

**NOTICE OF JOINT MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE UTILITIES COMMUNITY FACILITIES DISTRICT AND
THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.**

WHEN: TUESDAY, DECEMBER 6, 2022

WHERE: CAREFREE TOWN COUNCIL CHAMBERS*
33 EASY STREET, CAREFREE, AZ 85377

TIME: 4:00 P.M.

Pursuant to A.R.S. § 10-822, notice is hereby given of the time, place and purposes of a meeting of the Board of Directors of the Town of Carefree Utilities Community Facilities District and the Board of Directors of the Carefree Water Company, Inc., an Arizona corporation.

Members of the Board of Directors are participating by technological means or methods pursuant to A.R.S. §10-708.

CALL TO ORDER

SILENT ROLL CALL

AGENDA

ITEM #1 Recognition of incoming Board Member, Sheila Amoroso.

ITEM #2 Approval of the September 6, 2022 UCFD/CWC meeting minutes.

ITEM #3 Discussion and possible action regarding 2021-2022 Fiscal Year audit.
A representative from the firm of Heinfeld Meech will attend electronically.

ITEM #4 Review, discussion, and possible action to approve Resolution 2022-07 implementing enhanced water conservation measures and formally declaring a Drought Stage 2 condition.

ITEM #5 Adjournment

DATED this 28th day of November, 2022.

UCFD/CWC

By: Kandace French Contreras

Kandace French Contreras, Board Secretary

Items may be taken out of order

****All official Town Council, Commission and Board meetings are scheduled to be held in-person within Council Chambers, located at 33 Easy St.***

The Town is currently in the process of upgrading its audio/visual equipment. Audio recordings of official meetings will be posted to our website for public record until the new equipment is available for video recording.

Thank you for your patience as we work to improve our systems.



FOR SPECIAL ACCOMMODATIONS

Please contact the Carefree Town Clerk, 8 Sundial Circle (PO Box 740), Carefree, AZ 85377; (480) 488-3686, at least three working days prior to the meeting if you require special accommodations due to a disability.

**JOINT MEETING OF THE BOARD OF DIRECTORS OF
THE TOWN OF CAREFREE, AZ UTILITIES COMMUNITY FACILITIES DISTRICT
AND THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC.**

WHEN: TUESDAY, SEPTEMBER 6, 2022
WHERE: CAREFREE TOWN COUNCIL CHAMBERS
33 EASY STREET, CAREFREE, AZ 85377
TIME: 3:30 P.M.

UCFD/CWC

DEC - 6 2022

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CALL TO ORDER

Attending:

Chairman Les Peterson

Absent:

Stephen Hatcher

Board Members:

Vice Chairman John Crane
Vince D'Aliesio (*Appeared at 3:47 pm*)
Tony Geiger (via telephone)
Mike Johnson
Cheryl Kroyer

Also Attending:

Greg Crossman, District Manager and Water Company General Manager; Michael Wright, District and Water Company Attorney; Kandace French Contreras

Chairman Peterson opened the meeting at 3:30 p.m.

Mayor Peterson and the Board acknowledged Greg Crossman for his 10-years of service and commitment as Carefree UCFD's District Manager and Water Company General Manager.

AGENDA

ITEM #1 Approval of the May 3, 2022 UCFD/CWC meeting minutes.

ITEM #2 Approval of the June 7, 2022 UCFD/CWC meeting minutes.

ITEM #3 Approval of the July 5, 2022 UCFD/CWC meeting minutes.

Chairman Peterson announced Agenda Items #1 through #3 and asked if there were any questions or changes. There were none.

Board Member Kroyer **MOVED TO APPROVE** Agenda Items #1 through #3. The motion was **SECONDED** by Board Member D'Aliesio. **CARRIED**, 6-1, with Board Member Hatcher absent.

ITEM #4 Review, discussion and possible action to approve Resolution 2022-06 authorizing the Chairman of UCFD to enter into Construction Services Contract No. C2022-02 with Achen-Gardner Construction, LLC, for Guaranteed Maximum Price (GMP) A3, Tom Darlington Water Storage Reservoir Backfill, Utility Yard, and Landscaping, associated with the Carefree Water Consolidation Project.

Greg Crossman, District Manager and Water Company General Manager presented details of the Construction Services Contract No. C2022-02 with Achen-Gardner Construction LLC, associated with the Carefree Consolidation Project for Guaranteed Maximum Price (GMP) A3. Explaining this is the 3rd and final construction contract for the Tom Darlington Water Storage Reservoir backfill, utility yard and associated landscaping.

Mr. Crossman first provided general updates of the Carefree Consolidation Project.

1. Pipelines: Approx. 15,000 of 25,000 feet have been installed - 61% complete.
2. Water Storage Reservoirs (WSR): Tom Darlington WSR - 67% complete.
3. Booster Pump Stations: Peaceful Place improvements have not yet been contracted for and will be brought forth to Town Council in the next 1 – 2 months.
4. Water Meter Replacements: 283 meters of 535 have been replaced – 53% complete.
5. Customers Transitioned: 84 of 532 customers – 16% complete.

