

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

WHEN: TUESDAY, NOVEMBER 12, 2024

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

LIVESTREAM: [CAREFREE YOUTUBE CHANNEL](https://www.youtube.com/@Carefree.AZgov)
<https://www.youtube.com/@Carefree.AZgov>

TIME: 4:00 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council of the Town of Carefree, Arizona and to the general public that the members of the Town Council will hold a meeting open to the public. For any item listed on the agenda, the Council may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

The agenda for the meeting is as follows:

CALL TO ORDER

ROLL CALL

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

REGULAR AGENDA

1. Review, discussion and possible action to approve the June 4, 2024, Joint Meeting Minutes.
2. Review, discussion, and possible action to approve the following:
 - A. Resolution No. 2024-04 authorizing the President of the Water Company to enter into the following contract;
 - B. Construction Contract No. 2024-C01 with Elite Civil Construction, LLC for the Peaceful Place Booster Pump Station (BPS) Site Improvements Project for an amount not to exceed \$756,000.00.
3. Review, discussion, and possible action to accept the findings of the 2023-2024 Fiscal Year audit of the District by approval of Resolution 2024-05.
4. Informational Only. Discussion and information regarding new Environmental Protection Agency (EPA) requirements for documentation of service line materials and notices that are required to be sent to certain customers in the future.
5. Adjournment.

DATED this 7th day of November, 2024.

UCFD/Carefree Water Company

BY:



Kandace French Contreras, Town Clerk/Treasurer

Items may be taken out of sequence

Council meetings are now broadcast live via the Town of Carefree YouTube channel: [@CarefreeAZgov](#)



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? FOR SPECIAL ACCOMMODATIONS

Please contact the 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.?

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 11/12/2024

SUBJECT: Review, discussion and possible action to approve the June 4, 2024, Joint Meeting Minutes.

PREPARED BY: Kandace French Contreras, Town Clerk / Treasurer

SUMMARY:

June 4, 2024 Joint Meeting Minutes

ACTION NEEDED:

Motion to approve the June 4, 2024 Joint Meeting Minutes as presented.

Attachments

June 4, 2024, Joint Meeting Minutes

**MINUTES OF THE 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, JUNE 4, 2024

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

LIVESTREAM: [CAREFREE YOUTUBE CHANNEL](https://www.youtube.com/@Carefree.AZgov)
<https://www.youtube.com/@Carefree.AZgov>

TIME: 4:30 P.M.

Pursuant to A.R.S. 38-431.02, notice is hereby given to the members of the Town Council of the Town of Carefree, Arizona and to the general public that the members of the Town Council will hold a meeting open to the public. For any item listed on the agenda, the Council may vote to go into Executive Session for advice of counsel and/or to discuss records and information exempt by law or rule from public inspection, pursuant to Arizona Revised Statutes §38-431.03.

CALL TO ORDER

The meeting was called to order at 4:32 p.m.

ROLL CALL

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

Present: Chair John Crane
Vice Chair Cheryl Kroyer
Board Member Sheila Amoroso
Board Member Stephen Hatcher
Board Member Michael Johnson
Board Member Clint Miller

Absent: Board Member Vince D'Aliesio

Staff Present: Greg Crossman, Water Company Manager
Meghan Orem, Accountant for the District/Water Company
Denis Fitzgibbons, Attorney for the District/Water Company
Kandace French Contreras, Clerk/Secretary

REGULAR AGENDA

- 1. Review, discussion and possible action to approve the May 7, 2024, Minutes of the Meeting of the Utilities Community Facilities District/Carefree Water Company.**

Chairman Crane announced the agenda item and asked if there were any comment or corrects.

MOTION: Board Member Amoroso made a motion to approve the minutes as presented.

SECOND: Vice Chair Kroyer.

VOTE: Approved 6-0-1

Voting Member	Aye/Nay
Chair John Crane	Aye
Vice Chair Cheryl Kroyer	Aye
Vince D'Aliesio	Absent
Sheila Amoroso	Aye
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

2. Final FY 24-25 Budget adoption - Carefree Utilities Community Facilities District and Carefree Water Company.

Water Company General Manager, Greg Crossman, presented the summary budget process and findings of the FY24-25 Budget. He reminded the Board that the preliminary budget was presented and approved by the Board on May 7th. At that time, Mr. Crossman presented to proposed budget, rates, fees, deposits and charges and a Public Hearing was held. The Board approved the final proposed budget via Resolution 2024-02. He explained there have been no material changes since the budget presentation the prior month. He requested the Board adopt the final budget with the approval of Resolution 2024-03.

MOTION: Board Member Johnson MOVED to approve Resolution 2024-03 adopting the final FY24-25 Budgets for the UCFD and the Carefree Water Company.

SECOND: Board Member Amoroso.

VOTE: Approved 6-0-1

Voting Member	Aye/Nay
Chair John Crane	Aye
Vice Chair Cheryl Kroyer	Aye
Sheila Amoroso	Aye
Vince D'Aliesio	Absent
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

3. Adjournment.

MOTION: Vice Chair Kroyer MOVED to adjourn.

SECOND: Board Member Miller.

VOTE: Approved 6-0-1

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Voting Member	Aye/Nay
Chair John Crane	Aye
Vice Chair Cheryl Kroyer	Aye
Sheila Amoroso	Aye
Vince D'Aliesio	Absent
Stephen Hatcher	Aye
Mike Johnson	Aye
Clint Miller	Aye

ADJOURNED at 4:40 p.m.

DATED this 5th day of June 2024.

UCFD/CAREFREE WATER COMPANY, INC.

BY: _____
 Kandace French Contreras, Secretary/Treasurer

BOARD OF DIRECTORS

 John Crane, Chairman

Attest:

 Kandace French Contreras, Clerk/Secretary/Treasurer

CERTIFICATION

I hereby certify that the foregoing are a true and correct copy of the Minutes of the Joint Meeting of the Board of Directors of the Town of Carefree, Arizona Utilities Community Facilities District and the Board of Directors of the Carefree Water Company, Inc. held on the date noted above. I further certify that the meeting was duly called and held and that a quorum was present.

 Kandace French Contreras, Secretary Treasurer

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 11/12/2024

SUBJECT: Review, discussion, and possible action to approve the following:

- A. Resolution No. 2024-04 authorizing the President of the Water Company to enter into the following contract;**
- B. Construction Contract No. 2024-C01 with Elite Civil Construction, LLC for the Peaceful Place Booster Pump Station (BPS) Site Improvements Project for an amount not to exceed \$756,000.00.**

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Twenty-four (24) customers in the western portion of Neighborhood B are the last remaining Carefree residents that are to be transitioned from the Cave Creek system. This transition is dependent upon improvements to the existing Peaceful Place BPS.

The required improvements to the Peaceful Place BPS were recently advertised for competitive bid on September 3, 2024. Bids were opened on October 16, 2024, at 2:00 p.m. Three bids were received as shown on the attached Table 1. The low bidder from this effort was Elite Civil Construction, LLC.

The following benefits will be received with the completion of the Peaceful Place BPS Improvements:

- Commissioning of 7 new fire hydrants within the original Carefree Water Company service area along Peaceful Place and Never Mind Trail. These fire hydrants were constructed by Achen-Gardner as part of their Carefree Water Consolidation Project efforts.
- Providing new emergency fire-fighting capability to 21 properties within the original Carefree Water Company service area.
- Allowing for the transition of 24 Carefree customers currently served water by the Town of Cave Creek to the Carefree Water Company system in the western portions of Neighborhood B.
- Allowing for future fire protection expansion with pipeline improvements to 31 additional properties within the original Carefree Water Company service area.

