net position:

Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available.

Income taxes:

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

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

1. Description of organization and summary of significant accounting policies (continued):

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2025 through February 25, 2026, the date that the financial statements were available to be issued. Management has no responsibility to update these financial statements for events and circumstances occurring after this date.

2. Cash and cash equivalents:

The Organization's cash and cash equivalents and investments consist of the following at June 30, 2025:

Deposits:

Cash on hand	\$ 250
Operating accounts	<u>1,625,028</u>
	<u>\$ 1,625,278</u>

As of June 30, 2025, the District held no investments.

The Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurer's investment pool; interest-bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona's counties, cities, towns, school districts and special districts as specified by statute.

Deposits:

Custodial credit risk - Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned. The Arizona Revised Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

At June 30, 2025, deposits with financial institutions have a carrying value \$1,625,278 and a bank balance of \$1,647,460. The difference represents deposits in transit, outstanding checks, and other reconciling items at the period end.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

3. Capital assets:

Capital asset activity for the year ended June 30, 2025 was as follows:

	June 30, 2024	Increases	Decreases	June 30, 2025
Capital assets, non-depreciable:				
Land	\$ 89,077	\$ -	\$ -	\$ 89,077
Construction in progress	<u>-</u>	<u>61,488</u>	<u>-</u>	<u>61,488</u>
Total capital assets, non-depreciable	<u>89,077</u>	<u>61,488</u>	<u>-</u>	<u>150,565</u>
Capital assets, depreciable:				
Water systems	10,955,888	-	(623)	10,955,265
Building and improvements	6,367,522	-	-	6,367,522
Operating equipment	2,091,482	297,556	(16,692)	2,372,346
Vehicles	240,628	-	-	240,628
Other	<u>25,500</u>	<u>-</u>	<u>(25,500)</u>	<u>-</u>
Total depreciable capital assets	19,681,020	297,556	(42,815)	19,935,761
Less accumulated depreciation and amortization:				
Water systems	(8,651,524)	(295,204)	623	(8,946,105)
Building and improvements	(3,192,591)	(310,101)	-	(3,502,692)
Operating equipment	(1,248,961)	(152,403)	15,220	(1,386,144)
Vehicles	(195,047)	(15,803)	-	(210,850)
Other	<u>(18,190)</u>	<u>(1,020)</u>	<u>19,210</u>	<u>-</u>
Total accumulated depreciation and amortization	<u>(13,306,313)</u>	<u>(774,531)</u>	<u>35,053</u>	<u>(14,045,791)</u>
Total capital assets, depreciable, net	<u>6,392,897</u>	<u>(475,955)</u>	<u>(26,972)</u>	<u>5,889,970</u>
Total capital assets, net	<u>\$ 6,463,784</u>	<u>\$ (415,487)</u>	<u>\$ (7,762)</u>	<u>\$ 6,040,535</u>

Depreciation and amortization expense totaled \$774,531 for the year ended June 30, 2025.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

4. Changes in noncurrent liabilities:

A summary of the changes in noncurrent liabilities for the period ended June 30, 2025 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	\$ 39,179	\$ 2,150	\$ -	\$ 41,329	\$ 31,000
Bonds payable, Series 2013	3,838,591	-	(369,307)	3,469,284	381,495
Bonds payable, Second Series 2013	1,008,609	-	(88,537)	920,072	92,054
Notes from Direct Borrowing	1,430,570	-	(1,383)	1,429,187	1,436
Net pension liability	610,040	9,218	-	619,258	-
Net OPEB liability	-	102	-	102	-
	<u>\$ 6,926,989</u>	<u>\$ 11,470</u>	<u>\$ (459,227)</u>	<u>\$ 6,479,232</u>	<u>\$ 505,985</u>

The change in compensated absences above is a net change for the year.