Mr. Crossman then displayed an aerial of the reservoir, showing location, backfill and the lot in its entirety depicted with construction fencing.

District Manager, Crossman provided history of the construction of the Water Storage Reservoir project. This was accomplished by 3 GMP's (Guaranteed Maximum Prices).

1. **GMP A1 – Site preparation** – Native plant salvage, clearing and grubbing of the site, excavation and hauling of material and miscellaneous site preparation. Additionally, there was under slab piping, foundation compaction, site maintenance and traffic.
2. **GMP A2 – Concrete Construction** - This work included the following concrete work: foundation slab, side wall panels, post tension, and support columns.
3. **GMP A3 – Reservoir Finalization** – Backfilling of the site, construction of a small utility yard which includes an emergency backup generator, and all landscaping to match the surrounding Sonoran Desert and other aesthetics associated with the site.

District Manager Crossman responded to questions from Mayor Peterson regarding the final visibility of the Water Storage Reservoir. Mr. Crossman explained, the storage reservoir will not be visible from the neighborhood side and there will be landscaping to provide screening from the Tom Darlington side. Parapet walls will provide security and screening of the utility area.

Mr. Crossman provided details of cost history of the project.

Board Member Kroyer asked if the images of the Water Storage Tank included in Mr. Crossman's presentation were to scale. Mr. Crossman responded, yes, they are to scale.

District Manager Crossman responded to Vice Chairperson Crane regarding the timeframe of completion of the landscaping and mounding and that this will be completed by the end of the year. Mr. Crossman explained, this is the goal and explained how this will be completed in two mobilizations.

Mr. Crossman added that GMP A3 work will be done through Construction Services Contract No. C2022-02 with Achen-Gardner Construction LLC, who is the construction manager at risk and summarized details and estimated timelines of the project and provided images of the landscape architects renderings of the completed project. Concluding, Town Councils authorization to enter into this contract is being done through Resolution 2022-06.

Mayor Peterson asked for questions or comments. Hearing none asked for a motion.

Board Member Kroyer **MOVED TO APPROVE** Resolution 2022-06 authorizing the Chairman of UCFD to enter into Construction Services Contract No. C2022-02 with Achen-Gardner Construction, LLC, for Guaranteed Maximum Price (GMP) A3, to complete the construction and restoration of Tom Darlington Water Storage Reservoir, Backfill, Utility Yard, and Landscaping, associated with the Carefree Water Consolidation Project. **SECONDED** by Vice Chairperson Crane. **CARRIED**, 6-1, with Board Member Hatcher absent.

ITEM # 5 Adjournment.

The meeting was adjourned by unanimous consent at 4:06 p.m.

DATED this 6th day of September 2022.

UTILITIES COMMUNITY FACILITIES DISTRICT
CAREFREE WATER COMPANY

By: _____
Kandace French Contreras, Secretary

Les Peterson, Chairman

Attest:


Samantha Gesell, Planning Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the Town of Carefree, AZ Utilities Community Facilities District Board of Directors and the Board of Directors of the

Carefree Water, Inc. held September 6, 2022. I further certify that the meeting was duly called and held and that a quorum was present.

Kandace French Contreras, Secretary



Town of Carefree, Arizona
Utilities Community Facilities District
(A Component Unit of the Town of Carefree, Arizona)
Financial Statements
Years Ended June 30, 2022 and 2021

Town of Carefree, Arizona
Utilities Community Facilities District

Financial Statements
Years Ended June 30, 2022 and 2021

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT**

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Independent Auditor's Report

Board of Directors
Town of Carefree, Arizona Utilities Community Facilities District

Report on Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the Town of Carefree, Arizona Utilities Community Facilities District (District), a component unit of the Town of Carefree, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 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 respective financial position of the Town of Carefree, Arizona Utilities Community Facilities District, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Town of Carefree, Arizona Utilities Community Facilities 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 opinion.

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this 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 the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 the 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 the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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. Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the continuing bond disclosure tables but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based in the work we performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the Town of Carefree, Arizona Utilities Community Facilities District's 2021 financial statements, and our report dated December 6, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2022, on our consideration of Town of Carefree, Arizona Utilities Community Facilities 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 the Town of Carefree, Arizona Utilities Community Facilities 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 Town of Carefree, Arizona Utilities Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 1, 2022

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2021)

