

***Vistancia North
Community Facilities
District***
Peoria, Arizona

***Annual
Financial Report***
For Fiscal Year Ended
June 30, 2023

District Board:
Jason Beck, Chairperson
Denette Dunn, Vice-Chairperson
Jennifer Crawford
Jon Edwards
Michael Finn
Bill Patena
Brad Schafer

District Administrative Staff:
Henry Darwin, District Manager
Sean Kindell, Chief Financial Officer
Emily Jurmu, District Counsel
Agnes Goodwine, District Clerk

Prepared by City of Peoria Finance Department

VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
 Peoria, Arizona
 ANNUAL FINANCIAL REPORT
 For the Year Ended June 30, 2023

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VISTANCIA NORTH

Community Facilities District

Peoria, Arizona

March 19, 2024

Honorable Board of Directors:

The accompanying basic financial statements of the Vistancia North Community Facilities District (the District) for the year ended June 30, 2023, have been prepared for the use of the District Board, staff and other interested parties. This report includes Management's Discussion and Analysis, the basic financial statements for the District including government-wide financial statements, fund financial statements and footnotes, and supplemental budget comparison schedules for the District's funds.

This report was prepared by the Financial Services Division of the Finance Department of the City of Peoria, Arizona (the City) as finance staff for the District. It is intended as District management's report to the District Board and other interested parties.

The District is a component unit of the City of Peoria, Arizona for financial reporting. As a component unit of the City, the accompanying financial statements were included in the annual audit of the City's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2023. A copy of the City's ACFR may be obtained by contacting the City's Finance Department at 8401 West Monroe Street, Peoria, Arizona 85345. Additionally, the auditors, CliftonLarsonAllen LLP, have also expressed an opinion on the separate financial statements of the District included herein. That opinion may be found on page 1 of this financial report.

Questions about the financial statements included herein should be addressed to the City of Peoria, Finance Department at the above address.



INDEPENDENT AUDITORS' REPORT

Board of Directors
Vistancia North Community Facilities District
Peoria, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Vistancia North Community Facilities District (District), a component unit of the City of Peoria, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

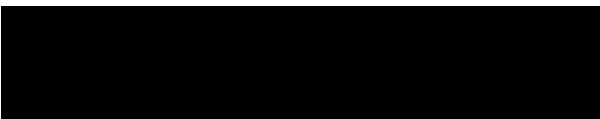
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprise the transmittal letter, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Phoenix, Arizona
March 19, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Vistancia North Community Facilities District (the District), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, and (4) identify individual fund issues or concerns.

On June 16, 2020, the District was formed by petition to the City Council of the City of Peoria, Arizona (City) pursuant to Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes. 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. Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. The District's purpose is to acquire or construct public infrastructure in a specified area of the City. City staff administers the District. The Peoria City Council also serves as the District Board of Directors. The District is one of the City of Peoria's component units for the fiscal year ended June 30, 2023.

Financial Highlights

- The fiscal year 2023 tax levy was \$0.55 per \$100 valuation.
- District tax collections were used to pay District debt service during fiscal year 2023.
- The fund balance of the District's governmental funds at June 30, 2023, was \$26,537, a decrease of \$15,842 compared to the prior year. This decrease was due mainly to the cost of liability insurance for the district. Of the total ending governmental fund balance, \$42,214 is restricted for debt service.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide Financial Statements

The *statement of net position* is designed to provide a broad overview of the District's finances in a manner similar to those used by private businesses. The statement of net position presents information on all of the District's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net position. The focus on net position is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, other indicators, including non-financial indicators should also be considered.

The *statement of activities* presents information showing how the District's net position changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest. This statement also focuses on both the gross and net costs of the various functions of the District, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

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 conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds and all are restricted, either by bond covenants or state law, as to use.

The District maintains two governmental funds, a general fund and a debt service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund.