Funding for this BPS improvement project was included in the \$2M Advance in Aid of Construction (Capital Advance) approved by the Board and the Town Council in FY 23-24. This advance will be repaid to the Town, with the repayment obligation scheduled to be completed in FY 37-38.

ACTION NEEDED:

Staff recommends the approval of Resolution 2024-04 which authorizes the President of the Water Company to enter into Construction Contract No. 2024-C01 with Elite Civil Construction, LLC for improvements to the Peaceful Place BPS in an amount not to exceed \$756,000.00. Approval of this Resolution and Contract will allow important fire protection improvements within the original Carefree Water Company system to be constructed and will allow the transition of the last customers that are planned to be moved to the Carefree Water Company system as part of the Carefree Water Consolidation Project.

Attachments

Table 1 - Bid Summary

Resolution 2024-04

PP BPS Construction Contract

TABLE 1
PEACEFUL PLACE BOOSTER PUMP STATION (BPS) SITE IMPROVEMENTS
CAREFREE WATER COMPANY

LIST OF BIDS RECEIVED
BID OPENING: WEDNESDAY, OCTOBER 16, 2024, 2:00 P.M.

Company Name	Base Bid	Deduct Items (Included)	Awarded Amount
Elite Civil Construction, LLC	\$766,100.00	(\$10,100.00)	\$756,000.00
Walker River Construction, Inc.	\$899,996.00	(\$3,298.00)	\$896,698.00
MGC Contractors, Inc.	\$1,147,555.30	(\$11,500.00)	\$1,136,055.30

CAREFREE WATER COMPANY, INC.

RESOLUTION 2024-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CAREFREE WATER COMPANY, INC. (WATER COMPANY), AUTHORIZING THE PRESIDENT TO EXECUTE CONSTRUCTION SERVICES CONTRACT NO. 2024-C01 WITH ELITE CIVIL CONSTRUCTION, LLC, FOR IMPROVEMENTS TO THE PEACEFUL PLACE BOOSTER PUMP STATION (BPS)

WHEREAS, providing adequate water service to the public is an important, proper, and necessary public purpose; and

WHEREAS, the Water Company has acquired the right to serve those portions of Carefree either currently or previously served potable water by the Town of Cave Creek, also known as the Carefree Service Area (CSA) and Neighborhoods A, B, and C; and

WHEREAS, the completion of the improvements to the Peaceful Place Booster Pump Station (BPS) will result in the transitioning of last remaining 24 customers that are located in the western portion of Neighborhood B from the Town of Cave Creek to the Carefree Water Company system; and

WHEREAS, the Water Company has determined that the delivery method best suited for the improvements needed for the Peaceful Place BPS is the competitive bidding process; and

WHEREAS, Elite Civil Construction, LLC, was the low bidder at the bid opening that was held on October 16, 2024, at 2:00 p.m. for the Peaceful Place BPS Site Improvements Project; and

WHEREAS, Elite Civil Construction, LLC, provided three references for similar projects, all of which confirmed acceptable completion of their respective projects.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Carefree Water Company that the President is hereby authorized to execute Construction Services Contract No. 2024-C01 with Elite Civil Construction, LLC for the Peaceful Place BPS Site Improvements in an amount not to exceed \$756,000, and further authorizing the disbursement of funds for these purposes.

PASSED AND ADOPTED BY the Board of Directors of the Carefree Water Company this 12th day of November, 2024.

AYES ___ NAYS ___ ABSTENTIONS ___ ABSENT ___

CAREFREE WATER COMPANY

ATTESTED TO:

John Crane, President
Carefree Water Company

Kandace French Contreras, Clerk
Carefree Water Company

APPROVED AS TO FORM:

Denis Fitzgibbons, Attorney
Carefree Water Company

**CAREFREE WATER COMPANY
CONTRACTOR AGREEMENT**

PROJECT NUMBER: 2021-W01

CONTRACT NUMBER: 2024-C01

PROJECT NAME: PEACEFUL PLACE BPS SITE IMPROVEMENTS

THIS CONTRACTOR AGREEMENT (hereinafter "the Agreement"), is made and entered into effective this 12th day of November, 2024, between Elite Civil Construction, LLC, an Arizona limited liability company (hereinafter "CONTRACTOR") and the Carefree Water Company (hereinafter "WATER COMPANY"), an Arizona municipal corporation. (CONTRACTOR and WATER COMPANY hereinafter designated "the PARTIES").

1. **Project:** Installation of PEACEFUL PLACE BPS SITE IMPROVEMENTS in Carefree, Arizona, being project number 2021-W01, contract number 2024-C01 (hereinafter "the Project"), solicited through an Invitation to Bid, attached hereto as Exhibit A and incorporated herein by reference.

2. **Scope of Services:** WATER COMPANY requests CONTRACTOR and CONTRACTOR agrees to perform Project services ("the Work") generally described as the installation of a skid mounted booster pump station assembly consisting of two (2) new duty pumps, one (1) high flow pump, variable frequency drives for each pump (3 total), and all necessary electrical equipment, panels, and enclosures; miscellaneous yard piping; and reconfiguration of the site within the confines of an existing walled facility including an existing emergency backup generator.

Work shall be performed in accordance with the contract documents, which consist of the plans and specifications therein, MAG Uniform Standard Specifications for Public Works Construction (Latest Edition), the General Conditions and Supplementary Conditions, Technical Specifications, Water Company Rules and Regulations, the Town of Carefree Town Code, industry accepted quality workmanship, and other specifications and details contained within the contract documents and the Contractor's bid, as accepted (to the extent not inconsistent with the foregoing). Performance Bond, Payment Bond, Certificates of Insurance and Change Orders, if any, are by this reference made a part of the Agreement to the same extent as if set forth herein in full.

Contractor agrees to perform the Work in consideration for and subject to the terms and conditions hereinafter set forth, and in accordance with all federal, state, county and Town laws, statutes, ordinances, rules and regulations applicable to the Project and the Work. Contractor represents and warrants that its work, findings, designs, plans and specifications, recommendations and professional advice are or will be done, made or prepared in a good and workmanlike manner and in accordance with generally accepted contracting practices. Contractor further covenants and agrees, at its own cost and expense, to do the Work and install the required material as called for by the Agreement, free and clear of all claims, liens

and charges whatsoever in the manner and under the conditions specified within the time, or times, stated in the bid form.

3. **Payment:** WATER COMPANY shall pay CONTRACTOR as compensation for the Work an amount not to exceed \$756,000.00, such amount includes the Total Base Bid Amount and the Deduct Items. It is agreed that the Project has been bid on a Unit Price basis and that the quantities shown in the Bid Schedule, attached hereto as Exhibit B, are estimated based on the Plans, which are incorporated herein by reference. Final Payment shall be based on the actual installed quantities, measured in accordance with Section 9.07 of the General Conditions as amended by the Supplementary Conditions.
4. **Method of Payment:** Each month, CONTRACTOR shall furnish to WATER COMPANY a statement of the Work performed for compensation during the preceding month, as authorized by the Agreement. WATER COMPANY shall pay statement within 30 days of receipt. Final payment shall be made within forty (40) days after final inspection and acceptance of the Work. Retainage shall be in accordance with MAG Section 109.7.

CONTRACTOR shall be solely responsible for all costs incurred in connection with the accomplishment of the Work for the Project. In addition to any other right and remedy it may have, WATER COMPANY may deduct from any amount due or to be come due to CONTRACTOR, any amount necessary to protect WATER COMPANY, in WATER COMPANY's reasonable opinion, from any loss arising from CONTRACTOR's breach of the Agreement.

