



Eastmark Community Facilities District

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

Annual Financial Report

Fiscal Year Ended June 30, 2018

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

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

Eastmark Community Facilities District

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For the Fiscal Year ended June 30, 2018

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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, 2018, 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, 2018, 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 November 29, 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 29, 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

- The District's total revenues increased by \$2,771,265 from \$1,902,615 to \$4,673,880. The increase was due to an increase in Special Assessments revenue of \$1,980,184 and Property Tax revenue of \$606,184.
- As of June 30, 2018, the District's governmental funds reported combined ending fund balances of \$1,294,525. Of this amount, \$1,255,791 is in the Debt Service Fund and \$38,734 in the General Fund.
- The District's governmental fund balance increased by \$339,216 due to an increase in the property tax collections and bond proceeds deposited in the Debt Service reserve fund.
- The District's total long-term debt increased by \$9,640,500 in the fiscal year primarily due to several new bond issuances 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.

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 (\$16,276,768) (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, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 14,868,542	\$ 11,792,340
Total Assets	<u>14,868,542</u>	<u>11,792,340</u>
 <u>LIABILITIES</u> 		
Long-term Liabilities	29,373,920	19,166,488
Other Liabilities	1,771,390	1,075,847
Total Liabilities	<u>31,145,310</u>	<u>20,242,335</u>
 <u>NET POSITION</u> 		
Restricted for Debt Service	13,058,418	10,693,831
Unrestricted	<u>(29,335,186)</u>	<u>(19,143,826)</u>
Total Net Position	<u>\$ (16,276,768)</u>	<u>\$ (8,449,995)</u>

Changes in Net Position

For the Fiscal years Ended June 30, 2018 and 2017

REVENUES	2018	2017
Property Taxes	\$ 1,490,854	\$ 884,670
Special Assessments	2,926,732	946,548
Contribution	247,755	69,285
Investment Income	2,939	2,112
Miscellaneous Revenue	5,600	-
Total Revenues	<u>4,673,880</u>	<u>1,902,615</u>
 EXPENSES		
Capital Projects donated to City	10,355,630	344,330
General Government	97,785	89,216
Interest on Long-Term Debt and Amortization	1,177,530	913,822
Bond Issuance Costs	869,708	156,850
Total Expenses	<u>12,500,653</u>	<u>1,504,218</u>
Change in Net Position	(7,826,773)	398,397
Net Position, Beginning of Year	<u>(8,449,995)</u>	<u>(8,848,392)</u>
Total Net Position	<u>\$ (16,276,768)</u>	<u>\$ (8,449,995)</u>

The District's total net position decreased by \$7,826,773 during the fiscal year. The decrease in Net Position is primarily due to \$10,355,630 in capital project costs donated to the City. This was offset slightly by revenues of \$4,417,586 in property taxes and special assessments.

Revenues include special assessments for new Special Assessment Districts (SADs). Special Assessments increased in current year by \$1,980,184. Special assessments will fluctuate based on the dollar value of improvements created in each new SAD. Fiscal year 2017 included the initial assessment to cover SAD 6 (\$502,000). Fiscal year 2018 includes the initial assessment to cover SADs 7, 8 and 9 for a total assessment of \$2,464,500.

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.

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 \$13,017,500 in special assessment bonds and \$18,210,000 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.

Outstanding Debt

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 17,040,000	\$ 9,450,000
Special Assessment Bonds	11,772,500	9,722,000
Total Debt	<u>\$ 28,812,500</u>	<u>\$ 19,172,000</u>

The District’s total long-term debt increased by \$9,640,500 in the fiscal year primarily due to several new bond issuances during the fiscal year.

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.

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.

Fund Financial Statement Analysis

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 2017/2018, the District's governmental funds reported combined ending fund balances of \$1,294,525 an increase of \$339,216 in comparison with the prior year. The increase is due to an increase in property tax collections and bond proceeds deposited in the Debt Service reserve fund.

General Fund – General Fund revenues consist primarily of property taxes. A portion of the District's tax rate is used for the District's general government expenditures. Property tax revenues increased by \$43,787 in current year. The increase in property tax revenue contributed to the increase in the General Fund balance by \$16,072.

Capital Projects Fund – The District issued a General Obligation bond and three Special Assessment Revenue bonds for total bond proceeds of \$10,416,692. Bond proceeds were expended primarily on capital expenditures. Developer contributions were received to offset the costs of issuance.

