
Via Linda Road Community Facilities District
(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report
Fiscal Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Via Linda Road Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 each major fund of the Via Linda Road Community Facilities District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary budget comparison information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary budget comparison information for the Debt Service Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary budget comparison information for the Debt Service Fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of Via Linda Road 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 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 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 Via Linda Road Community Facilities District's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
October 27, 2016

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

As management of the Via Linda Road Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2016.

Formed in 1998, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the cost of their services is reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

- District tax collections and funds carried forward from prior years were sufficient to pay debt service during the fiscal year 2015/16.
- District tax rates continue to comply with the City-imposed assessment limit of \$3.00 per \$100 assessed valuation. In fiscal year 2015/16, the tax rate was \$1.29 per \$100 assessed valuation.
- As of June 30, 2016, the District's governmental funds reported an ending fund balance of \$41,852. The total amount is for debt service.
- Governmental fund balances increased by \$7,138 during the fiscal year. The tax rate was increased from \$1.08 in fiscal year 2014/15 to \$1.29 in fiscal year 2015/16
- The District's total long-term debt decreased by \$175,000 in the fiscal year ended June 30, 2016, due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only has one governmental program, the government-wide and fund financial statements are combined.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds, and, basically, all are restricted as to use.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$1.3 million (net position). The large negative net position balance results from the nature of the District's operations. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position

June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
ASSETS		
Current Assets	\$ 4,226	\$ 5,183
Noncurrent Assets	233,045	225,180
Total Assets	237,271	230,363
LIABILITIES		
Current Liabilities	194,890	192,100
Noncurrent Liabilities	1,355,000	1,530,000
Total Liabilities	1,549,890	1,722,100
NET POSITION		
Restricted	42,381	38,263
Unrestricted	(1,355,000)	(1,530,000)
Total Net Position	\$ (1,312,619)	\$ (1,491,737)

The District's total net position increased by \$179,118 during the fiscal year.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
REVENUES		
Taxes	\$ 228,830	\$ 183,931
EXPENSES		
General Government	9,482	9,578
Debt Service	40,230	44,650
Total Expenses	49,712	54,228
Change in Net Position	179,118	129,703
Net Position, Beginning of Year	(1,491,737)	(1,621,440)
Net Position, End of Year	\$ (1,312,619)	\$ (1,491,737)

Revenues in fiscal year 2015/16 increased due to an increase in the tax rate and expenses decreased due to the reduction in long-term debt interest increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2015/16 the District's governmental funds reported an ending fund balance of \$41,852, an increase of \$7,138 in comparison with the prior year. This entire fund balance is for debt service. Revenues increased due to a higher tax rate, and expenses decreased, which caused the increase in fund balance.

All revenues collected represent property taxes and totaled \$231,850 for the fiscal year ended June 30, 2016.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct an extension of Via Linda Road and the development of trailheads.

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2016

Since formation, the District has issued \$3,225,000 of the \$3,500,000 authorized bonds. Bond proceeds were used to extend Via Linda Road eastward, and to pay developer stipulations for City trailheads. At this time, the District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees. The District does not own or operate any facilities. In fiscal year 2012/13, the City Council and the District Board approved the issuance of \$2,000,000 refunding bonds to reduce the total debt service payments over the next 11 years. There was no defeased debt outstanding at June 30, 2016.

At the time of issue, District general obligation bonds have a 25-year term, typically with the first five years requiring interest-only payments. In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

Outstanding Debt

June 30, 2016 and 2015

	Governmental Activities	
	2016	2015
General Obligation Bonds	<u>\$ 1,355,000</u>	<u>\$ 1,530,000</u>

The District's total long-term debt decreased by \$175,000 during the current fiscal year due to the payment of principal on the general obligation refunding bonds.

Next Year's Budget and Rates

The fiscal year 2016/17 District budget includes a \$1.21 tax rate per \$100 of assessed value. This is a \$0.08 decrease from the rate used in the fiscal year 2015/16 budget.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet

June 30, 2016

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Assets					
Current Assets					
Taxes Receivable	\$ -	\$ 4,226	\$ 4,226	\$ -	\$ 4,226
Noncurrent Assets					
Restricted Cash	-	233,045	233,045	-	233,045
Total Assets	<u>\$ -</u>	<u>\$ 237,271</u>	<u>\$ 237,271</u>	<u>-</u>	<u>237,271</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Mature Bond Interest Payable	\$ -	\$ 19,890	\$ 19,890	-	19,890
Matured Bonds Payable	-	175,000	175,000	-	175,000
Total Current Liabilities	<u>-</u>	<u>194,890</u>	<u>194,890</u>	<u>-</u>	<u>194,890</u>
Noncurrent Liabilities					
Due Within One Year	-	-	-	180,000	180,000
Due After One Year	-	-	-	1,175,000	1,175,000
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355,000</u>	<u>1,355,000</u>
Total Liabilities	<u>-</u>	<u>194,890</u>	<u>194,890</u>	<u>1,355,000</u>	<u>1,549,890</u>
Deferred Inflows of Resources					
Unavailable Revenues	<u>-</u>	<u>529</u>	<u>529</u>	<u>(529)</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>195,419</u>	<u>195,419</u>	<u>1,354,471</u>	<u>1,549,890</u>
Fund Balances/Net Position					
Fund Balances					
Restricted	<u>-</u>	<u>41,852</u>	<u>41,852</u>	<u>(41,852)</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>41,852</u>	<u>41,852</u>	<u>(41,852)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 237,271</u>	<u>\$ 237,271</u>		
Net Position					
Restricted for Debt Service				42,381	42,381
Unrestricted				(1,355,000)	(1,355,000)
Total Net Position				<u>\$ (1,312,619)</u>	<u>\$ (1,312,619)</u>