5. **Additional Services:** It is agreed that any changes in the scope of the Work requested by WATER COMPANY or WATER COMPANY's representatives or by reason of revisions or changes in any applicable law, regulation, policy standard or personnel of any governmental agency, district or utility company having jurisdiction over all or any part of the Work or Project after the date of the Agreement, shall constitute extra work, and CONTRACTOR shall be compensated for said extra work as agreed between CONTRACTOR and WATER COMPANY or on a time-and-expense basis, subject to and conditioned upon a written change order signed by WATER COMPANY for any such extra work. CONTRACTOR agrees that it will make no claim for additional fees or expenses other than those specifically set forth in the Agreement and in written change orders signed by WATER COMPANY. In the absence of a written change order signed by WATER COMPANY, CONTRACTOR agrees that it will have no claim for compensation for extra work and hereby releases WATER COMPANY from any such claim.
6. **Intent of Independent Contractor Relationship:** The PARTIES intend that the relationship created by the Agreement shall be that of service recipient and independent contractor and not that of employer and employee. In this regard, CONTRACTOR shall retain the exclusive right to control and direct all details of the Work.

For all purposes, including but not limited to the Federal Insurance Contributions Act ("FICA"), the Social Security Act, the Federal Unemployment Tax Act ("FUTA"),

income tax withholding requirements, and all other federal, state and local laws, rules and regulations, CONTRACTOR (and CONTRACTOR's respective employees, if any) shall be treated as an independent contractor and not as an employee with respect to the WATER COMPANY.

7. **No Benefits:** None of the benefits, if any, which are provided by WATER COMPANY to its employees, shall be available to CONTRACTOR (or CONTRACTOR's employees, if any, which for purposes of this Paragraph 7 shall be included in the term "CONTRACTOR"). CONTRACTOR's exclusion from benefit programs maintained by WATER COMPANY is a material term of the terms of compensation negotiated by the PARTIES, and is not premised on CONTRACTOR's status as a non-employee with respect to WATER COMPANY. To the extent that CONTRACTOR may become eligible for any benefit programs maintained by WATER COMPANY (regardless of the timing of or reason for eligibility), CONTRACTOR hereby waives CONTRACTOR's right to participate in these programs. CONTRACTOR's waiver is not conditioned on any representation or assumption concerning CONTRACTOR's status under the common law test. CONTRACTOR agrees that, consistent with CONTRACTOR's independent contractor status, CONTRACTOR will not apply for any government-sponsored benefits that are intended to apply to employees.
8. **Workers' Compensation Coverage:** CONTRACTOR acknowledges that as an independent contractor, CONTRACTOR and CONTRACTOR's employees, if any, shall not be entitled to workers' compensation benefits from WATER COMPANY.
9. **Equipment and Tools:** CONTRACTOR shall provide and be responsible for maintaining any equipment and tools that CONTRACTOR uses, or determines is necessary, to accomplish the Work.
10. **Manner, Time, and Location:** The PARTIES agree that time is of the essence as it relates to completion of the Work under the Agreement. CONTRACTOR shall have the right to perform the Work in such manner, at such times, and at such locations as CONTRACTOR deems appropriate. WATER COMPANY shall have no right to interfere with CONTRACTOR's judgment with respect to manner, time, and place of performance of the Work, so long as any performance deadlines that may be established by WATER COMPANY are satisfied.

CONTRACTOR understands and agrees that the Project Work shall be substantially complete within one hundred fifty (150) calendar days beginning with the day following the starting date specified in the Notice to Proceed. Substantial completion shall include all underground pipeline work, and all booster pump station work required for the operation and delivery of water from the improved facility. All contract work, including punchlist items, shall be completed and ready for issuance of Final Acceptance within one hundred eighty (180) calendar days beginning with the day following the starting date specified in the Notice to Proceed.

CONTRACTOR agrees that any damages incurred under this provision of the Agreement shall be defined pursuant to §108.9 of MAG Specifications, Failure to

Complete on Time. In addition, any delay charges, damages, or increase in costs incurred by the Water Company, the Carefree UCFD, or the Town of Carefree as a result of the Peaceful Place BPS Site Improvements project not meeting deadlines and/or not being performed in accordance with the respective Water Company, MAG, Town of Carefree, and contract specifications, as well as industry standards, shall be paid for by the CONTRACTOR at no cost to the Town and/or Water Company.

- 11. Right to Engage Assistants:** CONTRACTOR shall have the right to engage others to assist in the accomplishment of the Work. CONTRACTOR shall be solely responsible for paying all compensation owed to any assistants CONTRACTOR engages and for paying, and/or withholding and remitting to the appropriate government agency, any applicable employment taxes that might be owed with respect to this compensation. CONTRACTOR also shall indemnify and hold WATER COMPANY harmless for, from and against any and all liabilities attributable to the obligations imposed on CONTRACTOR under the Agreement. The PARTIES acknowledge that CONTRACTOR shall retain the exclusive right to determine which workers CONTRACTOR shall engage for these purposes.
- 12. Performing Services for Others:** WATER COMPANY agrees that CONTRACTOR may perform services for others, so long as the performance of these services does not interfere with the completion of the Work.
- 13. Warranties:** CONTRACTOR warrants all services and materials CONTRACTOR provides as part of the Work against defects to the services and materials so provided for in the workmanship according to MAG §108.8.
- 14. Default:** CONTRACTOR understands and agrees that stopping work including withholding delivery of documents, applications or other work product to WATER COMPANY, any agency or other person, other than for nonpayment of amounts due under the Agreement, shall constitute a default under the Agreement and shall result in liability on the part of CONTRACTOR for damages including liability by reason of work stoppage. Upon any default under the Agreement by CONTRACTOR, including but not limited to any stoppage other than for nonpayment of amounts due under the Agreement, WATER COMPANY shall have no further obligation to pay any amounts due under the Agreement to CONTRACTOR.
- 15. Documents:** WATER COMPANY shall receive and may retain any and all work product of CONTRACTOR, including all documents, plans, drawings, specifications, analyses, designs, models, ideas, reports, charts and computer programs prepared by or on behalf of CONTRACTOR or otherwise utilized by CONTRACTOR (collectively "Work Product") in the discharge of its responsibilities under the Agreement, which Work Product shall immediately thereafter become the sole and exclusive property of WATER COMPANY.

WATER COMPANY is also granted a royalty-free, perpetual license to use, reproduce, copy and distribute the Work Product for itself and for its other contractors, subcontractors and consultants either as needed in connection with the

Project contemplated under the Agreement or as needed for reference and information related to the use, occupancy or maintenance of the completed Project.

