



**Eastmark Community Facilities District**

(A Component Unit of the City of Mesa, Arizona)

Annual Financial Report

Fiscal Year Ended June 30, 2017

**EASTMARK COMMUNITY FACILITIES DISTRICT  
(A COMPONENT UNIT OF THE CITY OF MESA, ARIZONA)**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

# Eastmark Community Facilities District

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Eastmark Community Facilities District  
Mesa, Arizona

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eastmark Community Facilities District (District), a component unit of the City of Mesa, Arizona, as of and for the year ended June 30, 2017, 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.

### ***Auditors' 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 auditors' 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 District'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 District'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 Eastmark Community Facilities District as of June 30, 2017, 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 on the General Fund, 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 Eastmark Community Facilities District's basic financial statements. The bond continuing disclosure schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The bond continuing disclosure schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Board of Directors  
Eastmark Community Facilities District

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2018, on our consideration of the City'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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
January 2, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Eastmark Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is a component unit of the City of Mesa, Arizona.

Formed in 2012, 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 Mesa, 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 Mesa City Council also serves as the District Board of Directors.

### Financial Highlights

- Special Assessment collections for the year ended June 30, 2017 totaled \$946,548.
- District assessment collections were sufficient to pay debt service during the fiscal year 2016/17.
- District tax levies for fiscal year 2017 were \$4.15 per \$100 assessed valuation.
- As of June 30, 2017, the District's governmental funds reported combined ending fund balances of \$955,309. Of this amount, \$932,647 is in the Debt Service Fund and \$22,662 in the General Fund.
- Governmental fund balances increased by \$98,479 during the fiscal year.
- The District's total long-term debt decreased by \$143,000 in the fiscal year primarily due to debt service payments made during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis introduces the District's basic financial statements. The District's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the basic financial statements.

### 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 reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator 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.

### **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. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the District's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is also provided.

The District maintains three governmental funds: General Fund, Debt Service Fund and Capital Projects Fund. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund.

The District adopts an annual budget for its General Fund revenues and expenditures. The supplementary budgetary schedule has 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.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as useful indicators of a government's financial position. The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$8,449,995) (net position). 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, 2017 and 2016

ASSETS	2017	2016
Current and Other Assets	\$ 11,792,340	\$ 11,489,188
Total Assets	11,792,340	11,489,188
<b>LIABILITIES</b>		
Long-term Liabilities	19,166,488	19,309,351
Other Liabilities	1,075,847	1,028,229
Total Liabilities	20,242,335	20,337,580
<b>NET POSITION</b>		
Restricted for Debt Service	10,693,831	10,439,076
Unrestricted	(19,143,826)	(19,287,468)
Total Net Position	\$ (8,449,995)	\$ (8,848,392)

The District's total net position increased by \$398,397 during the fiscal year. The increase in Net Position is primarily due to special assessments issued during the fiscal year to cover future debt service costs, as described below.

### Changes in Net Position

For the Fiscal years Ended June 30, 2017 and 2016

REVENUES	2017	2016
Property Taxes	\$ 884,670	\$ 729,543
Special Assessments	946,548	2,458,600
Contribution	69,285	300,928
Investment Income	2,112	1,100
Total Revenues	<u>1,902,615</u>	<u>3,490,171</u>
EXPENSES		
Capital Projects donated to City	344,330	8,211,045
General Government	89,216	81,082
Interest on Long-Term Debt and Amortization	913,822	832,513
Bond Issuance Costs	156,850	625,576
Total Expenses	<u>1,504,218</u>	<u>9,750,216</u>
Change in Net Position	398,397	(6,260,045)
Net Position, Beginning of Year	<u>(8,848,392)</u>	<u>(2,588,347)</u>
Total Net Position	<u>\$ (8,449,995)</u>	<u>\$ (8,848,392)</u>

Revenues include special assessments for new Special Assessment Districts (SADs). Special assessments will fluctuate based on the dollar value of improvements created in each new SAD. Fiscal year 2016 included the initial assessment to cover SAD 4 and SAD 5 Assessment Bonds issued in November, 2015 and March, 2016 respectively. Fiscal year 2017 includes the initial assessment to cover SAD 6 Assessment Bonds issued in March, 2017.

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 2016/17, the District's governmental funds reported combined ending fund balances of \$955,309, an increase of \$98,479 in comparison with the prior year.