The District adopts annual budgets for both the general fund and the debt service fund. Budgetary comparison statements and schedules are provided to demonstrate compliance with the adopted budgets.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements and should be read in conjunction with the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of June 30, 2023, the assets of the District exceed its liabilities by \$26.5 thousand (net position). The purpose of the District is to acquire or construct certain capital infrastructure, primarily water and wastewater systems, within the boundaries of the District. Once the capital infrastructure is acquired or constructed, it is turned over to the City to operate. 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 within the District are assessed property taxes to pay the debt service over the life of the bonds. The City has no liability for debt of the District. The district cannot yet generate enough property tax to pay sufficient debt service needed to issue the bonds used to finance the capital infrastructure. Therefore, the district has only issued short-term bonds used to establish the tax rate and the net position is the remaining balance from the developer's initial contribution to the District.

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the District as a whole as of and for the year ended June 30, 2023, with comparative information for the previous year.

Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the District for June 30, 2023, compared to the prior year.

	Statement of Net Position	
	As of June 30	
	(In thousands of dollars)	
	Governmental Activities	
	2023	2022
Current and other assets	\$ 47.0	\$ 58.7
Total assets	47.0	58.7
Other liabilities	20.5	16.3
Total liabilities	20.5	16.3
Net position		
Restricted	\$ 26.5	\$ 42.4

The District's current assets decreased due to the payment of debt service and liability insurance. The liabilities increased due to the issuance of short-term bonds. The net position is restricted for debt service.

Changes in Net Position

The following table compares the revenue and expenses for the current and previous fiscal year.

		Changes in Net Position For the Year Ended June 30 (In thousands of dollars)	
		Governmental Activities	
		2023	2022
REVENUES			
General revenues			
Property taxes	\$	20.1	\$ 17.1
Investment earnings		0.6	0.3
Total revenues		<u>20.7</u>	<u>17.4</u>
EXPENSES:			
Program activities:			
General government		17.5	8.9
Interest expense on debt		19.1	16.1
Total expenses		<u>36.6</u>	<u>25.0</u>
Decrease in net position	\$	<u>(15.9)</u>	<u>(7.6)</u>

General government expenses are payments for liability insurance of the District. Interest expense on debt includes the issuance costs for the short-term bonds.

The net position of the District decreased \$15.9 thousand in fiscal year 2023 compared to the prior year due to the payment for liability insurance.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District maintains fund accounting to demonstrate compliance with budgetary and legal requirements related to special purpose districts and general obligation bonds.

The focus of the governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. 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.

The fund balance of the District's combined governmental funds is \$26,537, a decrease of \$15,842 from the previous year due to liability insurance expense. The General fund has a negative fund balance and is therefore unrestricted. Of the balance of \$45,444 in the Debt Service fund, \$42,214 is restricted for debt service and \$3,230 is unspendable related to prepaid insurance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

The District was formed to finance the acquisition or construction of public infrastructure that is subsequently donated to the City for operation. The District does not own or operate infrastructure once completed. The District had no capital assets to transfer at the end of fiscal year 2023.

The District is authorized, by an election held October 13, 2020, to issue \$50 million in District general obligation bonds. As of June 30, 2023, the District has issued \$35 thousand in short term general obligation bonds against this authorization. These bonds are to be repaid through property taxes levied on the property within the District.

In the event 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.

BUDGETARY HIGHLIGHTS

The District's annual budget is the legally adopted expenditure control document of the District. The budgetary comparison statement required for the General Fund is presented with the basic financial statements. The statement compares the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. A budgetary schedule for the other governmental fund is also presented as supplemental information.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1 for more information on budget policies). Some of these amendments include transfers from contingency to cover approved carryovers from the previous budget, capital projects with budget overages (or whose timing was accelerated), and other unanticipated costs. There were no amendments to the District's budget during fiscal year 2023.

ECONOMIC FACTORS

The City of Peoria, where the District is located, has experienced a slowing in the housing market as rising interest rates and high inflation have tempered demand. The long-term outlook for Peoria continues to be very strong with the expectation that Arizona will continue to outpace the nation in growth and income related metrics.

Locally, sales tax revenues continued to grow in fiscal year 2023. The growth of 4.1% was significantly smaller than the double digit growth in the prior two fiscal years. Retail sales tax, the City's largest category, increased by 6.0% over the prior year. Both contracting and utilities sales taxes decreased from fiscal year 2022 levels reflecting the slowing in the housing market.