5. Bonds payable:

Bonds payable at June 30, 2025 are comprised on the following:

Green Valley Domestic Water Improvement District of Pima County, Water Revenue Refunding Bond, Series 2013, due in monthly installments of \$40,716 including interest at 3.25% through July 2033, secured by water revenues.	\$ 3,469,284
Green Valley Domestic Water Improvement District of Pima County, Water Revenue Refunding Bond, Second Series 2013, due in monthly installments of \$10,525 including interest at 3.90% through January 2034, secured by water revenues.	<u>920,072</u>
	4,389,356
Less current portion	<u>473,550</u>
	<u>\$ 3,915,806</u>

In a resolution adopted June 27, 2013, the District approved the authorization of the Series 2013 Water Revenue Refunding bonds not to exceed \$7.05 million. The primary purpose of the bond issue was to pay and redeem the Series 2003 bonds. The refunded bonds will reduce the total debt service payment over the next 20 years of the bonds by approximately \$2,520,000 and obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$1,892,000.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

5. Bonds payable (continued):

In a resolution adopted December 12, 2013, the District approved the authorization of the Second Series 2013 bond not to exceed \$1.80 million. The primary purpose of this bond issue was to prepay the outstanding WIFA loans.

Sources of bond payments:

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

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

Rate covenant:

At June 30, 2025, the District is required to establish and maintain water system rates, fees, and other charges sufficient to pay operating expenses and to produce an aggregate amount of water revenues in excess of expense in each fiscal year equal to at least 120% of the then-current fiscal year's principal and interest requirements on the bonds. At June 30, 2025, the District was compliance with the covenant when excluding the theft expense from the operating expenses.

Debt service requirements:

Annual debt service requirements to maturity for the Series 2013 bonds are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 381,495	\$ 107,100	\$ 488,595
2027	394,080	94,512	488,592
2028	407,081	81,514	488,595
2029	420,510	68,085	488,595
2030	434,382	54,213	488,595
2031 - 2035	<u>1,431,736</u>	<u>74,865</u>	<u>1,506,601</u>
	<u>\$ 3,469,284</u>	<u>\$ 480,289</u>	<u>\$ 3,949,573</u>

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

5. Bonds payable (continued):

Annual debt service requirements to maturity for the Second Series 2013 bonds are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 92,054	\$ 34,248	\$ 126,302
2027	95,716	30,593	126,309
2028	99,509	26,793	126,302
2029	103,460	22,842	126,302
2030	107,568	18,734	126,302
2031 - 2035	<u>421,765</u>	<u>30,838</u>	<u>452,603</u>
	<u>\$ 920,072</u>	<u>\$ 164,048</u>	<u>\$ 1,084,120</u>

6. Notes payable from direct borrowing:

Notes payable at June 30, 2025 are comprised on the following:

Green Valley Domestic Water Improvement District of Pima County, Financing Agreement for the Replacement Well Project, payable in monthly installments of \$4,572 through July 2034 then increasing to \$9,989 through February 2050, including interest at 3.74%, secured by water revenues.	\$ 1,429,187
Less current portion	<u>1,436</u>
	<u>\$ 1,427,751</u>

In a resolution adopted January 9, 2020 the District approved the authorization of the Financing Agreement not to exceed \$1.50 million. The primary purpose of the note issue was to finance the acquisition, design, construction, and improvement of a replacement well. The outstanding long-term debt contains a provision that in the event of default any unpaid principal and accrued interest is immediately due and payable.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

6. Notes payable from direct borrowing (continued):

Future maturities of notes payable are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,436	\$ 53,427	\$ 54,863
2027	1,490	53,372	54,862
2028	1,547	53,316	54,863
2029	1,606	53,257	54,863
2030	1,667	53,196	54,863
2031 - 2035	140,379	313,389	453,768
2035 - 2040	309,945	169,523	479,468
2041 - 2045	561,005	140,771	701,776
2046 - 2050	<u>410,112</u>	<u>46,826</u>	<u>456,938</u>
	<u>\$ 1,429,187</u>	<u>\$ 937,077</u>	<u>\$ 2,366,264</u>

7. Risk management:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Commitments and contingencies:

Legal:

From time to time, the District may be party to certain pending or threatened lawsuits arising out of or incident to the ordinary course of business for which it carries general liability and other insurance coverages. In the opinion of management and based upon consultation with legal counsel, resolution of any pending or threatened lawsuits will not have a material adverse effect on the the District's financial statements.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits:

The District contributes to the Arizona State Retirement System (ASRS), a component unit of the State of Arizona.