During fiscal year 2016/17, the District issued Special Assessment Revenue bonds for \$502,000 and expended most of these proceeds on capital expenditures. Developer contributions were received to offset the costs of issuance and to fund the increased requirement in the debt service reserve balance.

Governmental revenues totaled \$1,745,560 in the fiscal year ended June 30, 2017, of which \$789,493 were assessments.

**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 (or deposited to be used) to acquire or construct parks, paths, trails, athletic fields, and related infrastructure.

Since the formation, the District has issued \$10,553,000 in special assessment bonds and \$10,050,000 in general obligation bonds.

At the time of issue, District special assessment and general obligation bonds have a 25-year term. 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.

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.

<b>Outstanding Debt</b>		
<b>June 20, 2017 and 2016</b>		
	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 9,450,000	\$ 9,700,000
Special Assessment Bonds	<u>9,722,000</u>	<u>9,615,000</u>
Total Debt	<u>\$ 19,172,000</u>	<u>\$ 19,315,000</u>

The District’s total long-term debt decreased by \$143,000 during the current fiscal year primarily due to debt service payments during the fiscal year.

**Next Year’s Budget and Rates**

The fiscal year 2017/18 District budget includes a \$4.15 tax rate per \$100 of assessed value. This is the same as the rate used in the fiscal year 2016/17 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 City of Mesa, Accounting Division at 20 E Main St, Suite 350, Mesa, AZ 85201.

# **Basic Financial Statements**

**EASTMARK COMMUNITY FACILITIES DISTRICT**

**Statement of Net Position**

June 30, 2017

**Assets**

Pooled Cash and Investments	\$	92,272
Accounts Receivable		302
Accrued Interest Receivable		104
Restricted Assets:		
Pooled Cash and Investments		932,029
Cash with Fiscal Agent		999,808
Accounts Receivable		9,766,867
Accrued Interest Receivable		958
<b>Total Assets</b>		<u>11,792,340</u>

**Liabilities**

Accounts Payable		271
Accrued Interest Payable		6,023
Unearned Revenue		69,745
Matured Bonds Payable		547,000
Bond Interest Payable		452,808
Noncurrent Liabilities:		
Due within One Year		525,000
Due in More than One Year		18,641,488
<b>Total Liabilities</b>		<u>20,242,335</u>

**Net Position**

Restricted for Debt Service		10,693,831
Unrestricted		<u>(19,143,826)</u>
<b>Total Net Position</b>		<u>\$ (8,449,995)</u>

The accompanying notes are an integral part of the financial statements.

**EASTMARK COMMUNITY FACILITIES DISTRICT**

**Statement of Activities**

For the Fiscal Year Ended June 30, 2017

<b>Revenues</b>	
Property Taxes	\$ 884,670
Special Assessments	946,548
Contribution	69,285
Investment Income	2,112
<b>Total Revenues</b>	<u>1,902,615</u>
<b>Expenses</b>	
Capital Outlay	344,330
General Government	87,716
Service Charges	1,500
Bond Interest and Amortization	913,822
Bond Issuance Costs	156,850
<b>Total Expenses</b>	<u>1,504,218</u>
<b>Change in Net Position</b>	398,397
<b>Net Position, Beginning</b>	<u>(8,848,392)</u>
<b>Net Position, Ending</b>	<u>\$ (8,449,995)</u>

The accompanying notes are an integral part of the financial statements.