Debt Service Fund – The Debt Service fund balance increased by \$323,144 during the fiscal year. The increase is primarily due to an increase in property tax collections and bond proceeds deposited in the Debt Service reserve fund.

Budgetary Highlights

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.

The fiscal year 2017/2018 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 2016/2017 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, 2018

Assets

Pooled Cash and Investments	\$ 107,917
Due from Other Governments	349
Accrued Interest Receivable	3,796
Restricted Assets:	
Pooled Cash and Investments	2,295,380
Cash with Fiscal Agent	644,513
Accounts Receivable	11,808,459
Due from Other Governments	8,128
Total Assets	<u>14,868,542</u>

Liabilities

Accounts Payable	44
Accrued Interest Payable	1,313
Unearned Revenue	85,113
Matured Bonds Payable	957,000
Bond Interest Payable	727,920
Noncurrent Liabilities:	
Due within One Year	812,500
Due in More than One Year	28,561,420
Total Liabilities	<u>31,145,310</u>

Net Position

Restricted for Debt Service	13,058,418
Unrestricted	(29,335,186)
Total Net Position	<u>\$ (16,276,768)</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, 2018

Revenues

Property Taxes	\$ 1,490,854
Special Assessments	2,926,732
Contribution	247,755
Investment Income	2,939
Miscellaneous Revenue	5,600
Total Revenues	<u>4,673,880</u>

Expenses

Capital Outlay	10,355,630
General Government	97,785
Bond Interest and Amortization	1,177,530
Bond Issuance Costs	869,708
Total Expenses	<u>12,500,653</u>

Change in Net Position (7,826,773)

Net Position, Beginning (8,449,995)

Net Position, Ending \$ (16,276,768)

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

EASTMARK COMMUNITY FACILITIES DISTRICT

Governmental Funds Balance Sheet

June 30, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Total
Balance Sheet				
Assets				
Pooled Cash and Investments	\$ 107,917	\$ -	\$ -	\$ 107,917
Due from Other Governments	349	-	-	349
Accrued Interest	257	-	3,539	3,796
Restricted Assets:				
Pooled Cash and Investments	-	-	2,295,380	2,295,380
Cash with Fiscal Agent	-	-	644,513	644,513
Accounts Receivable	-	-	11,808,459	11,808,459
Due from Other Governments	-	-	8,128	8,128
Total Assets	\$ 108,523	\$ -	\$ 14,760,019	\$ 14,868,542
Liabilities				
Accounts payable	\$ 44	\$ -	\$ -	\$ 44
Unearned Revenue	69,745	-	15,368	85,113
Accrued Interest Payable	-	-	1,313	1,313
Matured Bond Payable	-	-	957,000	957,000
Bond Interest Payable	-	-	727,920	727,920
Total Liabilities	69,789	-	1,701,601	1,771,390
Deferred Inflow of Resources				
Unavailable Revenue	-	-	11,802,627	11,802,627
Total Deferred Inflows of Resources	-	-	11,802,627	11,802,627
Fund Balances				
Restricted Fund Balance	-	-	1,255,791	1,255,791
Unassigned Fund Balance	38,734	-	-	38,734
Total Fund Balances	38,734	-	1,255,791	1,294,525
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 108,523	\$ -	\$ 14,760,019	\$ 14,868,542

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, 2018

Fund Balances - total governmental funds	\$ 1,294,525
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Long term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the governmental funds.</p>	(29,373,920)
<p>Unavailable revenue for special assessments is shown on the governmental funds, but is recognized as revenue on the statement of net position.</p>	<u>11,802,627</u>
Net position of the governmental activities - statement of net position	<u><u>\$ (16,276,768)</u></u>