At June 30, 2025, the District reported on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position the following amounts related to ASRS:

	Net pension/ OPEB liability	Net pension/ OPEB asset	Deferred outflows of resources	Deferred inflows of resources	Pension/ OPEB expense
Pension plans:					
ASRS	\$ 619,258	\$ -	\$ 119,530	\$ 39,546	\$ 41,973
Total pension plans	619,258	-	119,530	39,546	41,973
OPEB plans:					
ASRS - health insurance premium benefit	-	(23,988)	1,331	8,087	(3,602)
ASRS - long-term disability	102	-	1,416	1,172	447
Total OPEB plans	102	(23,988)	2,747	9,259	(3,155)
	\$ 619,360	\$ (23,988)	\$ 122,277	\$ 48,805	\$ 38,818

The District's accrued payroll and related benefits includes \$2,531 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2025.

Arizona State Retirement System (ASRS):

Plan description - District employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

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

	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50 any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50 any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999 are limited to 30 years of service or the service on record as of the effective disability date, if their service is greater than 30 years.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

Contributions - In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll.

The District's contributions for the year ended June 30, 2025 were as follows:

	<u>Contributions</u>
Pension	\$ 71,586
Health insurance premium	416
Long-term disability	890

Pension and OPEB assets/liabilities - At June 30, 2025, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability:

	<u>Net pension/OPEB (asset) liability</u>
Pension	\$ 619,258
Health insurance premium benefit	(23,988)
Long-term disability	102

The net asset and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024. The District's proportions measured as of June 30, 2024, and the change from its proportions measured as of June 30, 2023 were:

	Proportion June 30, 2024	Increase from June 30, 2023
Pension	0.00387 %	0.00010
Health insurance premium benefit	0.00397 %	0.00011
Long-term disability	0.00393 %	0.00013

Pension/OPEB expense - For the year ended June 30, 2025, the District recognized the following pension and OPEB expense:

	Pension/OPEB expense
Pension	\$ 41,973
Health insurance premium benefit	(3,602)
Long-term disability	447

Actuarial assumptions - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9% - 8.4% for pensions/ not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pension/ not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

Deferred outflows/inflows of resources - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health insurance premium benefit		Long-term disability	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 34,566	\$ -	\$ 694	\$ 5,792	\$ 377	\$ 273
Net difference between projected and actual earnings on pension plan investments	-	39,546	-	1,649	-	112
Changes in assumptions	-	-	-	249	74	613
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,378	-	221	397	75	174
Contributions subsequent to the measurement date	71,586	-	416	-	890	-
	<u>\$ 119,530</u>	<u>\$ 39,546</u>	<u>\$ 1,331</u>	<u>\$ 8,087</u>	<u>\$ 1,416</u>	<u>\$ 1,172</u>

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending <u>June 30,</u>	Pension	Health insurance premium benefit	Long-term disability
2026	\$ (9,685)	\$ (4,459)	\$ (195)
2027	35,350	(1,019)	(43)
2028	(10,010)	(1,064)	(195)
2029	(7,257)	(521)	(168)
2030	-	(109)	(80)
Thereafter	-	-	35
	<u>\$ 8,398</u>	<u>\$ (7,172)</u>	<u>\$ (646)</u>

The long-term expected rate of return on ASRS plan investments was determined to be 7.0% using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected geometric real rate of return
Public Equity	44 %	4.48 %
Credit	23 %	4.40 %
Real Estate	17 %	6.05 %
Private Equity	10 %	6.11 %
Interest Rate Sensitive	6 %	(0.45)%
	<u>100 %</u>	

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

9. Pension and other postemployment benefits (continued):

Discount rate - At June 30, 2024, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB (asset) liability.

Sensitivity of the District's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% decrease (6.0%)	Current discount rate (7.0%)	1% increase (8.0%)
Net pension liability	\$ 948,211	\$ 619,258	\$ 345,105
Net insurance premium benefit liability (asset)	(17,439)	(23,988)	(29,556)
Net long-term disability liability	352	102	(144)

Plan fiduciary net position - Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

10. Correction of errors - restatements of beginning balances:

During the fiscal year ended June 30, 2025, management identified errors in the government's previously issued financial statements related to (1) the misappropriation of assets in prior fiscal years and (2) the overstatement of water supply rights that should have been written off in earlier periods. These errors required restatement of previously reported amounts.

