

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

***Annual  
Financial Report***  
For Fiscal Year Ended  
June 30, 2008

**District Board:**  
**Bob Barrett, Chairman**  
**Vicki Hunt**  
**Ron Aames**  
**Cathy Carlat**  
**Joan Evans**  
**Carlo Leone**  
**Dave Pearson**

**District Administrative Staff:**  
**Carl Swenson, District Manager**  
**Brent D. Mattingly, District Treasurer & Chief Financial Officer**  
**Stephen M. Kemp, District Council**  
**Mary Jo Kief, District Clerk**

**Prepared by City of Peoria Finance Department**

VISTANCIA COMMUNITY FACILITIES DISTRICT  
 Peoria, Arizona  
 ANNUAL FINANCIAL REPORT  
 For the Year Ended June 30, 2008

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# Vistancia Community Facilities District

## Peoria, Arizona

October 7, 2008

Honorable Board of Directors:

The accompanying basic financial statements of the Vistancia Community Facilities District (the District) for the year ended June 30, 2008 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 Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. A copy of the City's CAFR may be obtained by contacting the City's Finance Department at 8401 West Monroe Street, Peoria, Arizona 85345. Additionally, the auditors, Heinfeld, Meech & Co., P.C., 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.

## BASIC FINANCIAL STATEMENTS



HEINFELD, MEECH & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Vistancia Community Facilities District  
City of Peoria, Arizona

We have audited the accompanying financial statements of the governmental activities and the major funds (General Fund and Debt Service Fund), of the Vistancia Community Facilities District (the "District"), a component unit of the City of Peoria, Arizona, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as listed above, of the District as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 to 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 information on page 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

October 7, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Vistancia 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, 2008. 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 October 15, 2002, 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, 2008.

### Financial Highlights

- The fiscal year 2008 tax levy was \$2.10 per \$100 valuation.
- District tax collections plus developer contributions were sufficient to pay District debt service during fiscal year 2008.
- The fund balance of the District's governmental funds at June 30, 2008 is \$26.7 million, a decrease of \$8.8 million (24.8%) from the previous year, due to the expenditure of bond proceeds on capital expenditures. Of the total ending governmental fund balance, \$7.8 million is reserved for debt service, and \$18.9 million is reserved for capital projects.

### 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 assets* 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 assets 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 assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of the 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 assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets 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 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, 2008, the liabilities of the District exceed its assets by \$36.0 million (net assets). The deficit in net assets is due to the nature of the District's operations. 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. Because the capital assets are reported in the City's financial statements, the Statement of Net Assets for the District reflects a large liability (bonds payable) without an offsetting asset.

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, 2008 with comparative information for the previous year.

## Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the District for June 30, 2008 compared to the prior year.

	Governmental Activities		
	2008	2007	% Change
Current and other assets	\$ 28.9	\$ 37.7	(23.3)%
Capital assets	1.9	-	-
Total assets	<u>30.8</u>	<u>37.7</u>	(18.3)
Other liabilities	3.7	3.7	0.0
Long-term liabilities outstanding	63.1	64.6	(2.3)
Total liabilities	<u>66.8</u>	<u>68.3</u>	(2.2)
Net assets:			
Restricted	<u>\$ (36.0)</u>	<u>\$ (30.6)</u>	17.6

Current assets (cash, restricted cash & cash equivalents and property taxes receivable) decreased \$8.8 million in fiscal year 2008 due to the acquisition and construction of capital infrastructure during fiscal year

2008. Capital assets of \$7.2 million were constructed and transferred to the City during fiscal year 2008, while work-in-progress capital assets of \$1.9 were retained by the District pending asset completion.