- 16. Termination:** WATER COMPANY may terminate the Agreement with or without cause by giving thirty (30) days' written notice to CONTRACTOR. In such event, WATER COMPANY shall forthwith pay CONTRACTOR in full for all work previously authorized in writing and satisfactorily performed prior to the effective date of termination.
- 17. Indemnification:** CONTRACTOR agrees to indemnify and save harmless WATER COMPANY, CAREFREE UCFD, and TOWN OF CAREFREE and its elected and appointed officials, officers, agents, boards, commissions, employees, attorneys and representatives from all suits, including attorneys' fees and costs of litigation, actions, laws damage, expense, cost or claims, of any character or of any nature arising out of or in connection with any act or omission of CONTRACTOR, its agents and employees, and of any subcontractor, its agents and employees, in the course of the performance of the Work or in connection with the Project or the Agreement which results directly or indirectly in the injury to or death of any person or persons, or the damage of any property of any person or persons, or on account of act, claim or amount arising or recovered under workers' compensation law, or arising out of any failure of CONTRACTOR or those acting under CONTRACTOR to conform to any statutes, ordinances, regulations, laws or court decrees, or which results in a claim, lien or charge (in which event CONTRACTOR shall pay and take all steps necessary to remove the claim, lien or charge at no cost to WATER COMPANY). It is the intent of the PARTIES that WATER COMPANY shall, in all instances, be indemnified and held harmless by CONTRACTOR against any liability, losses and damages of any nature whatsoever for or on account of any injuries to or death of persons or damages to or destruction of property belonging to any person arising out of or in any way connected with the Agreement or the performance of the Work, whether the liability, losses and damages are caused by or alleged to be caused in whole or in part by the negligence, gross negligence or fault of WATER COMPANY or any of its officers, agents, attorneys or employees.

Prior to commencing any work under the Agreement, CONTRACTOR will procure and maintain a certificate of insurance covering liability and property damage issued by an insurance company authorized to transact business in the State of Arizona, as shall protect CONTRACTOR and its employees, agents and any other person or entity responsible for performing the Work under the Agreement, from claims for damages for personal injury, including death, as well as from claims for property damage which may arise from or be related to the Work, the Project or the Agreement. The certificate of insurance shall name WATER COMPANY, CAREFREE UCFD, and TOWN OF CAREFREE as additional insureds and shall be delivered to WATER COMPANY prior to commencing any work under the Agreement. Such insurance shall be primary and shall provide coverage for all liability under the Agreement. The policy limits of such liability and property damage insurance shall contain not less than the following limits of coverage: (1) \$1 million for death or bodily injury or loss sustained by any one person per occurrence; (2) \$2 million for death or bodily injury or loss sustained by more than one person per occurrence; and (3) \$1 million for loss sustained for damage to

property occasioned per occurrence. Such insurance shall be maintained in full force and effect until all work under the Agreement is complete.

18. DISPUTE AVOIDANCE AND RESOLUTION

18.1 The parties are fully committed to working with each other throughout the Project and agree to communicate regularly with each other at all times so as to avoid or minimize disputes or disagreements. If disputes or disagreements do arise, the CONTRACTOR and the WATER COMPANY each commit to resolving any disputes or disagreements in an amicable, professional and expeditious manner so as to avoid unnecessary losses, delays and disruptions to the Work.

18.1.1 The CONTRACTOR and the WATER COMPANY will first attempt to resolve disputes or disagreements at the field level through discussions between the CONTRACTOR's Representative, the WATER COMPANY's Project Manager.

18.1.2 If a dispute or disagreement cannot be resolved through the CONTRACTOR's Representative, and the WATER COMPANY's Project Manager, the CONTRACTOR's Senior Representative and the WATER COMPANY's General Manager, upon the request of either party, will meet as soon as conveniently possible, but in no case later than 30 days after the request is made, to attempt to resolve the dispute or disagreements.

18.1.3 Before any meetings between the Senior Representative and the General Manager, the parties will exchange relevant information that will assist the parties in resolving their dispute or disagreements. Should the Parties' representatives be unable to resolve the dispute or disagreement, the parties shall submit the matter to binding private arbitration. Any settlement agreement signed by the parties pursuant to the arbitration shall be binding.

18.1.4 Duty to Continue Performance. Unless provided to the contrary in the Contract Documents, the CONTRACTOR will continue to perform the Work and the WATER COMPANY will continue to satisfy its payment obligations to the CONTRACTOR pending the final resolution of any dispute or disagreement between the CONTRACTOR and the WATER COMPANY.

19. Notices: Any notice under the Agreement must be in writing and shall be effective upon delivery by hand or three (3) business days after deposit in the United States mail, postage prepaid, certified or registered, and addressed to WATER COMPANY or to CONTRACTOR at the corresponding address below. CONTRACTOR shall be obligated to notify WATER COMPANY in writing of any change in his address. Notices of change of address shall be effective only when done in accordance with this paragraph.

To WATER COMPANY: Greg Crossman
General Manager
Carefree Water Company
7181 Ed Everett Way
P. O. Box 740

Carefree, Arizona 85377

With a copy to: Denis Fitzgibbons
Water Company Attorney
Fitzgibbons Law
1115 E. Cottonwood Lane, Suite 150
Casa Grande, AZ 85122

To CONTRACTOR: Jesus Jaramillo
President/Member
Elite Civil Construction, LLC
3240 W Lincoln Street
Phoenix, AZ 85009

- 20. Integration:** The Agreement is intended to be the final, complete, and exclusive statement of the terms of CONTRACTOR's engagement by WATER COMPANY. The Agreement supersedes all other prior and contemporaneous agreements and statements, whether written or oral, express or implied, pertaining in any manner to the engagement of CONTRACTOR, and it may not be contradicted by evidence of any prior or contemporaneous statements or agreements. To the extent that the practices, policies, or procedures of WATER COMPANY, now or in the future, apply to CONTRACTOR and are inconsistent with the terms of the Agreement, the provisions of the Agreement shall control.
- 21. Amendments; Waivers:** The Agreement may not be amended except by an instrument in writing, signed by each of the PARTIES. Failure to exercise any right under the Agreement shall not constitute a waiver of such right.
- 22. Assignment; Successors and Assigns:** Neither WATER COMPANY nor CONTRACTOR shall assign any rights or obligations under the Agreement. The Agreement shall be binding upon the PARTIES, their heirs, successors, transferees and assigns.
- 23. Attorneys' Fees:** In any legal action, arbitration, or other proceeding brought to enforce or interpret the terms of the Agreement, the prevailing PARTY shall be entitled to recover reasonable attorneys' fees and costs. In the event that the parties enter into binding private arbitration, the prevailing PARTY in the arbitration shall be entitled to receive from the other party reasonable attorneys' fees and reasonable expenses as determined by the arbitrator.
- 24. Governing Law:** The Agreement shall be governed by and construed in accordance with the law of the State of Arizona. Any action brought to interpret, enforce or construe any provision of this Agreement shall be commenced and maintained in the Superior Court of the State of Arizona in and for the County of Maricopa. The Parties irrevocably consent to jurisdiction and venue in such courts for such purposes and agree not to seek transfer or removal of any action commenced in accordance with the terms of this Section.

25. **Interpretation:** The Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. By way of example, and not in limitation, the Agreement shall not be construed in favor of the party receiving a benefit or against the party responsible for any particular language in the Agreement. Captions are used for reference purposes only and should be ignored in the interpretation of the Agreement.
26. **Severability:** If any one or more of the provisions of the Agreement shall be held or found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
27. **Conflicts of Interest:** The provisions of A.R.S. §38-511 relating to cancellation of contracts due to conflicts of interest shall apply to this contract.
28. **License:** CONTRACTOR represents and warrants that any license necessary to perform the work under this Agreement is current and valid. CONTRACTOR further represents and warrants that any license necessary to perform the services by a Subcontractor under this Agreement is current and valid.
29. **Undocumented Workers:** CONTRACTOR understands and acknowledges the applicability to it of the Immigration Reform and Control Act of 1986. Under the provisions of A.R.S. §41-4401, CONTRACTOR hereby warrants to the WATER COMPANY that the CONTRACTOR and each of its subcontractors (“Subcontractor”) will comply with, and are contractually obligated to comply with, all Federal Immigration laws and regulations that relate to their employees and A.R.S. §23-214(A) (hereinafter “Immigration Warranty”). A breach of the Immigration Warranty shall constitute a material breach of this Agreement and shall subject the CONTRACTOR to penalties up to and including termination of this Agreement at the sole discretion of the WATER COMPANY. The WATER COMPANY retains the legal right to inspect the papers of any CONTRACTOR or Subcontractor employee who works on this Agreement to ensure that the CONTRACTOR or Subcontractor is complying with the Immigration Warranty. CONTRACTOR agrees to assist the WATER COMPANY in regard to any such inspections. The WATER COMPANY may, at its sole discretion, conduct random verification of the employment records of the CONTRACTOR and any of subcontractors to ensure compliance with Immigration Warranty. CONTRACTOR agrees to assist the WATER COMPANY in regard to any random verification(s) performed.