	2022	2021
ASSETS		
Current assets:		
Cash and investments	\$ 17,616,356	\$ 2,454,210
Cash and investments - restricted	25,995	21,395
Accounts receivable	393,383	360,485
Inventory	252,868	194,351
Prepaid items	75,221	58,015
Total current assets	18,363,823	3,088,456
Noncurrent assets:		
Capital assets, non-depreciable	9,773,730	1,494,776
Capital assets, depreciable (net)	4,825,303	3,892,019
Intangible assets (net)	105,152	114,295
Total noncurrent assets	14,704,185	5,501,090
Total assets	33,068,008	8,589,546
LIABILITIES		
Current liabilities:		
Accounts payable	2,951,649	248,588
Accrued payroll and employee benefits	2,002	35,366
Advances from Town of Carefree	414,340	414,340
Due to other governments	29,923	29,906
Other current liabilities	15,660	7,950
Customer deposits	31,345	22,395
Compensated absences payable	50,024	47,873
Financed purchases payable	207,068	199,454
Total current liabilities	3,702,011	1,005,872
Noncurrent liabilities:		
Advances from Town of Carefree	1,145,653	1,559,993
Financed purchases payable	891,893	1,098,961
Bonds payable	21,759,955	
Total noncurrent liabilities	23,797,501	2,658,954
Total liabilities	27,499,512	3,664,826
NET POSITION		
Net investment in capital assets	5,504,389	2,114,047
Unrestricted	64,107	2,810,673
Total net position	\$ 5,568,496	\$ 4,924,720

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	2022	2021
Operating revenues:		
Charges for services	\$ 3,277,689	\$ 3,218,729
Other	40,825	38,908
Total operating revenues	3,318,514	3,257,637
Operating expenses:		
Cost of sales and services	958,839	916,656
Salaries	505,614	425,958
Employee benefits	196,566	162,855
Services, supplies and other	445,614	327,847
Depreciation and amortization	563,859	520,835
Total operating expenses	2,670,492	2,354,151
Operating income (loss)	648,022	903,486
Nonoperating revenues (expenses):		
Investment income	8,498	1,699
Gain on sale of equipment	-	1,468
Interest expense and fiscal charges	(1,133,150)	(52,710)
Total nonoperating revenues (expenses)	(1,124,652)	(49,543)
Income (loss)	(476,630)	853,943
Capital contributions	1,120,406	41,960
Changes in net position	643,776	895,903
Total net position, beginning of year	4,924,720	4,028,817
Total net position, end of year	\$ 5,568,496	\$ 4,924,720

The notes to the basic financial statements are an integral part of this statement.

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021)**

	2022	2021
<u>Increase/Decrease in Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Cash received from customers, service fees	\$ 3,244,791	\$ 3,165,293
Cash received from customers, other	40,825	38,908
Cash payments to suppliers for goods and services	1,241,713	(1,056,680)
Cash payments to employees	(735,544)	(566,348)
Net cash provided by/used for operating activities	3,791,785	1,581,173
Cash flows from investing activities:		
Investment income	8,498	1,699
Net cash provided by/used for investing activities	8,498	1,699
Cash flows from capital and related financing activities:		
Proceeds from issuance of bonds	21,871,161	
Capital contributions	655,812	
Purchase of capital assets	(9,302,360)	(552,557)
Disposal of capital assets		1,785
Principal paid on long-term debt	(613,794)	(606,461)
Interest paid	(1,244,356)	(52,710)
Net cash provided by/used for noncapital financing activities	11,366,463	(1,209,943)
Net increase/decrease in cash and cash equivalents	15,166,746	372,929
Cash and cash equivalents, beginning of year	2,475,605	2,102,676
Cash and cash equivalents, end of year	\$ 17,642,351	\$ 2,475,605
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>		
Cash and investments	\$ 17,616,356	\$ 2,454,210
Cash and investments - restricted	25,995	21,395
Total cash and cash equivalents	\$ 17,642,351	\$ 2,475,605
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>		
Operating income/loss	\$ 648,022	\$ 903,486
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:		
Depreciation and amortization expense	563,859	520,835
Changes in assets and liabilities:		
Increase/decrease in customer deposits	8,950	1,200
Increase/decrease in accounts receivable	(32,898)	(53,436)
Increase/decrease in inventory	(58,517)	(11,553)
Increase/decrease in prepaid items	(17,206)	2,232
Increase/decrease in payables	2,703,078	187,383
Increase/decrease in accrued liabilities	(33,364)	22,465
Increase/decrease in compensated absences payable	2,151	11,451
Increase/decrease in other liabilities	7,710	(2,890)
Total adjustments	3,143,763	677,687
Net cash provided by/used for operating activities	\$ 3,791,785	\$ 1,581,173

The notes to the basic financial statements are an integral part of this statement.

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Carefree, Arizona Utilities Community Facilities District (District), a component unit of the Town of Carefree, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*. This Statement increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District's analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was organized in July 1998 as a special purpose community facilities district pursuant to the laws of the State of Arizona and is administered by a board of five directors, who also serve as elected members of the Town of Carefree, Arizona Town Council.

The District provides water utility services for most of the Town and the surrounding areas. Revenues received by the District are primarily from charges for services of delivered water. The District's financial statements are comprised of a single enterprise fund.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are water service, installation, delivery and capacity fees. Operating expenses for the District include costs of sales, salaries, employee benefits, service and supplies costs, and depreciation and amortization of capital and intangible assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Investments

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Arizona Revised Statutes authorize the District to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, obligations of the U.S. Government and its agencies, obligations of the state and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. All investments are stated at fair value.

