

*Eastridge  
Community Facilities District*

*Annual Financial Report*



*For Fiscal Year Ended  
June 30, 2016*

**Eastridge Community Facilities District  
For the Fiscal Year Ended June 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Eastridge Community Facilities District  
Town of Prescott Valley, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Eastridge Community Facilities District (District), a component unit of the Town of Prescott Valley, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

*Required Supplementary Information*

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. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Heinfeld, Meech & Co., P.C.*

Heinfeld, Meech & Co., P.C.  
Flagstaff, Arizona  
November 30, 2016

## **Basic Financial Statements**

# Eastridge Community Facilities District

## Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Restricted cash and cash equivalents	\$ 334,363
Accounts receivable:	
Special assessments	290,291
Total current assets	<u>624,654</u>
Total assets	<u>624,654</u>
<b>LIABILITIES</b>	
Liabilities payable from restricted assets:	
Bonds, loans, capital leases and other payables - due within one year	112,000
Total liabilities payable from restricted assets	<u>112,000</u>
Noncurrent liabilities:	
Bonds, loans, capital leases and other payables - due in more than one year	273,000
Total noncurrent liabilities	<u>273,000</u>
Total liabilities	<u>385,000</u>
<b>NET POSITION</b>	
Restricted	239,654
Total net position	<u>\$ 239,654</u>

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

# Eastridge Community Facilities District

## Statement of Activities

For the Year Ended June 30, 2016

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Community Facilities District					
Administrative	\$ 1,598	\$ -	\$ -	\$ -	\$ (1,598)
Interest and fiscal charges	41,223	-	-	-	(41,223)
Total district activities	42,821	-	-	-	(42,821)
Total primary government	\$ 42,821	\$ -	\$ -	\$ -	(42,821)

### General revenues:

Property owner assessments	16,575
Interest and investment income	1
Total general revenues	16,576
Change in net position	(26,245)
Net position - beginning	265,899
Net position - ending	\$ 239,654

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

# Eastridge Community Facilities District

## Balance Sheet

June 30, 2016

### ASSETS

Restricted cash and cash equivalents	\$	334,363
Accounts receivable:		
Special assessments		290,291
Total assets	\$	<u>624,654</u>

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE

Deferred inflows of resources:		
Unavailable revenues - special assessments		290,291
Total deferred inflows of resources		<u>290,291</u>
Fund balance:		
Restricted		334,363
Total fund balance		<u>334,363</u>

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(385,000)
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	
Special assessments	290,291
Net position of governmental activities - statement of net position	<u>\$ 239,654</u>

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



# Eastridge Community Facilities District

## Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2016

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### REVENUES

Property owner assessments	\$	159,668
Interest earnings		<u>1</u>
Total revenues		<u>159,669</u>

### EXPENDITURES

Administrative charges		1,598
Debt service:		
Principal payment		200,000
Interest and fiscal charges		<u>41,223</u>
Total expenditures		<u>242,821</u>

Excess of revenues over (under) expenditures (83,152)

Fund balance, beginning of year 417,515

Fund balance, end of year \$ 334,363

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

**Eastridge Community Facilities District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended June 30, 2016

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Net change in fund balances - Governmental Fund Type	\$ (83,152)
Amounts reported for governmental activities in the statement of activities are different because:	
Issuance and repayment of long-term debt is a revenue and expenditure in the governmental funds, but the issuance and repayment reduces long-term liabilities in the statements of net position. In the current period, these amounts are:	
Principal payments on debt	200,000
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	
Special assessments	(143,093)
Changes in net position of governmental activities	<u>\$ (26,245)</u>

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

## NOTES TO FINANCIAL STATEMENTS

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Financial Reporting Entity

The Eastridge Community Facilities District (District) was created by the Town of Prescott Valley (Town) as a special purpose community facilities district pursuant to state law on March 13, 2003. The purpose of the District is to assist in financing necessary on and off-site infrastructure and public improvements. The developers initially build the infrastructure and the District sells bonds to buy the improvements from the developers.

The Town council serves as the District's board of directors. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39 – *Determining Whether Certain Organizations are Component Units*, the District financial statements are reported in the Town's financial statements for the year ended June 30, 2016 using the blended method.