Neither the CONTRACTOR nor any Subcontractor shall be deemed to have materially breached the Immigration Warranty if they establish that it has complied with the employment verification provisions prescribed by sections 274A and 274B of the Federal Immigration and Nationality Act and the E-Verify requirements prescribed by A.R.S. §23-214, Subsection A.

The provisions of this paragraph must be included in any contract the CONTRACTOR enters into with any and all of its subcontractors who provide services under this Agreement or any subcontract. “Services” are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor.

30. **Israel Boycott:** CONTRACTOR shall not participate in, and agrees not to participate in during the term of this Agreement a boycott of Israel in accordance with A.R.S. §35-393.01.
31. **Forced Labor of Ethnic Uyghurs Prohibited.** Pursuant to A.R.S. § 35-394, CONTRACTOR hereby certifies to the WATER COMPANY as follows: that it is not currently using, and agrees for the duration of this Agreement to not use: (1) the forced labor of ethnic Uyghurs in the People's Republic of China; (2) any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China; and (3) any contractors, subcontractors, or suppliers that use the forced labor of ethnic Uyghurs in the People's Republic of China. The CONTRACTOR further acknowledges and agrees that: (1) if the CONTRACTOR becomes aware during the term of this Agreement that it is not in compliance with this certification that the CONTRACTOR will notify the WATER COMPANY within five (5) business days after becoming aware of the noncompliance; and (2) if the CONTRACTOR does not provide the WATER COMPANY with a written certification that the CONTRACTOR has remedied the noncompliance within one hundred eighty (180) days after giving notice thereof, the same shall constitute a material breach of this Agreement, which shall then terminate automatically, except that if the Agreement termination date occurs before the end of the remedy period, this Agreement terminates on the Agreement's termination date. The WATER COMPANY retains the legal right to inspect the records of the CONTRACTOR to ensure compliance with this certification for the duration of this Agreement.
32. **Americans With Disabilities Act.** This Agreement is subject to all applicable provisions of the Americans with Disabilities Act (Public Law 101-336, 42 U.S.C. 12101-12213) and all applicable federal regulations under the Act, including 28 CFR Parts 35 and 36. (Non-Discrimination: The CONTRACTOR shall comply with Executive Order 99-4, which mandates that all persons, regardless of race, color, religion, sex, age, national origin or political affiliation shall have equal access to employment opportunities, and all other applicable state and federal employment laws, rules and regulations, including the Americans with Disabilities Act. The CONTRACTOR shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, age, national origin or political affiliation or disability.)

The PARTIES have duly executed the Agreement as of the date first written above.

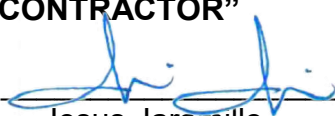
“The WATER COMPANY”

CAREFREE WATER COMPANY,
an Arizona corporation

By: _____
Greg Crossman
Its: General Manager

Contractor Acknowledgment: CONTRACTOR hereby acknowledges and certifies that CONTRACTOR has read, understands, and agrees to the above Agreement provisions and CONTRACTOR; 1) had the opportunity to seek advice regarding any provisions that were thought to be ambiguous, 2) had the opportunity to consult with legal counsel regarding the Agreement, 3) is fully aware of Agreement’s legal effect, and 4) has entered into the Agreement freely and voluntarily and based on CONTRACTOR’s own judgment and not on any representations or promises other than those contained in the Agreement.

“CONTRACTOR”

By:  _____
Jesus Jaramillo


Its: President/Member

Employer Identification Number:

84-4905616

IN WITNESS WHEREOF, three (3) identical counterparts of this contract, each of which shall for all purposes be deemed an original thereof, have been duly executed by the PARTIES herein above named, on the date and year first above written.

CONTRACTOR:
ELITE CIVIL CONSTRUCTION, LLC

BY: 
Jesus Jaramillo, President/Member

CAREFREE WATER COMPANY

By: _____
John Crane, President

ADDRESS: 3240 W Lincoln Street
Phoenix, AZ 85009

ATTEST:

By: _____
Kandace French Contreras, Water
Company Secretary/Treasurer

CORPORATE SEAL:

APPROVED AS TO FORM:

Denis Fitzgibbons, Water Company Attny.

EXHIBIT A

INVITATION TO BID

PROJECT NUMBER: 2021-W01
CONTRACT NUMBER: 2024-C01

PROJECT NAME: PEACEFUL PLACE BPS SITE IMPROVEMENTS

Notice is hereby given that **sealed Bids will be received at the office of the Carefree Water Company, 7181 Ed Everett Way, Carefree, AZ 85377 until but no later than 2:00 PM (MST/Arizona Time) on October 8, 2024**, for furnishing labor, tools, materials, equipment, and incidentals as required for construction of the PEACEFUL PLACE BOOSTER PUMP STATION (BPS) SITE IMPROVEMENTS. The project generally consists of the installation of a package booster pump station with two new duty pumps and one high flow pump, the removal a 5,000 gallon pressure tank, installation of miscellaneous yard piping, and reconfiguration of the site within the confines of an existing walled facility. Bids will be opened at that time and publicly read aloud.

All work shall be performed in accordance with the Plans and Specifications now on file and available for examination in the office of the Water Company:

Carefree Water Company
7181 Ed Everett Way
Carefree, AZ 85377
(480) 488-9100 or office@carefreewaterco.com

Electronic (pdf) versions of the plans and specifications can be requested from the Project Engineer, Cassandra Alejandro, P.E. with Coe and Van Loo, Inc. (CVL) at 602-285-4763, calejandro@cvlci.com. CVL will be keeping a list of plan holders, so please be prepared to provide contact information when you call or email.

Bids shall be sealed and plainly marked with Bidder's name, address, Project No., Contract No., and the time and date of opening, and labeled PEACEFUL PLACE BOOSTER PUMP STATION SITE IMPROVEMENTS in accordance with the Information for Bidders. Bids shall be executed on the Bid Form in accordance with the instructions bound therein. Each bid shall be accompanied by a certified or cashier's check or surety bond payable to the Carefree Water Company in an amount not less than ten percent (10%) of the total Base Bid price, as a guarantee that the bidder will enter into a Contract pursuant to his or her bid within the time period after the Notice of Award as stated in the Specifications. The Bidder to whom the award is made will be required to furnish both a performance bond and a payment bond (labor and materials bond). The Water Company reserves the right to reject any or all bids and to waive any informalities or irregularities in awarding the Bid.

A pre-bid conference will be held on Thursday, September 12, 2024, at 8:00 AM (MST/Arizona Time) at the Peaceful Place BPS site, 36211 Peaceful Place, Carefree, AZ 85377. Contractors are encouraged to attend the pre-bid conference to inspect the site conditions and confirm the layout as denoted on the plans. Please contact Greg Crossman, General Manager, Carefree Water Company at (480) 488-9100 to confirm your attendance.