Certain resources set aside for the repayment of customer deposits are classified as restricted cash and investments on the statement of net position, because the sources can be returned to customers.

D. Investment Income

Investment income is composed of interest and net changes in the fair market value of applicable investments. Investment income is included in nonoperating revenues.

E. Accounts Receivable

Accounts receivable are uncollateralized customer obligations, due under normal trade terms, requiring payment within 30 days from the invoice date. Interest on accounts receivable is recognized as income when billed. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on a customer's bill or, if unspecified, are applied to the earliest unpaid invoices.

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The carrying amount of accounts receivable may be reduced by a valuation allowance that reflects management’s best estimate of uncollectible amounts. Management reviews all accounts receivable balances monthly and estimates whether a portion, if any, of the balances will not be collected based on the assessment of the customers’ credit worthiness. Due to the nature of the accounts receivable, management does not consider an allowance for uncollectible accounts receivable material or necessary. Therefore, no allowance for uncollectible accounts receivable is presented.

F. Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for water infrastructure repairs and maintenance. Inventories are recorded as expenses when consumed on the financial statements.

G. Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for machinery/equipment and \$5,000 for infrastructure and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. Intangible right-to use assets are amortized over the shorter of the lease term or the underlying asset’s useful life. The estimated useful lives and amortization periods are as follows:

Water plant	28-50 years
Machinery and equipment	7-28 years

H. Intangible Assets

Intangible assets are determined based upon the excess of the purchase price over the fair value of the net position being acquired. Intangible assets are amortized using the straight-line method over the estimated useful life of the respective assets.

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The District does not have any items that qualify for reporting in either section.

J. Compensated Absences

Compensated absences consist of vacation and personnel leave earned by employees based on services already rendered. District employees can accrue up to a maximum of 320 hours. Upon separation, the District will distribute unused leave to employees.

K. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result 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.

L. Net Position Flow Assumption

In the financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

N. Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's statements for the year ended June 30, 2021, from which the information is derived.

NOTE 2 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District's deposits was \$17,642,351 and the bank balance was \$17,698,225. At year end, \$15,074,265 of the District's deposits were covered by collateral held by the pledging financial institution's trust department or agent but not in the District's name and \$130,230 of the District's deposits were uninsured and uncollateralized.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District has no investment policy that would further limit its investment choices.

NOTE 3 – INTANGIBLE ASSETS

The intangible asset balance at June 30, 2022 consisted of the following goodwill and associated amortization:

Customer lists	\$ 260,582
Less: Accumulated amortization	<u>(155,430)</u>
Total	<u><u>\$ 105,152</u></u>

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the year ended June 30, 2022 follows:

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 203,778	\$ 42,182	\$	\$ 245,960
Water allocation rights	784,605	341,000		1,125,605
Construction in progress	506,393	7,958,526	62,754	8,402,165
Total capital assets, not being depreciated	<u>1,494,776</u>	<u>8,341,708</u>	<u>62,754</u>	<u>9,773,730</u>
Capital assets, being depreciated:				
Machinery and equipment	576,845	81,790	10,765	647,870
Water plant	13,838,979	1,406,210	57,596	15,187,593
Total capital assets, being depreciated	<u>14,415,824</u>	<u>1,488,000</u>	<u>68,361</u>	<u>15,835,463</u>
Less accumulated depreciation for:				
Machinery and equipment	(414,434)	(40,653)	(10,765)	(444,322)
Water plant	(10,109,371)	(514,063)	(57,596)	(10,565,838)
Total accumulated depreciation	<u>(10,523,805)</u>	<u>(554,716)</u>	<u>(68,361)</u>	<u>(11,010,160)</u>
Total capital assets, being depreciated, net	<u>3,892,019</u>	<u>933,284</u>		<u>4,825,303</u>
Capital assets, net	<u>\$ 5,386,795</u>	<u>9,274,992</u>	<u>\$ 62,754</u>	<u>\$ 14,599,033</u>

At year end, the District had contractual commitments related to improvement of the water system. At year end, the District had spent \$8,402,165 on the projects. The estimated remaining contractual commitments were \$7,658,806 and are being funded with bond proceeds.

NOTE 5 – CAPITAL ADVANCE

The Town transferred water facilities to the District under the provisions of a long-term agreement classified as a capital advance with a zero percent interest rate. The agreement qualifies as a capital advance for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date. Charges for services from users are used to repay the capital advance. Amortization of assets acquired under the capital advance is included with depreciation expense.

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 – CAPITAL ADVANCE

The future minimum capital advance obligations and the net present value of these minimum capital advance payments at year end were as follows:

	Year Ending June 30:		
	2023	\$	414,340
	2024		20,000
	2025		100,000
	2026		200,000
	2027		200,000
	2028-29		625,653
	Total		<u>\$ 1,559,993</u>
	Due within one year		<u>\$ 414,340</u>

The schedule above presents the repayment schedule as presented in the August 3, 2021 amendment to the capital advance agreement.