Although new residential construction in Peoria has seen some slowing due to inflation and higher interest rates, limited assessed valuations should continue to increase, resulting in higher tax collections in subsequent years.

The adopted fiscal year 2024 budget for the District is \$312,500. The tax rate for the District for fiscal year 2024 is \$0.76, an increase of \$0.21 from the fiscal year 2023 tax rate. The fiscal year 2024 Limited Assessed Value for the District is \$10,840,771.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the District's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the City's Finance Department at the following address: City of Peoria, 8401 W. Monroe Street, Peoria, Arizona 85345.

BASIC FINANCIAL STATEMENTS

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 43,378
Interest receivable	113
Due from other governments	266
Prepaid items	3,230
Total assets	46,987
LIABILITIES	
Accounts payable	1,500
Short-term bonds payable	18,950
Total liabilities	20,450
NET POSITION	
Restricted for:	
Debt service	26,537
Total net position	\$ 26,537

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

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Expenses	Net (Expenses) Revenues and Changes in Net Position
<u>Functions/Programs</u>		Governmental Activities
Primary government:		
Governmental activities:		
General government	\$ 17,472	\$ (17,472)
Interest on long-term debt	19,090	(19,090)
Totals	\$ 36,562	(36,562)
General revenues		
Property taxes, levied for debt service		20,075
Investment earnings		645
Total general revenues		20,720
Change in net position		(15,842)
Net position - beginning		42,379
Net position - ending		\$ 26,537

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

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General Fund	Debt Service Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 1,543	\$ 41,835	\$ 43,378
Interest receivable	-	113	113
Due from other governments	-	266	266
Prepaid items	-	3,230	3,230
Total assets	<u>\$ 1,543</u>	<u>\$ 45,444</u>	<u>\$ 46,987</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,500	\$ -	\$ 1,500
Short-term bonds payable	18,950	-	18,950
Total liabilities	<u>20,450</u>	<u>-</u>	<u>20,450</u>
Fund balances:			
Unspendable:			
Prepaid items	-	3,230	3,230
Restricted for:			
Debt service	-	42,214	42,214
Unassigned	(18,907)	-	(18,907)
Total fund balance	<u>(18,907)</u>	<u>45,444</u>	<u>26,537</u>
Total fund balance and liabilities	<u>\$ 1,543</u>	<u>\$ 45,444</u>	<u>\$ 46,987</u>

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

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2023**

Fund balances - total governmental funds	\$ 26,537
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Amounts reported for governmental activities in the statement of net position are the same as those reported in the balance sheet because the District has no capital assets and has only issued short-term bonds.

Net position of governmental activities	<u>\$ 26,537</u>
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The accompanying notes are an integral part of the financial statements.

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Debt Service Fund	Totals
REVENUES:			
Taxes	\$ -	\$ 20,075	\$ 20,075
Investment earnings	38	607	645
Total revenues	<u>38</u>	<u>20,682</u>	<u>20,720</u>
EXPENDITURES:			
Current:			
General government	-	17,472	17,472
Debt service:			
Interest and other charges	<u>18,950</u>	<u>140</u>	<u>19,090</u>
Total expenditures	<u>18,950</u>	<u>17,612</u>	<u>36,562</u>
Excess (deficiency) of revenues over expenditures	<u>(18,912)</u>	<u>3,070</u>	<u>(15,842)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	15,987	-	15,987
Transfers out	<u>-</u>	<u>(15,987)</u>	<u>(15,987)</u>
Total other financing sources and uses	<u>15,987</u>	<u>(15,987)</u>	<u>-</u>
Net change in fund balances	<u>(2,925)</u>	<u>(12,917)</u>	<u>(15,842)</u>
Fund balances - beginning	(15,982)	58,361	42,379
Fund balances - ending	<u>\$ (18,907)</u>	<u>\$ 45,444</u>	<u>\$ 26,537</u>

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

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net change in fund balances - total governmental funds \$ (15,842)

Amounts reported for governmental activities in the statement of activities are the same as those reported in the statement of revenues, expenditures and changes in fund balances of governmental funds because all activity to date has been short-term.