Green Valley Domestic Water Improvement District

Notes to Financial Statements (continued)

Year Ended June 30, 2025

10. Correction of errors - restatements of beginning balances (continued):

Management identified misappropriation of assets that occurred during the fiscal year ended June 30, 2025 and during multiple prior years. The misappropriation involved the unauthorized diversion and misuse of certain District assets by an employee. Upon discovery, the District conducted a detailed investigation, including the engagement of external forensic accountants, to quantify the effects of the misappropriation. Certain reconciliations in prior years were incomplete and directly or indirectly affected by the fraud, which resulted in overstatement of cash of \$23,701, overstatement of accounts receivable of \$48,258, and overstatement of accounts payable of \$5,365, as of June 30, 2024. Further, as a result of these error corrections, the beginning net position at July 1, 2023 was \$448,239 higher than previously reported and the change in net position for the year ending June 30, 2024 was \$514,833 lower than previously reported.

Management also identified that water supply rights reported in prior periods were overstated. These rights no longer provided future service capacity and should have been written off in earlier fiscal years when the assets were used or determined to be no longer usable. As a result, capital assets – water supply and recharge rights were overstated by \$1,171,248 as of June 30, 2024 and net position was overstated in prior periods. As a result of this error correction, there was no impact on the change in net position for the year ending June 30, 2024.

The cumulative effect of the corrections has been reported as a restatement of beginning net position as of June 30, 2024 as shown below:

Net position, June 30, 2024, as previously reported	\$ 3,617,645
Correction of error - overstatement of cash and cash equivalents	(23,701)
Correction of error - overstatement of accounts receivable	(48,258)
Correction of error - overstatement of account payable	5,365
Correction of error - overstatement of water supply rights	<u>(1,171,248)</u>
	<u>(1,237,842)</u>
Net position, June 30, 2024, as restated	<u>\$ 2,379,803</u>

Required Supplementary Information

Green Valley Domestic Water Improvement District

Schedule of the District's Proportionate Share of the Net Pension Liability - Arizona State Requirement System

Year Ended June 30, 2025

Reporting fiscal year (Measurement date)	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
District's proportion of the net pension liability	0.003870 %	0.003770 %	0.003710 %	0.004044 %	0.003950 %	0.004260 %	0.004210 %	0.004160 %	0.004207 %	0.004210 %
District's proportionate share of the net pension liability	\$ 619,258	\$ 610,040	\$ 605,554	\$ 530,838	\$ 684,398	\$ 619,880	\$ 587,147	\$ 648,047	\$ 679,536	\$ 656,240
District's covered payroll	\$ 604,698	\$ 551,955	\$ 498,383	\$ 456,950	\$ 467,283	\$ 445,159	\$ 477,983	\$ 430,154	\$ 416,990	\$ 400,835
District's proportionate share of the net pension liability as a percentage of its covered payroll	102 %	111 %	122 %	116 %	146 %	139 %	123 %	151 %	163 %	164 %
Plan fiduciary net position as a percentage of total pension liability	77 %	75 %	74 %	79 %	69 %	73 %	73 %	70 %	67 %	38 %

Amounts related to the ASRS - Health insurance premium benefit and ASRS - Long-term disability are not further disclosed because of their relative insignificance to the District's financial statements.

Green Valley Domestic Water Improvement District

Schedule of Pension Contributions - Arizona State Retirement System

Year Ended June 30, 2025

Reporting fiscal year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 71,586	\$ 58,654	\$ 53,073	\$ 52,967	\$ 49,399	\$ 50,250	\$ 45,611	\$ 43,705	\$ 42,740	\$ 44,258
Contributions in relation to the statutorily required contribution	<u>71,586</u>	<u>58,654</u>	<u>53,073</u>	<u>52,967</u>	<u>49,399</u>	<u>50,250</u>	<u>45,611</u>	<u>43,705</u>	<u>42,740</u>	<u>44,258</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 604,698	\$ 551,955	\$ 498,383	\$ 456,950	\$ 467,283	\$ 445,159	\$ 477,983	\$ 430,154	\$ 416,990	\$ 400,835
Contributions as a percentage of covered payroll	11.84 %	10.63 %	10.65 %	11.59 %	10.57 %	11.29 %	9.54 %	10.16 %	11.04 %	11.04 %

Amounts related to the ASRS - Health insurance premium benefit and ASRS - Long-term disability are not further disclosed because of their relative insignificance to the District's financial statements.