**EASTMARK COMMUNITY FACILITIES DISTRICT**

**Governmental Funds Balance Sheet**

June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
<b>Balance Sheet</b>				
<b>Assets</b>				
Pooled Cash and Investments	\$ 92,272	\$ -	\$ -	\$ 92,272
Accounts Receivable	302	-	-	302
Accrued Interest	104	-	-	104
Restricted Assets:				
Pooled Cash and Investments	-	-	932,029	932,029
Cash with Fiscal Agent	-	-	999,808	999,808
Accounts Receivable	-	-	9,766,867	9,766,867
Accrued Interest	-	-	958	958
<b>Total Assets</b>	<u>\$ 92,678</u>	<u>\$ -</u>	<u>\$ 11,699,662</u>	<u>\$ 11,792,340</u>
<b>Liabilities</b>				
Accounts payable	\$ 271	\$ -	\$ -	\$ 271
Unearned Revenue	69,745	-	-	69,745
Accrued Interest Payable	-	-	6,023	6,023
Matured Bond Payable	-	-	547,000	547,000
Bond Interest Payable	-	-	452,808	452,808
<b>Total Liabilities</b>	<u>70,016</u>	<u>-</u>	<u>1,005,831</u>	<u>1,075,847</u>
<b>Deferred Inflow of Resources</b>				
Unavailable Revenue	-	-	9,761,184	9,761,184
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>9,761,184</u>	<u>9,761,184</u>
<b>Fund Balances</b>				
Restricted Fund Balance	-	-	932,647	932,647
Unassigned Fund Balance	22,662	-	-	22,662
<b>Total Fund Balances</b>	<u>22,662</u>	<u>-</u>	<u>932,647</u>	<u>955,309</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 92,678</u>	<u>\$ -</u>	<u>\$ 11,699,662</u>	<u>\$ 11,792,340</u>

The accompanying notes are an integral part of the financial statements.



**EASTMARK COMMUNITY FACILITIES DISTRICT**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**

June 30, 2017

Fund Balances - total governmental funds \$ 955,309

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 not reported in the governmental funds. (19,166,488)

Unavailable revenue for special assessments is shown on the governmental funds, but is recognized as revenue on the statement of net position. 9,761,184

Net position of the governmental activities - statement of net position \$ (8,449,995)

The accompanying notes are an integral part of the financial statements.

**EASTMARK COMMUNITY FACILITIES DISTRICT**

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

For the Fiscal Year Ended June 30, 2017

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Property Taxes	\$ 63,986	\$ -	\$ 820,684	\$ 884,670
Special Assessments	-	-	789,493	789,493
Contribution	24,305	44,980	-	69,285
Investment Income	204	-	1,908	2,112
<b>Total Revenues</b>	<u>88,495</u>	<u>44,980</u>	<u>1,612,085</u>	<u>1,745,560</u>
<b>EXPENDITURES</b>				
Capital Outlay	-	344,330	-	344,330
General Government	87,716	-	-	87,716
Bond Principal	-	-	645,000	645,000
Bond Interest	-	-	913,685	913,685
Bank Charges	-	-	1,500	1,500
Bond Issuance Costs	-	156,850	-	156,850
<b>Total Expenditures/Expenses</b>	<u>87,716</u>	<u>501,180</u>	<u>1,560,185</u>	<u>2,149,081</u>
<b>Excess(Deficiency) of Revenues Over (Under) Expenditures</b>	<u>779</u>	<u>(456,200)</u>	<u>51,900</u>	<u>(403,521)</u>
<b>Other Financing Sources (Uses)</b>				
Bond Proceeds	-	464,350	37,650	502,000
Net Transfers In (Out)	-	(8,150)	8,150	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>456,200</u>	<u>45,800</u>	<u>502,000</u>
<b>Net Change in Fund Balances</b>	779	-	97,700	98,479
<b>Fund Balances - Beginning</b>	<u>21,883</u>	<u>-</u>	<u>834,947</u>	<u>856,830</u>
<b>Fund Balances - Ending</b>	<u>\$ 22,662</u>	<u>\$ -</u>	<u>\$ 932,647</u>	<u>\$ 955,309</u>

The accompanying notes are an integral part of the financial statements.

**EASTMARK 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 Fiscal Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 98,479
Amounts reported for governmental activities in the statement of activities are different because:	
Unavailable revenue for special assessments is shown on the governmental funds, but is recognized as revenue on the statement of net position.	502,000
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	(344,945)
The issuance of long-term debt (e.g., bonds ) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position.	<u>142,863</u>
Change in net position of the governmental activities - statement of activities	<u><u>\$ 398,397</u></u>

The accompanying notes are an integral part of the financial statements.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Eastmark Community Facilities District (District), a component unit of the City of Mesa, 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 Eastmark Community Facilities District was formed in 2012 by petition to the City of Mesa City Council. 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 Eastmark 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 activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, special assessments 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.

The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **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.

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 60 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.

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.

Special Assessments are recognized as revenue only to the extent that the individual installments are considered current assets. Annual installments not currently receivable are reflected as deferred inflows of resources.

#### **D. Fund Accounting**

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the fund financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds.