NOTE 6 – FINANCED PURCHASE

The District has acquired a high-capacity water tank under the provisions of a contract classified as a financed purchase payable with an interest rate of 3.75 percent. In accordance with GASB Statement No. 87 *Leases*, contracts previously recorded as a capital lease have been reclassified as a financed purchase payable in the fiscal year. Charges for services are used to pay the debt obligation.

Annual debt service requirements to maturity on financed purchases payable at year end are summarized as follows:

	Year ending June 30:	<u>Governmental Activities</u>	
		<u>Principal</u>	<u>Interest</u>
	2023	\$ 207,068	\$ 37,696
	2024	214,972	29,792
	2025	223,178	21,586
	2026	231,697	13,067
	2027	222,046	22,718
	Total	<u>\$ 1,098,961</u>	<u>\$ 124,859</u>

TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – REVENUE BONDS PAYABLE

Bonds payable at June 30, 2022, consisted of the following. Net revenues from water sales are pledged and used for repayment.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2022</u>	<u>Due Within One Year</u>
Business-type activities:					
Water System Revenue					
Bonds, Series 2021	\$ 18,535,000	4.00%	7/1/23-51	\$ 18,535,000	\$ - 0 -

Annual debt service requirements to maturity on Revenue bonds at year end are summarized as follows:

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ - 0 -	\$ 741,400
2024	110,000	739,200
2025	370,000	729,600
2026	385,000	714,500
2027	400,000	698,800
2028-32	2,245,000	3,236,500
2033-37	2,730,000	3,144,900
2038-42	3,330,000	3,049,600
2943-47	4,040,000	2,950,500
2048-52	4,925,000	2,847,500
Total	<u>\$ 18,535,000</u>	<u>\$ 18,852,500</u>

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$	\$ 18,535,000	\$	\$ 18,535,000	\$
Premium		3,336,161	111,206	3,224,955	
Total bonds payable		21,871,161	111,206	21,759,955	
Compensated absences payable	47,873	16,033	13,882	50,024	50,024
Capital advance	1,974,333		414,340	1,559,993	414,340
Financed purchases payable	1,298,415		199,454	1,098,961	207,068
Long-term liabilities	<u>\$ 3,320,621</u>	<u>\$ 21,887,194</u>	<u>\$ 738,882</u>	<u>\$ 24,468,933</u>	<u>\$ 671,432</u>

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – CONTINGENT LIABILITIES

Lawsuits – The District is a party to a number of various types of lawsuits, many of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable, however, District management believes that the outcome of these proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

NOTE 11 – RETIREMENT PLANS

The District and its employees participate in a SIMPLE Individual Retirement Account. Employee contributions up to three percent of the employees pay are matched by the District. The District withholds the employee contributions and remits it along with the matching contribution to a third party custodian for the retirement accounts. The SIMPLE IRA belongs to the employee and is fully vested at the time the third party custodian credits to the receipt of the contribution to each employee's account. Matching contributions made by the District for the fiscal years ended June 30, 2022, 2021, and 2020 were \$63,342, \$49,099, and \$48,252, respectively.

CONTINUING BOND DISCLOSURE TABLES

**TOWN OF CAREFREE, ARIZONA
UTILITIES COMMUNITY FACILITIES DISTRICT
BOND DISCLOSURE REQUIREMENTS
JUNE 30, 2022**

Organizational Overview

The Town of Carefree, Arizona Utilities Community Facilities District (the “District”) is the sole shareholder in the Carefree Water Company (the “Company”). This structure was established during the original formation of the District in 1998 as the legal mechanism for the purchase of the Company, a private provider, from the then existing shareholders. Since its purchase by the District in 1998, the Company has been tasked by the District with the responsibility of delivering water to the residents and customers within the Town of Carefree (“Carefree”) service area.

At the time of the District formation, a Board of Directors (the “Board”) was established pursuant to state statutes. In order to facilitate a close but separate relationship between Carefree, the District, and the Company, the membership of the Board for both the District and the Company was established as the members of the Carefree Town Council.

Community and Water System Overview

Carefree is located in the far northeast portion of the Phoenix metropolitan area, bordering Scottsdale on the south and east, Cave Creek on the west, and unincorporated property within Maricopa County on the north. Carefree consistently maintains one of the highest rankings for median and average household income within the State of Arizona.

The water service area for the Company currently encompasses approximately 75 percent of Carefree and is roughly 5.5 square miles in size. There are nearly 2,000 active water connections within the Company serving an estimated population (both full time and part time) of 3,587.

As the entity responsible for day-to-day operations and water deliveries within the majority of Carefree, the Company owns the water delivery system and performs all normal operations, maintenance, repair, and replacement functions. Contractual relationships related to water deliveries, such as the subcontract for Central Arizona Project (“CAP”) water and Treatment and Transportation Agreements with Scottsdale and Cave Creek, are held by the Company.