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

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2016

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	\$ 9,482	\$ 222,368	\$ 231,850	\$ (3,020)	\$ 228,830
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	9,482	-	9,482	-	9,482
Debt Service					
Principal Retirement	-	175,000	175,000	(175,000)	-
Interest and Fiscal Charges	-	40,230	40,230	-	40,230
Total Expenditures/Expenses	9,482	215,230	224,712	(175,000)	49,712
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	7,138	7,138	(7,138)	-
Change in Net Position	-	-	-	179,118	179,118
Fund Balances/Net Position, Beginning of Year	-	34,714	34,714	(1,526,451)	(1,491,737)
Fund Balances/Net Position, End of Year	\$ -	\$ 41,852	\$ 41,852	\$ (1,354,471)	\$ (1,312,619)

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Via Linda Road Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The Via Linda Road Community Facilities District was formed by petition to the City of Scottsdale City Council in April 1998. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the Via Linda Road Community Facilities District are included as if the District were part of the City's operations.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide financial statement amounts.

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

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 incurred, regardless of the timing of related cash flows. Property taxes 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 when they are both earned 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. For this purpose, the District considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District does not have any nonspendable, committed or assigned funds.

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

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

Cash and investments held by trustee at June 30, 2016, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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 debt issued 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Revenues not available to pay current-period expenditures are deferred inflows in the funds.	\$ 529
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.	<u>(1,355,000)</u>
Net adjustment to reduce total fund balance to arrive at net position.	(1,354,471)
Total Fund Balance	<u>41,852</u>
Total Net Position	<u>\$ (1,312,619)</u>

B. Amounts reported in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	\$ (3,020)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.	<u>175,000</u>
Net adjustments to reconcile net changes in fund balance to change in net position.	171,980
Net change in Fund Balance	<u>7,138</u>
Change in Net Position	<u>\$ 179,118</u>

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – The June 30, 2016, the carrying amount of the Districts deposits and bank balance were \$233,045.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned. As of June 30, 2016, the District had no deposits that were exposed to custodial credit risk.

2. Restricted Assets

Restricted assets at June 30, 2016, as follows:

Restricted for:	
Debt Service Fund	\$ 233,045

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2016, were as follows:

<u>Year</u>	<u>Debt Service Fund</u>
2015/16	\$ 4,226

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

At the end of the current fiscal year, unavailable revenue reported in the governmental funds was as follows:

	Unavailable
Delinquent Property Taxes Receivable (Debt Service Fund)	\$ 529

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified lands. General obligation bonds have been issued for governmental activities only. The bonds are not callable with interest payable semiannually. Bonds payable at June 30, 2016, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
2012 Via Linda Refunding Bonds due in annual installments of \$135,000 to \$210,000 beginning July 15, 2013 through July 15, 2023. Original issue amount \$2,000,000.	2.6	\$ 1,355,000

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, the City Council has adopted a formal policy that CFD debt will be permitted only when the ratio of the full cash value of the District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's net secondary assessed valuation.

Changes in Long-term Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,530,000	\$ -	\$ (175,000)	\$ 1,355,000	\$ 180,000

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 180,000	\$ 35,230
2018	185,000	30,550
2019	190,000	25,740
2020	190,000	20,800
2021	195,000	15,860
2022-2023	415,000	16,250
Total	<u>\$ 1,355,000</u>	<u>\$ 144,430</u>

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for \$1,000,000 per occurrence and \$2,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund**

For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 9,800	\$ 9,482	\$ (318)
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	9,800	9,482	318
Excess of Revenues Over Expenditures	-	-	-
Fund Balance, Beginning of Year	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -

Supplementary Information

**Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Debt Service Fund**

For the Fiscal Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	\$ 218,283	\$ 222,368	\$ 4,085
EXPENDITURES			
Debt Service			
Principal Retirement	175,000	175,000	-
Interest and Fiscal Charges	42,980	40,230	2,750
Total Expenditures	217,980	215,230	2,750
Excess of Revenues Over Expenditures	303	7,138	6,835
Fund Balance, Beginning of Year	18,680	34,714	16,034
Fund Balance, End of Year	\$ 18,983	\$ 41,852	\$ 22,869