The District reports the following governmental funds, all of which are considered major:

- 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 *Capital Projects Fund* accounts for resources to be used for acquiring and improving public infrastructure.

#### **E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets, liabilities and net position, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual

results could differ from those estimates.

#### **F. Cash and Investments**

The District participates in the City's investment pool that is available for use by all City funds. The District's pool is reported on the financial statements as "pooled cash and investments". A single master custodian holds all assets of the investment pool. The District's portion of the pool is not identified within specific investments.

The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's investments are stated at fair value. Fair value is based on quoted market prices as of the valuation date.

#### **G. Restricted Assets**

Cash and investments held by the District's trustee are classified as restricted assets because their use is limited by applicable bond covenants.

#### **H. Capital Assets**

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

#### **I. 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.

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.

#### **J. Deferred Inflows**

In addition to liabilities, the fund financial statements include a section for deferred inflows of resources. This represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for this category, which arises only under the modified accrual basis of accounting, unavailable revenue. These amounts are recognized as an inflow of resources in

the period that the amounts become available.

#### **K. Fund Balance/Net Position**

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaid expenses, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained from 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 Mesa 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 fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. 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. Currently the District does not have any nonspendable, assigned or committed funds.

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

#### **L. Budgetary Information**

The District adopts an annual operating budget for expenditures for the General 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.

#### **M. Deficit Net Position**

As described in Note A, 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.

### **NOTE 2 – POOLED CASH AND INVESTMENTS**

**Deposits** – The District had no deposits at June 30, 2017.

**Pooled Cash and Investments** – At June 30, 2017, the District's total pooled cash and investments are as follows:

	<b>Fair Value</b>
Investments in Local Govt Invest Pool	\$ 1,024,301
Cash with Fiscal Agent (1)	999,808
Total City Pooled Cash and Investments	<u>\$ 2,024,109</u>

(1) Represents cash sent by the District to fiscal agent on June 30, 2017 for debt service payments due to bondholders on July 1 and July 15, 2017.

The District participates in the City's internal investment pool that is available for use by all City funds. The City's investment pool is not an SEC registered investment company, and there is no regulatory oversight of its operations. The pool's structure does not provide for shares, and the City has not provided, nor obtained, any legally binding guarantees to support the value of participant's investments. The City allocates interest earnings to each participating fund. The City's investments are valued at fair value; however, the District's investments are not identified with specific shares. The District does not have a separate investment policy and follows the City's policies.

#### *Credit Risk*

The City's investment policy limits its purchase of investments to the top ratings issued by nationally recognized statistical ratings organizations such as Standard & Poor's "S&P" and Moody's Investors Service "Moody's". The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government Agency; Securities which are rated Aaa by Moody's and AA+ by S&P. The City's portfolio also invests in Corporate Notes rated "A" or better by Standard & Poor's. City of Mesa participates in the State Treasurer's Investment Pool which is overseen according to Arizona State Statute by the State Board of Deposit. The City of Mesa participates in State Treasurer Investment Pools 7 and 700. Pool 7 is a short-term fund and Pool 700 is a medium-term fund; both funds invest only in products backed by the full faith and credit of the United States Government. The Pools carried weighted average credit ratings of AAA.

#### *Custodial Risk*

Cash deposits are subject to custodial risk. Custodial risk is the risk that in the event of bank failure, the city's deposits may not be returned. To mitigate this risk, on July 1, 2014 Arizona House Bill 2619 (35-1201 et. seq.) went into effect establishing a pooled collateral program for public deposits and creating a Statewide Collateral Pool Administrator (the "Administrator") in the State Treasurer's Office. The purpose of this Bill is to ensure that public deposits of governmental entities placed with participating banks are backed with collateral of 102% of the amount on deposit less applicable FDIC Deposit Insurance. The Administrator will monitor, audit and report on each bank's compliance. Collateral under this program is pledged in the



name of the Administrator and the City’s current bank is a participant in this program. The City’s cash balances on deposit as of June 30, 2017 are covered under House Bill 2619.

*Interest Rate Risk*

The City’s investment policy for limiting its exposure from rising interest rates complies with Arizona Revised Statute §35-323, which limits investments of public monies to maturities of less than five years.