The financial statements of the District conform to generally accepted accounting principles as applicable to governmental units. The District applies all relevant GASB pronouncements.

#### B. Basis of Presentation

##### **Fund Accounting**

The accounts of the District are organized and operated on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The District operates only one fund, a general fund, the operations of which are accounted for by providing a separate set of self-balancing accounts that is comprised of the fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The minimum number of funds is maintained consistent with legal and managerial requirements.

##### **General Fund**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (e.g. the *statement of net position* and the *statement of activities*) report information on the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The *statement of activities* demonstrates the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is

Eastridge Community Facilities District

incurred, regardless of the timing of related cash flows. Property assessments are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

**D. Budgets and Budgetary Accounting**

The District is not required to adopt an annual appropriated budget but does, however, adopt a budget for management purposes. Therefore, no budgetary comparison is required.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents**

Arizona statutes require that public deposits of more than \$100,000 meet several specific requirements. Deposits of less than \$100,000 are subject only to local ordinance or resolution. Generally, the state statutes allow investments in certain certificates of deposit, interest bearing savings accounts in qualified banks and savings and loan institutions, repurchase agreements with maximum maturity of thirty (30) days, and pooled investment funds established by the State Treasurer. Other investments include obligations of the U.S. Treasury, U.S. Government agencies, bankers' acceptances and mutual funds.

The District records bond trust activity and maintains a bank checking account.

**Restricted Assets**

District bond assets as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Property and Equipment and Long-Term Liabilities**

The District has no capital assets. All capital assets acquired by the District are donated to the Town. The Town is responsible for maintaining the improvements.

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price, and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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/expenditures) until then.

In addition to liabilities, the statement of financial 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 will not be recognized as an inflow of resources (revenue) until that time.

**Accumulated Compensated Absences**

No liability for accumulated compensated absences existed at June 30, 2016.

**Fund Equity**

In the fund financial statements, governmental funds report a restriction of fund balance for amounts that are legally restricted by outside parties for a specific purpose.

**II. DETAILED NOTES**

**A. Cash and Cash Equivalents**

The District maintains a bank checking account. In addition, the bank trust fund represents proceeds from bond sales and certain resources set aside for their repayment. Under the terms of the bond indenture, the proceeds are required to be held by a trustee. Funds on deposit are invested by the trustee in money market funds, as governed by state statute.

**Deposits**

At June 30, 2016, the carrying amount of the District's deposits was \$334,363, which is comprised of the bank checking account balance of \$57,375 and deposits with trustee of \$276,988.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. As of June 30, 2016, the District's deposits were covered by federal depository insurance or by the collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus had no deposits that were exposed to custodial credit risk.

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District limits its investment portfolio to maturities of less than three (3) years, unless matched to a specific cash flow.

Eastridge Community Facilities District

**Credit Risk**

The District invests in obligations of the U.S. Treasury, U.S. Government agencies, Certificates of Deposit, bankers' acceptances, repurchase agreements, money market and mutual funds consisting of the foregoing as a means of limiting its credit risk.

The District's investment in money market funds were rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

**B. Receivables**

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the District reported unavailable revenue for special assessments not yet due. Special assessment receivables are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**C. Debt**

The District has the following long-term obligations:

\$2,500,000 Eastridge Community Facilities District Special Assessment Lien Bonds, Series 2003, is due in annual payments of \$125,000 to \$275,000 through July 1, 2018, with interest at 6.00-7.25% per annum (payable from revenues generated from an assessment levied against the properties located within the boundaries of the District).

Special Assessment Lien Bonds are secured by a lien on property within the District for which the full assessment has not initially been paid in cash. In the event of default by any of those property owners, the District may force an auction sale of the property to satisfy debt service requirements.

Changes in Long-Term Liabilities:

<u>Balance</u> <u>6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Due Within</u> <u>One Year</u>
\$ 585,000	\$ -	\$ 200,000	\$ 385,000	\$ 112,000

Debt Service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest
2017	\$ 112,000	\$ 23,853
2018	132,000	15,008
2019	141,000	5,111
	\$ 385,000	\$ 43,972

**III. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters for which it carries commercial insurance. The District also carries commercial insurance for all other risks of loss.