**TOWN OF CAREFREE, ARIZONA
 UTILITIES COMMUNITY FACILITIES DISTRICT
 BOND DISCLOSURE REQUIREMENTS
 JUNE 30, 2022**

**TABLE CD-1
 SCHEDULE OF TEN LARGEST CUSTOMERS
 FOR FISCAL YEAR 2021-22 BY INDUSTRY**

<u>Industry of Customer</u>	<u>Revenue</u>	<u>Percentage of Total</u>
Hotel/Resort	\$ 62,115	26.58%
Home Owners Association	29,346	12.56%
Home Owners Association	21,961	9.40%
Nursing Home	20,595	8.81%
Grocery Store	19,544	8.36%
Hotel/Resort	17,726	7.59%
Office Complex	16,222	6.94%
Church/Meeting Center	16,129	6.90%
Hotel/Resort	15,109	6.47%
Recreation Center	14,937	6.39%
Total	<u>233,684</u>	<u>100.00%</u>

Source: The District

**TABLE CD-2
 NUMBER OF METERS CONNECTED DURING EACH FISCAL YEAR**

<u>Fiscal Year</u>	<u>Number of New Meters Connected</u>	<u>Running Total Number of Connected Meters</u>
2011-12	2	1,824
2012-13	2	1,826
2013-14	8	1,834
2014-15	68	1,902
2015-16	1	1,903
2016-17	17	1,920
2017-18	49	1,969
2018-19	8	1,977
2019-20	9	1,986
2020-21	13	1,999
2021-22	27	2,026

Source: The District

**TOWN OF CAREFREE, ARIZONA
 UTILITIES COMMUNITY FACILITIES DISTRICT
 BOND DISCLOSURE REQUIREMENTS
 JUNE 30, 2022**

Water Rates

The following rates for fiscal year 2022-23, plus the applicable proportionate part of any taxes or any governmental impositions which are assessed on water sales currently apply to all individually metered water services:

**TABLE CD-3
 CURRENT WATER RATES**

Meter Type	Meter Size	Monthly Base Fee
Residential	5/8 x 3/4 inch	\$ 50.44
	1 inch	50.44
Commercial	1 inch	90.80
	1 1/2 inch	225.35
	2 inch	540.18
	3 inch	720.03
Master Meters	Master Meter 1	383.29
	Master Meter 2	191.66
	Master Meter 3	383.29
	Master Meter 4	278.49
	Master Meter 5	586.88
	Master Meter 6	1,820.65
	Master Meter 7	862.44
	Master Meter 8	527.03
	Master Meter 9	527.03
	Master Meter 10	527.03
Stand Pipe	N/A – Volumetric only	
Fire Hydrant Meter		\$ 158.52

Source: The District

Note: Customers are also billed monthly based on water consumption (i.e. commodity or volumetric rate). Commodity rates are billed on a 5-tiered system with rates increasing with increased usage to encourage water conservation. Tier breakdowns vary by meter type and meter size and can be found online at carefreewaterco.com

**TOWN OF CAREFREE, ARIZONA
 UTILITIES COMMUNITY FACILITIES DISTRICT
 BOND DISCLOSURE REQUIREMENTS
 JUNE 30, 2022**

Water Rate Increases

In the past ten years, water rate increases have been implemented as indicated in the chart below:

**TABLE CD-4
 WATER RATE INCREASES**

<u>Fiscal Year</u>	<u>Percentage Increase</u>
2010/11	1.8% CO
2011/12	6.5%/\$0.20 (B/C)
2012/13	2%/2.9% (B/C)
2013/14	2% B&C
2014/15	2% B&C
2015/16	1.5% B&C
2016/17	2% B&C
2017/18	2% B&C
2018/19	3% B&C
2019/20	4.4% B&C
2020/21	4.4% B&C
2021/22	4.4% B&C
2022/23	4.4% B&C

Source: The District

B&C = Base and Commodity

(B/C) = Base/Commodity

CO = Commodity only

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Town of Carefree, Arizona Utilities Community Facilities District

We have audited, in accordance with the 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, the financial statements of the Town of Carefree, Arizona Utilities Community Facilities District, a component unit of the Town of Carefree, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Carefree, Arizona Utilities Community Facilities District's basic financial statements, and have issued our report thereon dated December 1, 2022. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Carefree, Arizona Utilities Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Carefree, Arizona Utilities Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Carefree, Arizona Utilities Community Facilities District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Carefree, Arizona Utilities Community Facilities District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
December 1, 2022

**CAREFREE WATER COMPANY AND
CAREFREE UTILITIES COMMUNITY FACILITIES DISTRICT**

BOARD COMMUNICATION

TO: CHAIRMAN AND BOARD MEMBERS
FROM: GREG CROSSMAN, GENERAL MANAGER *GC*
DATE: NOVEMBER 30, 2022
SUBJECT: DEC. 6, 2022, BOARD AGENDA ITEM NO. 4 – DROUGHT DECLARATION

Attached for your review prior to the December 6, 2022, Board meeting are the following documents covered under Agenda Item No. 4:

- 1) Resolution No. 2022-07 declaring Drought Stage 2 conditions for the Carefree Water Company system;
- 2) Carefree Water Company's current Drought Preparedness Plan updated December 2021, submitted to and approved by the Arizona Department of Water Resources (ADWR).