**NOTE 3 – ACCOUNTS RECEIVABLE**

The Maricopa County Treasurer (County) is responsible for collecting property taxes and special assessments for all governmental entities within the County. The County levies property taxes due to the District. In addition, the District provides the County with the special assessments to be billed. These taxes and assessments are billed to the property owners by the County in September. Two equal installments, payable in October and March, become delinquent after the first business days in November and May.

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 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

Special Assessments are recognized as revenue only to the extent that the individual installments are considered current assets. Annual installments not currently receivable are reflected as deferred inflow of resources.

Accounts receivable consist of property taxes, special assessments and the related interest accrued. At June 30, 2017, receivables were as follows:

<b>Description</b>	<b>General Fund</b>	<b>Debt Service Fund</b>
Special Assessments receivable	\$ -	\$ 9,762,987
Property Taxes receivable	302	3,880
Interest receivable	<u>104</u>	<u>958</u>
Total receivable	<u>\$ 406</u>	<u>\$ 9,767,825</u>

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. As of June 30, 2017, unavailable revenue reported in the governmental funds was as follows:

<u>Unavailable Revenue</u>	<u>Debt Service Fund</u>
Special Assessments not yet due	<u>\$ 9,761,184</u>

**NOTE 4 – INTERFUND TRANSFERS**

Transfers from the Capital Projects Fund to the Debt Service Fund include bond proceeds that were not needed for debt issuance costs. The following inter-fund transfers are reflected in the fund financial statements for the year ended June 30, 2017:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Capital Project Fund	\$ 8,150	\$ -
Debt Service Fund	-	8,150
Total	<u>\$ 8,150</u>	<u>\$ 8,150</u>

**NOTE 5 – OBLIGATIONS UNDER LONG-TERM DEBT**

The District issues bonds to provide funds to acquire and improve public infrastructure in specified lands. Bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually. Bonds payable at June 30, 2017, consisted of the outstanding bonds presented below:

**Community Facilities District**

<p>\$2,712,000 2013 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 1 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$62,000 to \$95,000, plus semi-annual interest ranging from 4.6 percent to 5.3 percent through July 1, 2038.</p>	\$ 2,346,000
<p>\$3,367,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 2 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$85,000 to \$225,000, plus semi-annual interest ranging from 2 percent to 4.375 percent through July 1, 2039.</p>	3,058,000

\$1,942,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 3 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$52,000 to \$135,000, plus semi-annual interest ranging from 2.3 percent to 5.2 percent through July 1, 2039.	1,875,000
\$3,250,000 2014 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$65,000 to \$225,000, plus semi-annual interest ranging from 4.8 percent to 5 percent through July 15, 2038.	3,020,000
\$6,800,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, due in annual principal installments ranging from \$165,000 to \$680,000, plus semi-annual interest ranging from 4 percent to 5 percent through July 15, 2039.	6,430,000
\$970,000 2015 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 4 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$17,000 to \$65,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 1, 2040.	914,000
\$1,060,000 2016 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 5 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$30,000 to \$70,000, plus semi-annual interest ranging from 1.85 percent to 4.75 percent through July 1, 2040.	1,027,000
\$502,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 6 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$7,000 to \$35,000, plus semi-annual interest ranging from 3.5 percent to 5.25 percent through July 1, 2041.	<u>502,000</u>
<b>Total Community Facilities District Bonds</b>	<b><u>\$ 19,172,000</u></b>

*Changes in Long-term Liabilities*

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
General Obligation Bonds	\$ 9,700,000	\$ -	\$ (250,000)	\$ 9,450,000	\$ 260,000
Special Assessment Bonds	9,615,000	502,000	(395,000)	9,722,000	265,000
Net Unamortized Premium (Discounts)	(5,649)	-	137	(5,512)	-
Total	<u>\$ 19,309,351</u>	<u>\$ 502,000</u>	<u>\$ (644,863)</u>	<u>\$ 19,166,488</u>	<u>\$ 525,000</u>

The following tables summarize the District’s debt service requirements to maturity for its long term bonds payable at June 30, 2017.