Change in net position of governmental activities \$ (15,842)

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

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment earnings	\$ -	\$ -	\$ 38	\$ 38
Total revenues	<u>-</u>	<u>-</u>	<u>38</u>	<u>38</u>
EXPENDITURES:				
Debt service:				
Principal payments	-	-	15,987	15,987
Interest and other charges	75,000	75,000	18,950	(56,050)
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>34,937</u>	<u>(40,063)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(34,899)</u>	<u>40,101</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	75,000	75,000	18,950	(56,050)
Transfers in			15,987	15,987
Total other financing sources and uses	<u>75,000</u>	<u>75,000</u>	<u>34,937</u>	<u>(40,063)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>38</u>	<u>38</u>
Fund balances - beginning	-	-	5	5
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 43</u>

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule	\$ 38
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 38</u>

Expenditures:

Actual amounts (budgetary basis) "Total expenditures" from the budgetary comparison schedule	\$ 34,937
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(15,987)
Total expenditures as reported in the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 18,950</u>

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

VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
PEORIA, ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

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VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Vistancia North Community Facilities District, a component unit of the City of Peoria, Arizona (City), have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City’s more significant policies, as applicable to the District, follows.

A. Financial Reporting Entity

The Vistancia North Community Facilities District (the District) was formed by petition to the City Council in 2020. The District’s purpose is to acquire or construct public infrastructure in a specified area of the City. 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 the District’s property taxes, and thus for the costs of operating the District. The City Council serves as the Board of Directors of the District. The City has no liability for the District’s debt. For financial reporting purposes, the transactions of the District are included as governmental type funds in the City’s financial statements as if they were part of the City’s operations.

B. Basis of Presentation – Government-wide Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report financial information on all of the activities of the District. All of the activities of the District are governmental activities.

Governmental activities for the District are normally supported by taxes and developer contributions.

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

The District does not currently employ an indirect cost allocation system. The City’s General Fund and certain other funds charge administrative service fees to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration). These administrative fees are eliminated from the City’s financial statements at both the government-wide and fund level like a reimbursement, by reducing revenues and expenditures/expenses in the allocating fund. Currently, the City does not charge any of these fees to the District.

Governmental Funds

Separate financial statements are provided for governmental funds (general fund and debt service funds). Major individual funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund accounts for the proceeds from the sales of Community Facilities District bonds and the acquisition of capital assets or construction of major capital projects within the District.

Debt Service Fund accounts for the resources accumulated for, and the servicing of the general long-term debt of the District, including principal, interest and other related costs.

VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are earned and available to pay liabilities of the current period (generally these revenues are earned by June 30 and are expected to be collected within six months after year-end, except for property taxes). For property taxes, the District uses a 60 day collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to debt service, claims and judgments, which are recorded only when payment is due.

Changes in fair value of investments are recognized in investment income at the end of the year. All other revenue items are considered to be measurable and available only when the District receives cash.

Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund balance sheets, amounts reported as restricted fund balances in governmental funds may be different from amounts reported as restricted net position in the statement of net position. Generally, the District would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Generally, the effect of the interfund activity has been removed from these statements.

D. Budgets and Budgetary Accounting

The District prepares its annual budget on a basis consistent with generally accepted accounting principles. The District uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- According to the laws of the State of Arizona, all operating budgets must be approved by their governing board on or before October 1 each year.
- Prior to June 30, the proposed budget for the following fiscal year is presented by the District Treasurer to the District Board. The budget includes proposed expenditures and the means of financing them. Public meetings are held to obtain taxpayer comment.
- Prior to June 30, the District Board legally enacts the budget, through the passage of a resolution. The resolution sets the limit for expenditures for the year. There were no supplemental appropriations made during fiscal year 2019.
- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- All unencumbered expenditure appropriations expire at the end of the fiscal year.
- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary. Budgetary carry forwards are approved by the District Board.
- All funds of the District have legally adopted budgets. Formal integration of these budgets into the District's financial systems is employed as a management control device during the year for all funds.

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PEORIA, ARIZONA
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E. Deposits and Investments

Cash Equivalents

The District considers short-term investments, including restricted investments, money market mutual funds and U.S. Treasury bills and notes with maturities of less than three months at acquisition date to be cash equivalents.