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, 2018

	General Fund	Capital Projects Fund	Debt Service Fund	Total
REVENUES				
Property Taxes	\$ 107,773	\$ -	\$ 1,383,081	\$ 1,490,854
Special Assessments	-	-	885,289	885,289
Contribution	-	247,755	-	247,755
Investment Income	484	-	2,455	2,939
Miscellaneous Revenue	5,600	-	-	5,600
Total Revenues	<u>113,857</u>	<u>247,755</u>	<u>2,270,825</u>	<u>2,632,437</u>
EXPENDITURES				
Capital Outlay	-	10,355,630	-	10,355,630
General Government	97,785	-	-	97,785
Bond Principal	-	-	984,000	984,000
Bond Interest	-	-	1,197,235	1,197,235
Bank Charges	-	-	3,774	3,774
Bond Issuance Costs	-	869,708	-	869,708
Total Expenditures/Expenses	<u>97,785</u>	<u>11,225,338</u>	<u>2,185,009</u>	<u>13,508,132</u>
Excess(Deficiency) of Revenues Over (Under) Expenditures	<u>16,072</u>	<u>(10,977,583)</u>	<u>85,816</u>	<u>(10,875,695)</u>
Other Financing Sources (Uses)				
Bond Proceeds	-	10,416,692	207,808	10,624,500
Premium on Issuance of Bonds	-	590,411	-	590,411
Net Transfers In (Out)	-	(29,520)	29,520	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>10,977,583</u>	<u>237,328</u>	<u>11,214,911</u>
Net Change in Fund Balances	16,072	-	323,144	339,216
Fund Balances - Beginning	<u>22,662</u>	<u>-</u>	<u>932,647</u>	<u>955,309</u>
Fund Balances - Ending	<u>\$ 38,734</u>	<u>\$ -</u>	<u>\$ 1,255,791</u>	<u>\$ 1,294,525</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, 2018

Net change in fund balances - total governmental funds	\$ 339,216
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	2,041,443
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.	(9,640,500)
Governmental funds report the effect of premiums and deferred amounts related to refunding when the new debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	<u>(566,932)</u>
Change in net position of the governmental activities - statement of activities	<u><u>\$ (7,826,773)</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 principals 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 principals 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 1.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, 2018.

Pooled Cash and Investments – At June 30, 2018, the District’s total pooled cash and investments are as follows:

	<u>Fair Value</u>
Investments in Local Govt Invest Pool	\$ 2,403,297
Cash with Fiscal Agent (1)	644,513
Total District Pooled Cash and Investments	<u>\$ 3,047,810</u>

(1) Represents cash sent by the City to fiscal agents on June 30, 2018 for debt service payments due to bondholders on July 1, 2018.

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 for credit risk complies with Arizona Revised Statute §35-323. The City's portfolio is primarily invested in securities issued by the U.S. Treasury and by U.S. Government agencies that carry a minimum "A" or better rating, at the time of purchase, from Moody's or Standard & Poor's or other nationally recognized rating agency.

The City's portfolio also invests in Corporate Notes rated "A" or better by Moody's or Standard & Poor's and participates in the State Treasurer's Investment Pool (LGIP), which is overseen according to Arizona State Statute by the State Board of Investment. Within the State Treasurer's Investment Pools, the City participates in Investment Pool 7. Pool 7 is a short-term fund which invests only in products backed by the full faith and credit of the United States Government. The Pool carries a weighted average credit rating of AAA. The City also maintains short-term investments in FDIC Insured Cash Sweep Accounts held by one local bank

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, 2018 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, 2018, receivables were as follows:

<u>Description</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
Special Assessments receivable	\$ -	\$ 11,808,459
Due from Other Governments	349	8,128
Interest receivable	257	3,539
Total receivable	<u>\$ 606</u>	<u>\$ 11,820,126</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, 2018, 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>\$ 11,802,627</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, 2018:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Capital Project Fund	\$ 29,520	\$ -
Debt Service Fund	-	29,520
Total	<u>\$ 29,520</u>	<u>\$ 29,520</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. The following is a summary of changes in long-term obligations:

Changes in Long-term Liabilities

<u>Governmental Activities</u>	Beginning			Ending	Due within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
General Obligation Bonds	\$ 9,450,000	\$ 8,160,000	\$ (570,000)	\$ 17,040,000	\$ 485,000
Special Assessment Bonds	9,722,000	2,464,500	(414,000)	11,772,500	327,500
Net Unamortized Premium (Discounts)	(5,512)	590,411	(23,479)	561,420	-
Total	<u>\$ 19,166,488</u>	<u>\$ 11,214,911</u>	<u>\$ (1,007,479)</u>	<u>\$ 29,373,920</u>	<u>\$ 812,500</u>

Bonds payable at June 30, 2018, consisted of the outstanding bonds presented below:

\$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.	\$ 2,248,000
\$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 5.3 percent through July 15, 2038.	2,935,000
\$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 5.375 percent through July 1, 2039.	2,947,000
\$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.	1,819,000
\$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.	6,255,000
\$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 \$25,000 to \$65,000, plus semi-annual interest ranging from 2.4 percent to 5 percent through July 1, 2040.	816,000
\$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.	987,000
\$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.	\$ 494,000
\$8,160,000 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds, 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.	7,850,000
\$1,326,500 2017 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 7 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$36,500 to \$85,000, plus semi-annual interest ranging from 2 percent to 4.5 percent through July 1, 2042.	1,326,500
\$770,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 8 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$21,000 to \$49,000, plus semi-annual interest ranging from 2.5 percent to 4.5 percent through July 1, 2042.	767,000
\$368,000 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Assessment District No. 9 Special Assessment Revenue Bonds, due in annual principal installments ranging from \$8,000 to \$24,000, plus semi-annual interest ranging from 2.85 percent to 4.75 percent through July 1, 2042.	<u>368,000</u>

Total Community Facilities District Bonds **\$ 28,812,500**

The following tables summarize the District’s debt service requirements to maturity for its long-term bonds payable at June 30, 2018.

<u>General Obligation Bonds</u>				<u>Special Assessment Revenue Bonds</u>			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 485,000	\$ 759,550	\$ 1,244,550	2019	\$ 327,500	\$ 542,887	\$ 870,387
2020	500,000	743,550	1,243,550	2020	346,000	532,361	878,361
2021	520,000	727,000	1,247,000	2021	364,000	521,604	885,604
2022	535,000	709,800	1,244,800	2022	377,000	509,205	886,205
2023	555,000	689,700	1,244,700	2023	395,000	495,343	890,343
2024-28	3,120,000	3,103,350	6,223,350	2024-28	2,246,000	2,220,795	4,466,795
2029-33	3,885,000	2,335,850	6,220,850	2029-33	2,805,247	1,659,506	4,464,753
2034-38	4,870,000	1,356,200	6,226,200	2034-38	3,614,753	884,199	4,498,952
2039-42	2,570,000	276,500	2,846,500	2039-42	1,297,000	116,650	1,413,650
TOTALS	<u><u>\$ 17,040,000</u></u>	<u><u>\$ 10,701,500</u></u>	<u><u>\$ 27,741,500</u></u>	TOTALS	<u><u>\$ 11,772,500</u></u>	<u><u>\$ 7,482,550</u></u>	<u><u>\$ 19,255,050</u></u>

NOTE 5 – SUBSEQUENT EVENTS

On November 8, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) General Obligation Bonds in the amount of \$10,830,000. These bonds are due in annual principal installments ranging from \$240,000 to \$1,240,000, plus semi-annual interest ranging from 3.75 percent to 5 percent through July 15, 2043.

On November 15, 2018, the Eastmark Community Facility District issued 2018 Eastmark Community Facilities District No. 1 (City of Mesa, Arizona) Special Assessment District 11 Special Assessment Bonds in the amount of \$969,000. These bonds are due in annual principal installments ranging from \$24,000 to \$295,000, plus semi-annual interest ranging from 3% percent to 5% percent through July 1, 2043.

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, 2018

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Property Taxes	\$ 111,418	\$ 107,773	\$ (3,645)
Reimbursements - Developer	41,985	-	(41,985)
Investment Income	-	484	484
Miscellaneous Revenue	-	5,600	5,600
Total Revenues	<u>153,403</u>	<u>113,857</u>	<u>(39,546)</u>
Expenditures			
General Government	<u>153,403</u>	<u>97,785</u>	<u>55,618</u>
Total Expenditures	<u>153,403</u>	<u>97,785</u>	<u>55,618</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>16,072</u>	<u>16,072</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>22,662</u>	<u>22,662</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 38,734</u>	<u>\$ 38,734</u>

Other Information

Eastmark Community Facilities District
 Continuing Disclosures
 For the Fiscal Year Ended June 30, 2018
 (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, 2018.