Bidder shall be a licensed Contractor in the State of Arizona.

Dated: September 3, 2024

By: Greg Crossman
Greg Crossman
General Manager, Carefree Water Company

EXHIBIT B

BID SCHEDULE, SUMMARY OF QUANTITIES, & PROJECT REFERENCES
CAREFREE WATER COMPANY
PROJECT #2021-W01, CONTRACT #2024-C01

BID TABLE

Bid Item No.	Schedule of Work Items	Unit	Quantity	Unit Price	Total
1	<u>Mobilization/Demobilization</u> Mobilization/Demobilization per Section 14.01 of the Supplementary Conditions.	LS	1	\$58,900.00	\$58,900.00
2	<u>Demolition</u> Remove Existing Hydropneumatic Tank and Related Supports, Generator Slab, Pump Skid (Offline) and Pump Skid Slab, Existing Pumps and Electrical Equipment, Piping and Slab, Tree Stumps, Root Balls, and Vegetation per the Requirements of the Contract Documents.	LS	1	\$55,700.00	\$55,700.00
3	<u>Piping and Appurtenances</u> Furnish and Install BPS Discharge and Suction Mains per the Requirements of the Contract Documents – From Packaged BPS 8” Discharge/Suction Flange to 6” Tapping Sleeve & Valve (TS&V) and all appurtenances.	LS	1	\$75,250.00	\$75,250.00
4	<u>Package Booster Pump Station</u> Furnish and Install Packaged Booster Pump Station (BPS) and Support Slab per the Requirements of the Contract Documents.	LS	1	\$402,650.00	\$402,650.00
5	<u>Backup Generator</u> Remove and Relocate Existing Generator and Construct Support Slab per the Requirements of the Contract Documents. Reconfigure Generator for 480V Power Generation and provide new 480V ATS.	LS	1	\$29,700.00	\$29,700.00

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 11/12/2024

SUBJECT: Review, discussion, and possible action to accept the findings of the 2023-2024 Fiscal Year audit of the District by approval of Resolution 2024-05.

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

The auditing firm of Heinfeld Meech & Co., P.C. has completed an examination of the District's finances and financial practices for Fiscal Year (FY) 2023-2024 which runs from July 1, 2023, through June 30, 2024. The completed Audit Report is included as an attachment. The Audit Report concludes that the District has complied with, in all material aspects, the standards established by the Government Accounting Standards Board (GASB) that are recognized by the American Institute of Certified Public Accountants (AICPA).

ACTION NEEDED:

Approval of attached Resolution 2024-05 results in the acceptance and approval of the District's audit findings for FY 2023-2024 as presented in the Audit Report prepared by Heinfeld Meech & Co., P.C. (copy attached).

Attachments

District Resolution 2024-05
UCFD Audit FY2024

TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT

RESOLUTION 2024-05

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOWN OF CAREFREE, ARIZONA UTILITIES COMMUNITY FACILITIES DISTRICT (“DISTRICT”) ACCEPTING THE FINDINGS OF THE FISCAL YEAR 2023-2024 ANNUAL AUDIT FOR THE DISTRICT FOR THE YEAR ENDING JUNE 30, 2024

WHEREAS, the District, along with the Town of Carefree, Arizona and the Carefree – Cave Creek Consolidated Court, are subject to an annual audit by an independent auditing firm; and

WHEREAS, the auditing firm of Heinfeld Meech & Co., P.C. (Heinfeld Meech) are qualified to perform such audits; and

WHEREAS, the firm of Heinfeld Meech performed an examination of the District’s finances and financial practices for the fiscal year ending June, 30, 2024 in accordance with Government Accounting Standards Board (GASB) standards established by the American Institute of Certified Public Accountants; and

WHEREAS, the firm of Heinfeld Meech found that the District complied, in all material respects, with the aforementioned requirements for the year ending June 30, 2024.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the District, as follows:

ACCEPTING and approving the audit findings for the District, for the year ending June 30, 2024.

PASSED AND ADOPTED by the Board of Directors of the District, this 12th day of November, 2024.

AYES ___ NAYS___ ABSTENTIONS___ ABSENT___

John Crane, Chairman – Board of Directors

ATTEST:

APPROVED AS TO FORM:

Kandace French Contreras, District Clerk

Denis Fitzgibbons, Interim District Attorney



Town of Carefree, Arizona
Utilities Community Facilities District
(A Component Unit of the Town of Carefree, Arizona)
Financial Statements
Years Ended June 30, 2024 and 2023

Town of Carefree, Arizona
Utilities Community Facilities District

Financial Statements
Years Ended June 30, 2024 and 2023

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, 2024, 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 financial position of the Town of Carefree, Arizona Utilities Community Facilities District, as of June 30, 2024, and the 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.

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 bond disclosure requirements 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 2023 financial statements, and our report dated December 19, 2023, 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, 2024 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 October 30, 2024, 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
October 30, 2024

Town of Carefree, Arizona
Utilities Community Facilities District
Statements of Net Position
June 30, 2024
(With Comparative Totals for June 30, 2023)

	2024	2023
Assets:		
Current assets:		
Cash and investments	\$ 2,904,565	\$ 3,671,959
Cash and investments - restricted	764,995	507,195
Accounts receivable	473,155	484,727
Inventory	208,126	179,889
Prepaid items	84,297	68,040
Total current assets	4,435,138	4,911,810
Noncurrent assets:		
Capital assets, non-depreciable	1,577,894	21,828,371
Capital assets, depreciable (net)	26,968,552	4,513,644
Intangible assets (net)	86,866	96,009
Total noncurrent assets	28,633,312	26,438,024
Total assets	33,068,450	31,349,834
Liabilities		
Current liabilities:		
Accounts payable	442,374	866,425
Accrued payroll and employee benefits		128
Accrued interest payable	368,500	370,700
Advances from Town of Carefree	48,000	20,000
Due to other governments	38,088	35,504
Other current liabilities	22,157	19,187
Customer deposits	26,695	26,695
Compensated absences payable	33,581	33,780
Financed purchases payable	223,178	214,972
Bonds payable	370,000	110,000
Total current liabilities	1,572,573	1,697,391
Noncurrent liabilities:		
Advances from Town of Carefree	3,220,957	1,125,653
Financed purchases payable	453,744	676,922
Bonds payable	21,057,545	21,538,750
Total noncurrent liabilities	24,732,246	23,341,325
Total liabilities	26,304,819	25,038,716
Net Position		
Net investment in capital assets	3,173,021	3,590,777
Unrestricted	3,590,610	2,720,341
Total net position	\$ 6,763,631	\$ 6,311,118

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

Town of Carefree, Arizona
Utilities Community Facilities District
Statements of Revenues, Expenses and Changes in Net Position
for the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	2024	2023
Operating revenues:		
Charges for services	\$ 4,653,617	\$ 3,780,003
Other	61,113	34,339
Total operating revenues	4,714,730	3,814,342
Operating expenses:		
Cost of sales and services	1,651,807	1,251,111
Salaries	584,567	522,364
Employee benefits	171,706	129,520
Services, supplies and other	536,132	567,404
Depreciation and amortization	683,248	600,283
Total operating expenses	3,627,460	3,070,682
Operating income (loss)	1,087,270	743,660
Nonoperating revenues (expenses):		
Investment income	11,707	10,612
Gain (loss) on sale of property	(276)	
Interest expense and fiscal charges	(646,188)	(667,462)
Total nonoperating revenues (expenses)	(634,757)	(656,850)
Income (loss)	452,513	86,810
Capital contributions		655,812
Changes in net position	452,513	742,622
Total net position, beginning of year	6,311,118	5,568,496
Total net position, end of year	\$ 6,763,631	\$ 6,311,118