The City's Investment Policy applies to the District funds held by the City. The City's Investment Policy authorizes the District to invest in obligations of the U.S. Government or any of its agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper, money market funds, repurchase agreements, corporate securities, the State of Arizona local government investment pool and State of Arizona debt including counties, incorporated cities, towns or duly organized school districts. As required by statute, collateral is required for demand deposits, certificates of deposit and repurchase agreements at 102% of all deposits not covered by Federal depository insurance.

The City generally reports investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. The fair value of participants' position in the Local Government Investment Pool approximates the value of the pool shares. Other non-pooled investments are also generally carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the funds' current share price.

The District's deposits at June 30, 2023, were collateralized with securities held by the pledging financial institution's trust department in the District's name.

F. 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 effective interest 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 in the period in which the bonds are issued. 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.

The long-term debt of the District is serviced by the District's Debt Service Fund.

G. Net Position

In the government-wide fund financial statements, net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. The net investment in capital assets balances are separately reported because capital assets make up a significant portion of net position. Restricted balances account for the portion of net position restricted by external resource providers or through enabling legislation. Unrestricted balances are the remaining balances not included in the previous two categories. The District reports only restricted net position and no unrestricted net position or net investment in capital assets.

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PEORIA, ARIZONA
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H. Fund Balance Policies

In the fund financial statements, governmental funds distinguish between nonspendable and spendable fund balances. Nonspendable balances include amounts that cannot be spent because they are not in a spendable form, such as inventory or prepaid items, or because resources legally or contractually must remain intact. Spendable balances are further classified as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amount can be spent.

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by external resource providers (creditors, grantors, etc.) or through enabling legislation.

Committed fund balances includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Such commitments are created by legislative action of the District Board, the District's highest level of decision making authority, by resolution or ordinance and would require the same legislative action to reverse. Ordinances and resolutions both require public votes of the District and, although the uses may differ, they are both considered to be of the highest level of decision making authority for the District.

Amounts in the *assigned* fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balances represent the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

As previously noted above, generally, the District would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The order in which the District would apply resources when multiple categories of unrestricted fund balance are available is as follows: committed, assigned and unassigned.

I. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. For general liability, the District is insured up to an aggregate of \$3,000,000 and \$1,000,000 per occurrence. The District is also insured up to \$3,000,000 aggregate for professional liability and \$2,000,000 aggregate for excess liability.

Claims liabilities will be reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2023, the District had no outstanding claims. Additionally, through a development agreement between the District and the developer, the developer is responsible for up to \$250,000 of any insurance deductibles that might be paid by the City on behalf of the District until such time that the developer's contractual commitments under the development agreement are met.

J. Property taxes

The District Board adopts the annual tax levy each year on or before the third Monday in August based on the full cash value as determined by the Maricopa County Assessor. For locally assessed property, the value is determined as of January 1 of the preceding year, known as the valuation year. For utilities and other centrally valued properties, the full cash value is determined as of January 1 of the tax year. The District has an enforceable claim on the property when the property tax is levied. Levies are due and

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 FOR THE FISCAL YEAR ENDED JUNE 30, 2023

payable in two installments, on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16 percent. A lien is placed on the property at the time the tax bill is sold. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions for sale of delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent.

K. 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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The District participates in the pooled cash and investments of the City for daily transactions. At June 30, 2023, the District had a balance of \$43,378 in the City's pooled cash and investments.

Below are the relevant policies with regard to interest rate risk, credit risk, concentration of credit risk and custodial credit risk.

Interest rate risk: In order to limit interest and market rate risk, State law and the City's investment policy sets a maximum maturity on any investment of five years with a minimum of 20% invested for a period of one year or less. At June 30, 2023, 48.6% of the City's investments have a maturity of less than one year.