BACKGROUND

Drought conditions are well entrenched in the western United States and are showing no signs of getting better. Reservoir water levels on the Colorado River have been dropping since 2000 and have gotten to critical levels. For the first time ever, the U.S. Bureau of Reclamation (BOR) declared Tier 1 Drought Conditions on the Colorado River for 2022, resulting in water delivery cutbacks from the Central Arizona Project (CAP) canal.

In response to worsening drought conditions, shortage conditions in 2023 have been upgraded to a Tier 2a level, resulting in even further cutbacks on water deliveries to Arizona from the CAP canal.

Significant discussion are currently taking place at the local, State, and Federal levels to address this critical drought situation and to maintain as much water in the Colorado River system as possible. In June of this year, the Commissioner of the BOR called on the 7 Colorado River Basin states to come up with a plan to conserve 2 to 4 million additional acre-feet of water. As yet, no agreement has been reached on how this will be accomplished, but all acknowledge that water conservation starts with the end-users of water. For the Carefree Water Company, this is our customers.

RECOMMENDATION

Staff recommends the approval of Resolution 2022-07, which formally declares Drought (Curtailment) Stage 2 Conditions for all of the Carefree Water Company and authorizes the General Manager to implement all appropriate programs contained in the Drought Preparedness Plan. The Resolution further sets the voluntary reduction in water usage for each customer at the 10% level.

Please contact Greg Crossman (480-488-9100; greg@carefreewaterco.com) with any questions.

CAREFREE WATER COMPANY

RESOLUTION 2022-07

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC., AN ARIZONA CORPORATION, DECLARING DROUGHT STAGE 2 CONDITIONS AND REQUESTING VOLUNTARY TEN PERCENT (10%) REDUCTIONS IN WATER USE BY ALL CUSTOMERS.

WHEREAS, water is a critical resource in the desert; and

WHEREAS, local groundwater and Colorado River water delivered through the Central Arizona Project (CAP) canal system are Carefree's only sources of water; and

WHEREAS, the Colorado River watershed has experienced drought conditions that have lasted well over 20-years; and

WHEREAS, a Tier 1 Shortage condition was declared on the Colorado River for the current calendar year 2022 and a Tier 2a Shortage condition has been declared on the Colorado River for the upcoming calendar year 2023; and

WHEREAS, the Carefree Water Company has developed a Drought Preparedness Plan that was updated in December of 2021 and submitted to and approved by the Arizona Department of Water Resources; and

WHEREAS, the purpose of the Drought Preparedness Plan is to encourage efficient use of Carefree's water resources, reduce waste, and help prevent and/or manage water shortages in times of drought or periods of diminished water supply due to emergency situations; and

WHEREAS, water conservation measures set forth in the Drought Preparedness Plan will result in improved water levels in the Colorado River reservoirs and reduce demand on our local groundwater aquifer.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC., THE FOLLOWING:

Section 1. All of the Carefree Water Company service area shall be in Drought (Curtailment) Stage 2 – Intermediate Drought and Water Supply Conditions; and

Section 2. The General Manager of the Carefree Water Company shall implement all appropriate programs contained in the Drought Preparedness Plan for Drought Stage 2, and shall initially set the voluntary reductions in water use from all customers at 10%; and

Section 3. This Resolution is effective immediately.

PASSED AND ADOPTED by the Board of Directors of the Carefree Water Company, Inc. this 6th day of December, 2022.

John Crane, President, Carefree Water Company

ATTEST:

Kandace French Contreras, Secretary

APPROVED AS TO FORM

Michael W. Wright, Water Company Attorney

CERTIFICATE

I hereby certify that the above and foregoing resolution was duly passed by the Board of Directors of the Carefree Water Company, Inc. at a regular meeting held on December 6, 2022, and that a quorum was present thereat and that the vote thereon was _____ ayes and _____ nays; _____ did not vote or were absent.

Kandace French Contreras, Secretary



Revised 12/2021

DROUGHT PREPAREDNESS PLAN

(including Conservation Measures and Emergency Curtailment Plan)

PURPOSE:

To encourage efficient use of Carefree's water resources, reduce waste, and help prevent and/or manage water shortages in times of drought or periods of diminished water supply due to emergency situations.

IMPLEMENTATION OF DROUGHT OR CURTAILMENT STAGES:

Drought or curtailment stages and requirements will be recommended by the Carefree Water Company General Manager and approved by the presiding officer of the Water Company's Board of Directors.