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

Town of Carefree, Arizona
Utilities Community Facilities District
Statements of Cash Flows
for the Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	2024	2023
<u>Increase/Decrease in Cash and Cash Equivalents</u>		
Cash flows from operating activities:		
Cash received from customers, service fees	\$ 4,665,189	\$ 3,704,109
Cash received from customers, other	61,113	34,339
Cash payments to suppliers for goods and services	(2,650,930)	(3,814,471)
Cash payments to employees	(756,600)	(670,002)
Net cash provided by/used for operating activities	1,318,772	(746,025)
Cash flows from investing activities:		
Investment income	11,707	10,612
Net cash provided by/used for investing activities	11,707	10,612
Cash flows from capital and related financing activities:		
Capital contributions		655,812
Purchase of capital assets	(2,736,230)	(12,354,400)
Principal paid on long-term debt	(344,972)	(621,408)
Interest paid	(759,593)	(407,788)
Issuance of advance	2,000,000	
Proceeds from sale of capital assets	722	
Net cash provided by/used for noncapital financing activities	(1,840,073)	(12,727,784)
Net increase/decrease in cash and cash equivalents	(509,594)	(13,463,197)
Cash and cash equivalents, beginning of year	4,179,154	17,642,351
Cash and cash equivalents, end of year	\$ 3,669,560	\$ 4,179,154
<u>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</u>		
Cash and investments	\$ 2,904,565	\$ 3,671,959
Cash and investments - restricted	764,995	507,195
Total cash and cash equivalents	\$ 3,669,560	\$ 4,179,154
<u>Reconciliation of Operating Income/Loss to Net Cash Provided by/Used for Operating Activities</u>		
Operating income/loss	\$ 1,087,270	\$ 743,660
Adjustments to reconcile operating income/loss to net cash provided by/used for operating activities:		
Depreciation and amortization expense	683,248	600,283
Changes in assets and liabilities:		
Increase/decrease in customer deposits		(4,650)
Increase/decrease in accounts receivable	11,572	(71,244)
Increase/decrease in inventory	(28,237)	72,979
Increase/decrease in prepaid items	(16,257)	7,181
Increase/decrease in payables	(421,467)	(2,137,433)
Increase/decrease in accrued liabilities	(128)	(1,874)
Increase/decrease in compensated absences payable	(199)	(16,244)
Increase/decrease in due to other funds		57,790
Increase/decrease in other liabilities	2,970	3,527
Total adjustments	231,502	(1,489,685)
Net cash provided by/used for operating activities	\$ 1,318,772	\$ (746,025)

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, 2024

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.

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 seven 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.

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.

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

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.

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.

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

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.

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) until then.

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 1 – Summary of Significant Accounting Policies

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, 2024

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, 2023, 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 \$3,669,560, and the bank balance was \$3,181,705. At year end, \$1,793,492 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 \$162,569 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, 2024 consisted of the following goodwill and associated amortization:

Customer lists	\$ 260,582
Less: Accumulated amortization	<u>(173,716)</u>
Total	<u>\$ 86,866</u>

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 4 – Capital Assets

A summary of capital asset activity for the year ended June 30, 2024 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	\$ 245,960	\$ 181,060	\$	\$ 427,020
Water allocation rights	1,125,605			1,125,605
Construction in progress	20,456,806	2,689,327	23,120,864	25,269
Total capital assets, not being depreciated	<u>21,828,371</u>	<u>2,870,387</u>	<u>23,120,864</u>	<u>1,577,894</u>
Capital assets, being depreciated:				
Machinery and equipment	652,610	21,720	3,499	670,831
Water plant	15,405,110	23,108,291	188,551	38,324,850
Total capital assets, being depreciated	<u>16,057,720</u>	<u>23,130,011</u>	<u>192,050</u>	<u>38,995,681</u>
Less accumulated depreciation for:				
Machinery and equipment	(474,705)	(38,759)	(3,499)	(509,965)
Water plant	(11,069,371)	(635,347)	(187,554)	(11,517,164)
Total accumulated depreciation	<u>(11,544,076)</u>	<u>(674,106)</u>	<u>(191,053)</u>	<u>(12,027,129)</u>
Total capital assets, being depreciated, net	<u>4,513,644</u>	<u>22,455,905</u>	<u>997</u>	<u>26,968,552</u>
Capital assets, net	<u>\$ 26,342,015</u>	<u>\$ 25,326,292</u>	<u>\$23,121,861</u>	<u>\$28,546,446</u>

At year end, the District had contractual commitments related to improvement of the water system. At year end, the District had spent \$25,269 on the projects. The estimated remaining contractual commitments were \$2,000,000 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, 2024

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:			
	2025	\$	48,000
	2026		48,000
	2027		48,000
	2028		300,000
	2029		300,000
	2030-34		1,500,000
	2035-38		1,024,957
Total			<u>\$ 3,268,957</u>
Due within one year			<u>\$ 48,000</u>

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. 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:	Governmental Activities	
	Principal	Interest
2025	\$ 223,178	\$ 21,586
2026	231,697	13,067
2027	222,047	4,223
Total	<u>\$ 676,922</u>	<u>\$ 38,876</u>

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 7 – Revenue Bonds Payable

Bonds payable at June 30, 2024, consisted of the following. The District has pledged to repay \$18,535,000 of water system revenue bonds issued in 2021 and payable through 2052. The bonds are collateralized by water utility revenue. In 2024, net revenues of \$1.8 million were pledged and used for repayment. Interest for the current year was \$737,000. The coverage ratio (pledged revenues to debt service) for 2024 is 2.14, which exceeds the minimum required coverage of 1.2.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2024</u>	<u>Due Within One Year</u>
Business-type activities:					
Water System Revenue Bonds, Series 2021	\$ 18,535,000	4.00%	7/1/24-51	\$ 18,425,000	\$ 370,000

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>
2025	\$ 370,000	\$ 729,600
2026	385,000	714,500
2027	400,000	698,800
2028	415,000	682,500
2029	430,000	665,600
2030-34	2,430,000	3,049,600
2035-39	2,955,000	2,513,100
2040-44	3,595,000	1,859,500
2045-49	4,375,000	1,065,500
2050-52	3,070,000	187,400
Total	<u>\$ 18,425,000</u>	<u>\$ 12,166,100</u>

Town of Carefree, Arizona
Utilities Community Facilities District
Notes to Financial Statements
June 30, 2024

Note 8 – Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2024 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 18,535,000	\$	\$ 110,000	\$ 18,425,000	\$ 370,000
Premium	3,113,750		111,205	3,002,545	
Total bonds payable	<u>21,648,750</u>		<u>221,205</u>	<u>21,427,545</u>	<u>370,000</u>
Compensated absences payable	33,780	13,336	13,535	33,581	33,581
Capital advance	1,145,653	2,143,304	20,000	3,268,957	48,000
Financed purchases payable	891,894		214,972	676,922	223,178
Long-term liabilities	<u>\$ 23,720,077</u>	<u>\$ 2,156,640</u>	<u>\$ 469,712</u>	<u>\$ 25,407,005</u>	<u>\$ 674,759</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, 2024, 2023, and 2022 were \$55,051, \$59,973, and \$63,342, respectively.

Bond Disclosure Requirements

Town of Carefree, Arizona
Utilities Community Facilities District
Bond Disclosure Requirements
June 30, 2024

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.