Credit risk: State law and the City's investment policy limits the purchase of Commercial Paper to prime quality securities rated within the top two ratings by a nationally recognized statistical rating organization. The City's investment policy limits the purchase of Corporate Bonds or Notes to those securities rated at least A-/A3 or equivalent at the time of purchase by a nationally recognized statistical rating organization and with a maximum maturity of three years. The City's investment policy also limits the purchase of Banker's Acceptances to those securities rated Aa or better at the time of purchase by two nationally recognized statistical rating organizations and with a maximum maturity of 180 days. At June 30, 2023, the City's investments include \$30.2 million in Commercial Paper and \$107.7 million in Corporate Notes. State law and the City's investment policy also restricts investments in certificates of deposit (CD) to fully collateralized or insured from eligible Arizona depositories limited on a statewide basis by their capital structure on a quarterly basis. Such CDs are further collateralized to 110% with pledged securities held by an independent custodian approved by the City. City policy requires that securities underlying repurchase agreements must have a collateralization level of at least 102 percent of the market value of principal and accrued interest.

<u>Investment Type</u>	<u>S&P Ratings range</u>
Agency coupon securities	A-1+ to AA+
Commercial Paper	A-1 to A-1+
Corporate Bonds	BBB+ to AA+
Asset Backed Securities	AAA
Supra National Agency Bond	AAA

The City's investment in the State of Arizona local government investment pool is limited to a pool (Pool 7) that invests only in government securities. Pool 7 is not rated.

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PEORIA, ARIZONA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Concentration of credit risk: The City's investment policy sets diversification limits on both security types and length of maturity. As of June 30, 2023, the City's investments include 50.3% in U.S. Treasury Notes, 8.4% in Money Market investments, 20.0% in Corporate securities, 7.9% in U.S. Agency Coupon securities, 5.2% in the State of Arizona local government investment pool, 5.6% in Commercial Paper, and 2.7% in Asset Backed Securities.

There were no investments in any one issuer, excluding the U.S. Government, that represent 5% or more of total City investments.

Custodial credit risk: To control custodial credit risk, State law and the City's investment policy requires all securities and collateral to be held by an independent third party custodian in the City's name. The custodian provides the City with monthly safekeeping statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments classified as Level 2 inputs are valued using a matrix pricing model. The City has the following recurring fair value measurements as of June 30, 2023:

- All U.S. Treasury securities are valued using quoted prices in active markets (Level 1)
- All agency coupon securities are valued using other observable inputs (Level 2)
- All commercial paper is valued using other observable inputs (Level 2)
- All corporate bonds are valued using other observable inputs (Level 2)
- All asset backed securities are valued using other observable inputs (Level 2)

The City's cash and investments are combined with the State's pooled investments, and therefore, do not represent specific identifiable investments. The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as described above. The City's investment in the State of Arizona's local government investment pool and the money market funds are stated at fair value, which also approximates the value of the investment upon withdrawal

3. DEFICITS IN FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District issued short-term general obligation bonds in order to maintain the property tax rate. The proceeds from the bonds were used to pay issuance costs, and the bonds did not mature until July 2023. Therefore, the General fund is showing a deficit fund equity as the liability for the bonds is reported, but the tax proceeds are held in the debt service fund.

SUPPLEMENTAL INFORMATION

**VISTANCIA NORTH COMMUNITY FACILITIES DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 20,050	\$ 20,050	\$ 20,075	\$ 25
Investment earnings	-	-	607	607
Developer contributions	288,450	288,450	-	(288,450)
Total revenues	<u>308,500</u>	<u>308,500</u>	<u>20,682</u>	<u>(287,818)</u>
EXPENDITURES:				
Current:				
General government	285,000	285,000	17,472	(267,528)
Debt service:				
Principal payments	15,988	15,988	-	(15,988)
Interest and other charges	5,012	5,012	140	(4,872)
Total expenditures	<u>306,000</u>	<u>306,000</u>	<u>17,612</u>	<u>(288,388)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,500</u>	<u>2,500</u>	<u>3,070</u>	<u>570</u>
OTHER FINANCING SOURCES (USES):				
Contingencies	(2,500)	(2,500)	-	2,500
Transfers out			(15,987)	(15,987)
Total other financing sources and uses	<u>(2,500)</u>	<u>(2,500)</u>	<u>(15,987)</u>	<u>(13,487)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(12,917)</u>	<u>(12,917)</u>
Fund balances - beginning	-	-	58,361	58,361
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,444</u>	<u>\$ 45,444</u>