<b>General Obligation Bonds</b>				<b>Special Assessment Bonds</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 260,000	\$ 454,950	\$ 714,950	2018	\$ 265,000	\$ 463,929	\$ 728,929
2019	270,000	445,400	715,400	2019	276,000	450,362	726,362
2020	280,000	433,700	713,700	2020	284,000	442,254	726,254
2021	290,000	421,550	711,550	2021	299,000	432,929	731,929
2022	305,000	408,950	713,950	2022	314,000	422,182	736,182
2023-27	1,730,000	1,833,100	3,563,100	2023-27	1,776,000	1,908,139	3,684,139
2028-32	2,195,000	1,370,500	3,565,500	2028-32	2,224,630	1,457,941	3,682,571
2033-37	2,795,000	764,250	3,559,250	2033-37	2,889,863	827,191	3,717,054
2038-41	1,325,000	100,250	1,425,250	2038-41	1,393,507	120,954	1,514,461
<b>TOTALS</b>	<b>\$ 9,450,000</b>	<b>\$ 6,232,650</b>	<b>\$15,682,650</b>	<b>TOTALS</b>	<b>\$ 9,722,000</b>	<b>\$ 6,525,881</b>	<b>\$ 16,247,881</b>

**NOTE 4 – SUBSEQUENT EVENTS**

On October 12, 2017, the Eastmark Community Facility District issued 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$8,160,000. These bonds are due in annual principal installments ranging from \$215,000 to \$510,000, plus semi-annual interest ranging from 2 percent to 5 percent through July 15, 2042.

On December 7, 2017, the Eastmark Community Facility District issued 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 7 Special Assessment Bonds in the amount of \$1,326,500. These bonds are due in annual principal installments ranging from \$36,500 to \$389,000, plus semi-annual interest ranging from 2% percent to 4.5% percent through July 1, 2042.

## **Required Supplementary Information**

**Eastmark Community Facilities District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
For the Fiscal Year Ended June 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 60,842	\$ 63,986	\$ 3,144
Reimbursements - Developer	97,675	24,305	(73,370)
Investment Income	-	204	204
Total Revenues	<u>158,517</u>	<u>88,495</u>	<u>(70,022)</u>
Expenditures			
General Government	<u>158,517</u>	<u>87,716</u>	<u>70,801</u>
Total Expenditures	<u>158,517</u>	<u>87,716</u>	<u>70,801</u>
Excess of Revenues Over Expenditures	-	779	779
Other Financing Uses: Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	779	779
Fund Balance, Beginning of Year	<u>-</u>	<u>21,883</u>	<u>21,883</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 22,662</u>	<u>\$ 22,662</u>

## **Other Information**

Eastmark Community Facilities District  
 Continuing Disclosures  
 For the Fiscal Year Ended June 30, 2017  
 (unaudited)

Bond covenants require disclosure of certain financial information that is not required for financial statement presentation. These are the required continuing disclosures for the District for the fiscal year ended June 30, 2017.

The estimated Net Full Cash Value of the District was \$270,676,896. The Net Assessed Secondary Value was \$21,328,284.

The District's Net Assessed Limited Property Values by Property Classification is as follows:

<b>Legal Class</b>	<b>Description</b>	<b>2016/17 Net Assessed Secondary Value</b>	<b>2016/17 percent of Total</b>
1	Commercial, Industrial, Utilities & Mines	\$ 335,913	1.57%
2	Agricultural & Vacant	7,682,758	36.02%
3	Residential (Owner Occupied)	11,422,157	53.55%
4	Residential (Rental Occupied)	1,887,456	8.85%
<b>Total</b>		<b>\$ 21,328,284</b>	<b>100.00%</b>

**Net Assessed Property Values of Major Taxpayers**

<b>Taxpayer</b>	<b>2016/17 Net Assessed Secondary Value</b>	<b>As Percent of District's 2016/17 Net Assessed Secondary Value</b>
Maracay 91 LLC	\$ 1,294,173	6.07%
Meritage Homes of Arizona Inc.	1,099,867	5.16%
DMB Mesa Proving Grounds LLC	852,069	4.00%
Mattamy Arizona LLC	723,800	3.39%
Jen Arizona 4 LLC	542,786	2.54%
AVH EM LLC	496,397	2.33%
Calatlantic Homes of Arizona Inc	426,580	2.00%
Taylor Morrison/Arizona Inc	370,868	1.74%
Shea homes Limited Partnership	362,522	1.70%
Woodside Homes Sales AZ LLC	326,754	1.53%
<b>Total</b>	<b>\$ 6,495,816</b>	<b>30.5%</b>