### Changes in Net Assets

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

Changes in Net Assets			
For the year ended June 30			
(in millions of dollars)			
Governmental Activities			
	2008	2007	% Change
<b>REVENUES:</b>			
Program revenues:			
Developer contributions	\$ 2.4	\$ 2.7	(11.1)%
General revenues:			
Property taxes	1.8	1.0	80.0
Investment earnings	<u>1.2</u>	<u>1.2</u>	0.0
Total revenues	<u>5.4</u>	<u>4.9</u>	10.2
<b>EXPENSES:</b>			
Program activities:			
Public works	-	-	-
Interest expense on debt	<u>3.6</u>	<u>3.2</u>	12.5
Total expenses	<u>3.6</u>	<u>3.2</u>	12.5
Excess before transfers	<u>1.8</u>	<u>1.7</u>	5.9
Transfers in (out)	<u>(7.2)</u>	<u>(2.9)</u>	148.3
Increase (decrease) in net assets	<u>\$ (5.4)</u>	<u>\$ (1.2)</u>	(350.0)

The net assets of the District decreased \$5.4 million in fiscal year 2008. This decrease is primarily due to completed capital assets of \$7.2 million transferred to the City in fiscal year 2008. Under an agreement between the District and the developer, the developer is to cover any deficits between tax collections and debt service requirements. In fiscal year 2008 the developer contributed \$2.4 million for payments on district debt.

### 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 \$26.7 million, a decrease of \$8.8 million from the previous year, due to expenditures for the acquisition or construction of capital assets of \$9.1 million. Of the total ending fund balance \$7.8 million is for debt service and \$18.9 million is reserved for capital projects.

Revenues totaled \$5.4 million in fiscal year ending June 30, 2008, of which \$2.4 million is from developer contributions under the Standby Contribution Agreement between the District and the developer.

Property tax revenues increased by \$.8 million during the fiscal year due to an increase in the district's assessed valuation from \$45.0 million to \$91.3 million.

## 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. Since formation, District bonds have been issued and the proceeds used to construct public infrastructure such as a water reclamation plant, wells and booster stations. During fiscal year 2008, \$9,112,431 was expended for capital. Associated assets of \$7,259,160 were transferred to the City, and accepted by the City as a donation of capital assets. Construction in progress of \$1,853,271 was held by the District at the end of fiscal year 2008.

The District is authorized, by an election held November 12, 2002, to issue \$100 million in District general obligation or revenue bonds. As of June 30, 2008, the District has issued \$67.6 million of general obligation bonds against the authorization. These bonds are to be repaid through property taxes levied on the property within the District. Under a Standby Contribution Agreement, Vistancia LLC, the developer of the community, is obligated to fund any difference between debt service costs and property tax revenues. The City has no obligation for the District's debt, other than to the administration of the collection of property taxes and the payment of debt service on behalf of the District.

At the time of issue, District general obligation bonds have a 20-year term. 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.

### Outstanding Long-Term Debt at June 30

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
General obligation bonds	<u>\$ 64,610,000</u>	<u>\$ 66,085,000</u>

The District issued \$21,250,000 in bonds in fiscal year 2003, \$23,550,000 during fiscal year 2005, and an additional \$22,760,000 during fiscal year 2007. As of June 30, 2008 \$2,950,000 has been paid against principal on the outstanding debt.

## ECONOMIC FACTORS

The unemployment rate in the metropolitan Phoenix region for June 2008 was 4.3%, which remains below both the state (4.4%) and national average (5.5%). The regional economy remains subdued with slower residential and commercial building activity. Overall employment growth for the Phoenix area slowed to a 3% pace with some moderate gains realized in the business, healthcare and education sectors, which has helped to offset job losses within the construction and financial services industries. Within Peoria, the local economy has remained stable with decreased residential construction and slower but steady commercial activity continuing to provide services to the neighborhoods and planned communities that have developed over the past few years.

The adopted fiscal year 2009 budget for the District is \$35.9 million, a decrease of 19.5% from 2008. The tax rate for the District for fiscal year 2009 is \$2.10, unchanged from the fiscal year 2008 tax rate.