Since the acquisition of all Carefree residents, previously served potable water by the Town of Cave Creek, the District has undertaken significant infrastructure improvements to facilitate the transition of these customers. By the end of fiscal year 2023-24, all of the customers have been transferred over to the Carefree water system, bringing the total customer base to 2,565 accounts. This has increased the Carefree Water service area to approximately 8 square miles, serving an estimated population (both full time and part time) of 3,912.

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, 2024**

**Table CD-1
 Schedule of Ten Largest Customers
 for Fiscal Year 2023-24 by Industry**

<u>Industry of Customer</u>	<u>Revenue</u>	<u>Percentage of Total</u>
Hotel/Resort	\$ 92,642	26.85%
Home Owners Association	57,260	16.60%
Hotel/Resort	29,806	8.64%
Home Owners Association	29,408	8.52%
Home Owners Association	28,890	8.37%
Hotel/Resort	27,778	8.05%
Hotel/Resort	25,668	7.44%
Grocery Store	23,326	6.76%
Apartment Building	16,272	4.72%
Home Owners Association	13,930	4.04%
Total	<u>\$ 344,980</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
2022-23	507	2,533
2023-24	32	2,565

Source: The District

**Town of Carefree, Arizona
 Utilities Community Facilities District
 Bond Disclosure Requirements
 June 30, 2024**

Water Rates

The following rates for fiscal year 2024-25, 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	\$ 57.40
	1 inch	57.40
Commercial	1 inch	103.32
	1 1/2 inch	256.42
	2 inch	614.60
	3 inch	819.32
Master Meters	Master Meter 1	436.14
	Master Meter 2	219.12
	Master Meter 3	436.14
	Master Meter 4	327.13
	Master Meter 5	667.80
	Master Meter 6	2,071.70
	Master Meter 7	981.37
	Master Meter 8	599.70
	Master Meter 9	599.70
	Master Meter 10	599.70
Stand Pipe	N/A – Volumetric only	
Fire Hydrant Meter		\$ 180.38

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. Residential and Commercial monthly base fees for properties in the acquisition areas include an additional \$20.00 bond offset fee.

**Town of Carefree, Arizona
 Utilities Community Facilities District
 Bond Disclosure Requirements
 June 30, 2024**

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
2023/24	4.4% B&C
2024/25	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

**Independent Auditor’s 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**

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, 2024, 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 October 30, 2024.

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
October 30, 2024

**TOWN OF CAREFREE
STAFF REPORT**

MEETING DATE: 11/12/2024

SUBJECT: Informational Only. Discussion and information regarding new Environmental Protection Agency (EPA) requirements for documentation of service line materials and notices that are required to be sent to certain customers in the future.

PREPARED BY: Greg Crossman, Carefree Water Company Manager

SUMMARY:

Attached is a letter that was sent to all Carefree Water customers explaining recent changes to EPA's requirements related to water service line materials. The changes are focused on educating and protecting water customers from lead in drinking water.

The presentation at the meeting will discuss the background of these new requirements and future notices that will be required to be sent to a portion of our customers.

The presentation will also discuss next steps for additional investigations needed for service line material determinations and options for funding these additional investigations.

ACTION NEEDED:

Informational only. No action is being requested from the Board.

Attachments

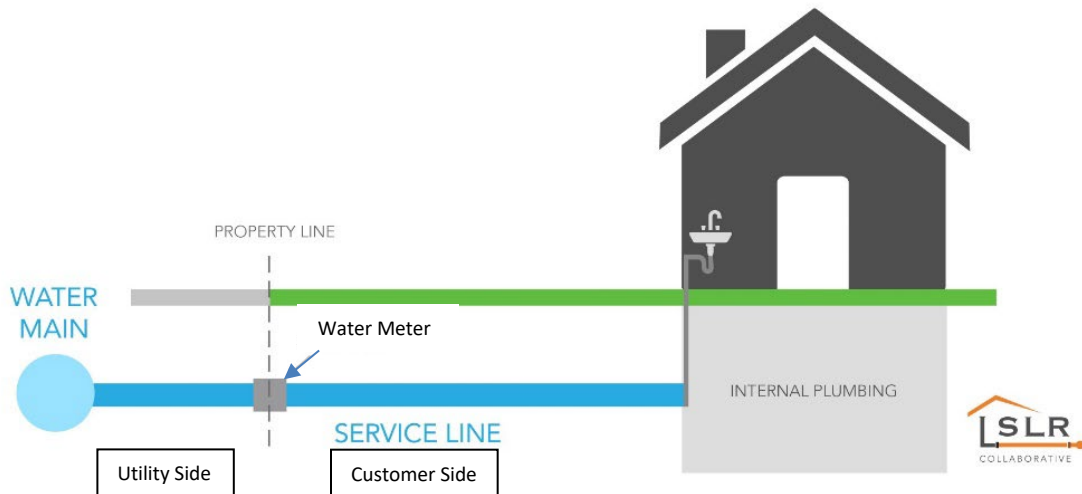
Service Line Information



PLEASE TAKE A MOMENT TO READ
IMPORTANT INFORMATION ON LEAD SERVICE LINES

November 2024

As we approach the end of the year, the water industry nationwide, including Carefree Water, has been working diligently to meet new EPA (Environmental Protection Agency) requirements designed to protect customers from lead in drinking water. The most common source of lead in drinking water is from service lines, which is the small pipeline that runs from the water main in the street to your home or business (see figure below).



Carefree's Status Looks Positive

Recently, Carefree's new service line inventory was submitted to the Arizona Department of Environmental Quality (ADEQ). The positive news is that, based on this inventory, about 55% of the service lines in our community have been verified as "non-lead" and we have not specifically identified any lead service lines in Carefree. We also have not discovered any information in our research that would indicate that lead was commonly used as a service line material here.

With that being said, 45% of our service lines are still "unknown," meaning that more work is required to determine if these lines are copper, plastic, galvanized, or lead.

Next Required Steps

All water providers throughout the country have been required to submit service line inventories to their regulatory agencies as Carefree Water did. As you can imagine, nationwide there are a significant number of service lines that fall into the “unknown” category. Preliminary data shows that Carefree’s percentage of “unknown” service lines is very similar to what we are seeing nationwide. Fortunately, Carefree has not currently identified any lead service lines or “galvanized service lines previously connected to lead” which is another material of concern.

As is typical with rules that have been generated by the EPA, there is an abundance of caution given the health implications of lead in drinking water. Based on these rules, all customers that are provided water through “unknown” service lines are required to receive notification by mid-November containing standard language explaining the water quality concerns associated with lead. If you are one of the 45% of our customers in Carefree with an “unknown” service line, you will receive this notice. We are required to send this information to you even though it is not known at this time whether your service line is lead or not.

When you receive this notice, it is important that you read it carefully to understand the concerns and health effects of lead in drinking water. Please understand that this notification is not a determination that your service line is lead. It is merely an effort to educate you on the health effects of lead in drinking water. We understand that the information presented may seem alarming. We hope that by framing this EPA required information from the perspective that as of yet, we have not identified any lead service lines in Carefree, and that we have not discovered any information that indicates lead was a commonly used service line material in Carefree, may help alleviate your concerns.

We are awaiting guidance from EPA and the Arizona Department of Environmental Quality (ADEQ) on what field work is required of Carefree Water in order to make determinations on these “unknown” service lines and how this effort is to be funded. As soon as we receive definitive guidance, we will keep you apprised. In the meantime, please let us know if you have any questions regarding this information. We can be reached by telephone at 480-488-9100, or by email at office@carefreewaterco.com.

Sincerely,

Greg Crossman

Greg Crossman
General Manager