**Record of Real and Secured Property Taxes Levied and Collected**

Fiscal Year	Real and Secured Personal Property Tax Levy	Collected to June 30 End of Fiscal Year (a)		Total Collections (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2016/17	\$ 705,111	\$ 703,309	99.74%	\$ 705,111	100.00%
2015/16	729,543	725,018	99.38%	729,543	100.00%
2014/15	251,762	251,366	99.84%	251,762	100.00%
2013/14	2,047	2,047	100.00%	2,047	100.00%

- (a) Reflects collections made through June 30, the end of the fiscal year, on such year’s levy. Property taxes are payable in two installments. The first installment is due on October 1 and becomes delinquent on November 1; the second installment is due on March 1 and becomes delinquent on May 1. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above but are deposited in the County’s General Fund and are not remitted to the District. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year’s taxes are paid by December 31.
- (b) Tax levy is as reported by the County Treasurer as of August of each tax year and includes adjustments made to levy amounts after the August report. The District’s tax rate includes the amount necessary for debt service as well as a \$0.30 tax rate for maintenance and operation expenses for the District.

**Tax Rate Levied within the District**

Fiscal Year	Tax Rate
2017/18 *	\$ 4.15
2016/17 *	4.15
2015/16 *	4.34
2014/15**	3.44
2013/14**	0.30

\* As calculated by Maricopa County on revised Limited Property Value

\*\* As calculated by Maricopa County on Full Cash Value

Eastmark Community Facilities District  
Continuing Disclosures  
For the Fiscal Year Ended June 30, 2017  
(unaudited)

**Overlapping General Obligation Bonded Indebtedness**

<u>Jurisdiction</u>	<u>2016/17 Net Secondary Assessed</u>	<u>General Obligation Bonded</u>	<u>Portion Applicable to the District</u>		<u>Combined Tax Rate per \$100 Assessed Valuation</u>
			<u>Percent</u>	<u>Net Debt Amount</u>	
State of Arizona	\$56,573,588,295	None	0.038%	None	\$0.0000
Maricopa County	36,198,108,538	None	0.059	None	2.2879
Maricopa County Comm College Dist	36,198,108,538	\$509,430,000	0.059	\$ 300,161	1.4651
Maricopa County Special Health Care District	36,198,108,538	73,000,000	0.059	43,012	0.3053
Eastern Valley Institute of Technology District No. 401 (EVIT)	16,070,934,119	None	0.133	None	0.0500
Queen Creek Unified School District	336,891,028	59,945,000	5.588	3,349,577	8.0465
Gilbert Unified School District No. 41	1,668,434,150	116,725,000	0.002	2,046	6.9378
City of Mesa	2,878,404,459	350,950,000	0.741	2,600,455	1.1578
The District	21,328,284	9,700,000	100.000%	9,450,000	4.1500
Total Net Direct and Overlapping General Obligation Bonded Debt				<u>\$15,745,251</u>	

**Special Assessment Districts Reserve Balances, Delinquencies and Foreclosures**

*Eastmark District 1 Special Assessment District #1*

Parcels 304-50-219 and 304-50-493 were delinquent as of June 30, 2017 in the amounts of \$131.45 and \$243.42, respectively. These amounts have subsequently been paid. There were no foreclosures. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$189,563.

*Eastmark District 1 Special Assessment District #2*

Parcel 304-32-087 was delinquent as of June 30, 2017 in the amount of \$123.33. This amount has subsequently been paid. There were no foreclosures. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$236,505.

*Eastmark District 1 Special Assessment District #3*

There were no delinquent parcels and no foreclosures as of June 30, 2017. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$144,781.

*Eastmark District 1 Special Assessment District #4*

There were no delinquent parcels and no foreclosures as of June 30, 2017. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$69,750.

Eastmark Community Facilities District  
Continuing Disclosures  
For the Fiscal Year Ended June 30, 2017  
(unaudited)

*Eastmark District 1 Special Assessment District #5*

There were no delinquent parcels and no foreclosures as of June 30, 2017. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$74,575.

*Eastmark District 1 Special Assessment District #6*

There were no delinquent parcels and no foreclosures as of June 30, 2017. The reserve balance in the Debt Service Fund as of June 30, 2017 is \$37,650.