DROUGHT OR CURTAILMENT INDICATORS:

The Carefree Water Company General Manager will monitor the following indicators to assist in the determination of drought or curtailment stages:

Drought Indicators

1. Drought and Shortage Determinations on the Colorado River (CAP Supply)
2. Groundwater levels within the Carefree Subbasin
3. Long-Term Weather and Precipitation Forecasts
4. Regional Drought and Shortage Conditions (SRP and other regional agencies)
5. Customer Per Capita Water Usage and Growth in Customer Base

Emergency Curtailment Indicators

1. Declared emergencies by governmental officials mandating reductions in water usage
2. Water supply availability from CAP connections (Scottsdale and Cave Creek)
3. Water production availability from wells (CWC Well Nos. 2, 4, 6 (blending required), 7, and DFGC #2)
4. Supply available in water storage reservoirs (1 MG, 500 Kgal, 50 Kgal, 150 Kgal (2), 10 Kgal)
5. Historic and current water demand levels
6. Infrastructure conditions/capabilities/challenges (emergency infrastructure situations such as pipeline breaks, well failures, pump failures, etc.)

DROUGHT (CURTAILMENT) STAGES (MANAGEMENT MEASURES):

Drought (Curtailment) Stage 0 – Normal Drought and Water Supply Conditions – The Carefree Water Company will provide the following conservation focused programs for our customers:

- Metering of all water accounts, regular water meter maintenance, and verification of water meter readings including:
 - Monthly manual "zero" read verifications
 - Monthly high read customer notifications
 - Meter replacement program for old and worn-out meters
 - Voluntary cellular water usage data access

- Tiered conservation-based water rates
- Leak detection and management program
- Water conservation public education and outreach program
 - Water conservation flyers and bill notes
 - Water conservation publications

The Carefree Water Company will also perform water supply monitoring and maintain backup water supply plans for periods of drought and/or periods of reduced water supply due to emergency situations.

Drought (Curtailed) Stage 1 – Precautionary Drought and Water Supply Conditions – In addition to continuing Drought (Curtailed) Stage 0 Management Measures, the Carefree Water Company will supplement those programs with the following:

- Increased water conservation public education and outreach effort
- Encourage voluntary reductions in water use for all classes of customers with the focus on outdoor water use
- Expand the high read customer notification program

Drought (Curtailed) Stage 2 – Intermediate Drought and Water Supply Conditions – In addition to continuing Drought (Curtailed) Stages 0 and 1 Management Measures, the Carefree Water Company will supplement those programs with the following:

- Implement numeric based voluntary reductions in water use (e.g. 5 to 25%) for all classes of customers based upon drought/water supply conditions
 - Provide recommendations and guidance to customers on how to achieve these reduction goals
 - Monitor customer usage history to assess participation
- Implement day-of-week and time-of-day outdoor water use schedules
- Prohibit winter turf overseeding

Drought (Curtailed) Stage 3 – Emergency Drought and Water Supply Conditions – In addition to continuing Drought (Curtailed) Stages 0 thru 2 Management Measures, the Carefree Water Company will supplement those programs with the following:

- Implement mandatory numeric based reductions in water use (e.g. 5 to 25%) for all classes of customers based upon drought/water supply conditions
 - Provide recommendations and guidance to customers on how to achieve these required reductions
 - Monitor customer usage history to determine compliance
- Implement Drought (Curtailed) Water Rates as detailed below
- Reduce or eliminate all non-essential water use including:
 - Turf irrigation
 - Decorative water fountains
 - Pool draining and refilling
 - Vehicle washing
- Suspend all interruptible water customers including:
 - Construction
 - Standpipe users

NOTIFICATIONS AND ENFORCEMENT

Drought (Curtailement) Stage 1 & 2 Levels – General Town newsletter notice (email). Water bill inserts or bill notes. Door hanger notices or phone communications for high usage customers.

Drought (Curtailement) Stage 3 Level – General Town newsletter notice (email). Water bill inserts. Local media press release. Other means as determined by regulatory agencies. Enforcement will be done by Water Company and Town staff as appropriate.

DROUGHT (CURTAILMENT) WATER RATES (All Meter Classifications)

- Special Base Fee Emergency Curtailement Surcharge: \$ 20.00
- Tier 1 rates will increase by 5%
- Tier 2 rates will increase by 10%
- Tier 3 rates will increase by 15%
- Tier 4 rates will increase by 20%
- Tier 5 rates will increase by 20%

EMERGENCY CURTAILMENT PLAN

Emergency situations such as pipe breakage, well failure, pump failure, etc. may justify immediate implementation of higher levels of Curtailement Stages (e.g. immediately moving from Curtailement Stage 0 to Curtailement Stage 3, bypassing Stages 1 and 2). These types of emergencies could affect all Water Company customers or only a portion of Water Company customers depending upon the extent of the emergency situation.

Emergency Curtailement Stages will be recommended by the Carefree Water Company General Manager and approved by the presiding officer of the Water Company's Board of Directors.