The Districts Net Assessed Value and Estimated Net Full Cash Value comparison is as follows:

	<u>2014-15</u>		<u>2015-16</u>		<u>2016-17</u>		<u>2017-18</u>
Estimated Net Full Cash Value	\$ 54,606,797	\$	198,657,908	\$	270,676,986	\$	470,559,352
Net Assessed Value	\$ 7,997,436	\$	18,853,879	\$	21,328,284	\$	37,139,171

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

Legal Class	Description	2017/18 Net Assessed Limited Property Value	2017/18 Percent of Total
1	Commercial, Industrial, Utilities & Mines	\$ 391,011	1.05%
2	Agricultural & Vacant	10,199,773	27.46%
3	Residential (Owner Occupied)	23,429,300	63.09%
4	Residential (Rental Occupied)	3,119,087	8.40%
Total		<u>\$ 37,139,171</u>	<u>100.00%</u>

Net Assessed Property Values of Major Taxpayers:

Taxpayer	2017-18 Net Assessed Limited Property Valuation	As Percent of District's 2017-18 Net Assessed Limited Property Valuation
AVH EM LLC	\$2,344,103	6.30%
Meritage Homes of Arizona Inc.	1,785,919	4.80%
Maracay 91 LLC	998,780	2.70%
DMB Mesa Proving Grounds LLC	925,544	2.50%
Taylor Morrison/ Arizona Inc.	692,544	1.90%
CalAtlantic Homes of Arizona Inc.	665,145	1.80%
Mattamy Arizona LLC	443,128	1.20%
Shea Homes Limited Partnership	334,706	0.90%
Jen Arizona 4 LLC 274,707 0.7	274,707	0.70%
William Ryan Homes Arizona Inc.	241,460	0.70%
Total	<u>\$8,706,036</u>	<u>23.50%</u>

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 through June 30, 2018 (b)	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2017/18	\$ 1,508,198	\$ 1,506,663	99.90%	\$ 1,506,663	99.90%
2016/17	885,120	883,443	99.81%	884,963	99.98%
2015/16	819,405	727,817	88.82%	729,074	88.98%
2014/15	275,090	251,945	91.59%	251,945	91.59%
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, 2018
(unaudited)

Overlapping General Obligation Bonded Indebtedness

Jurisdiction	2017/18 Net Secondary Assessed Valuation	General Obligation Bonded Debt Outstanding	Portion Applicable to the District		Combined Tax Rate per \$100 Assessed Valuation
			Percent	Net Debt Amount	
State of Arizona	\$59,404,007,785	None	0.061%	None	0.0000
Maricopa County	38,251,891,249	None	0.950%	None	2.1334
Maricopa County Comm College Dist	38,251,891,249	\$ 445,570,000	0.950%	\$300,161	1.4096
Maricopa County Special Health Care District	38,251,891,249	73,000,000	0.950%	43,012	0.2851
East Valley Institute of Technology District No. 401 (EVIT)	16,979,449,217	None	0.214%	None	0.0500
Queen Creek Unified School District No. 95	396,986,120	55,270,000	8.913%	3,349,577	7.5680
Gilbert Unified School District No. 41	1,776,294,543	99,795,000	0.420%	2,046	6.2000
City of Mesa	3,048,893,359	374,555,000	0.012%	2,600,455	1.0968
The District	36,342,061	17,610,000	100.000%	17,040,000	4.1500
Total Net Direct and Overlapping General Obligation Bonded Debt				<u>\$ 23,335,251</u>	

Special Assessment Districts Reserve Balances, Delinquencies and Foreclosures

Eastmark District 1 Special Assessment District #1

Parcels 304-50-620 was delinquent as of June 30, 2018 in the amount of \$126.87. This amount has subsequently been paid. There were no foreclosures. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$211,723.

Eastmark District 1 Special Assessment District #2

Parcels 304-32-175 and 304-94-074 were delinquent as of June 30, 2018 in the amounts of \$122.45 and \$122.45, respectively. These amounts have subsequently been paid. There were no foreclosures. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$257,606.

Eastmark District 1 Special Assessment District #3

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$154,465.

Eastmark District 1 Special Assessment District #4

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$97,501.

Eastmark District 1 Special Assessment District #5

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$79,785.

Eastmark Community Facilities District
Continuing Disclosures
For the Fiscal Year Ended June 30, 2018
(unaudited)

Eastmark District 1 Special Assessment District #6

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$45,758.

Eastmark District 1 Special Assessment District #7

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$91,256.

Eastmark District 1 Special Assessment District #8

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$54,712.

Eastmark District 1 Special Assessment District #9

There were no delinquent parcels and no foreclosures as of June 30, 2018. The reserve balance in the Debt Service Fund as of June 30, 2018 is \$40,100.