## 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.

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	Primary Government Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,021
Investments	7,136
Interest receivable	38,232
Property taxes receivable	99,963
Deferred bond issuance costs, net	1,764,244
Restricted cash and cash equivalents	27,037,392
Capital assets:	
Non-depreciable	1,853,271
Total assets	30,805,259
<b>LIABILITIES</b>	
Accounts payable	936
Interest payable	1,726,313
Unamortized bond premium	77,765
Other liabilities	416,678
Non-current liabilities:	
Due within one year:	
Current portion of bonds payable	1,550,000
Due in more than one year:	
Noncurrent portion of bonds payable	63,060,000
Total liabilities	66,831,692
<b>NET ASSETS</b>	
Unrestricted	(36,026,433)
Total net assets	\$ (36,026,433)

The accompanying notes are an integral part of the financial statements

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Expenses</u>	<u>Capital Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
<b><u>Functions/Programs</u></b>			
<b>Primary government:</b>			
Governmental activities:			
Public works	\$ 17,661	\$ 2,413,644	\$ 2,395,983
Interest expense on debt	3,559,514	-	(3,559,514)
Totals	3,577,175	2,413,644	(1,163,531)
General revenues			
Taxes:			
Property taxes, levied for general purposes			1,816,886
Investment earnings			1,171,344
Transfers in (out)			(7,259,161)
Total general revenues and transfers			(4,270,931)
Change in net assets			(5,434,462)
Net assets - beginning			(30,591,971)
Net assets - ending			\$ (36,026,433)

The accompanying notes are an integral part of the financial statements

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 5,021	\$ 5,021
Investments	-	7,136	7,136
Interest receivable	28,254	9,978	38,232
Property taxes receivable	-	99,963	99,963
Restricted cash and cash equivalents	19,329,013	7,708,379	27,037,392
Total assets	<u>\$ 19,357,267</u>	<u>\$ 7,830,477</u>	<u>\$ 27,187,744</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 936	\$ -	\$ 936
Deferred revenue	-	64,814	64,814
Retainage payable	416,678	-	416,678
Total liabilities	<u>\$ 417,614</u>	<u>\$ 64,814</u>	<u>\$ 482,428</u>
Fund balances:			
Reserved for:			
Debt service	\$ -	\$ 7,765,663	\$ 7,765,663
Capital projects	18,939,653	-	18,939,653
Total fund balance	<u>18,939,653</u>	<u>7,765,663</u>	<u>26,705,316</u>
Total liabilities and fund balance	<u>\$ 19,357,267</u>	<u>\$ 7,830,477</u>	<u>\$ 27,187,744</u>

The accompanying notes are an integral part of the financial statements

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

Fund balances - total governmental funds balance sheet	\$ 26,705,316
<p>Amounts reported for governmental activities in the statements of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Governmental capital assets	\$ 1,853,271
<p>Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>	
Deferred bond issue costs	1,764,244
<p>Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.</p>	
Governmental bonds payable	(64,610,000)
<p>Bond premiums are recognized at the time of issuance in the governmental funds, but is deferred and recognized over the life of the bonds for government-wide reporting</p>	
	(77,765)
<p>Property tax revenue earned but not received within 60 days of year-end is deferred for the governmental statements, but is recognized as revenue for the government-wide statements</p>	
	64,814
<p>Interest payable on long-term debt is not reported in the governmental funds.</p>	
	(1,726,313)
Net assets of governmental activities - statement of net assets	\$ (36,026,433)

The accompanying notes are an integral part of the financial statements

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
<b>REVENUES:</b>			
Taxes:			
Property taxes	\$ -	\$ 1,773,469	\$ 1,773,469
Investment earnings	637,317	534,027	1,171,344
Developer contributions	-	2,413,644	2,413,644
Total revenues	<u>637,317</u>	<u>4,721,140</u>	<u>5,358,457</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal payments	\$ -	\$ 1,475,000	\$ 1,475,000
Interest and other charges	-	3,532,249	3,532,249
Capital outlay	1,853,271	-	1,853,271
Total expenditures	<u>1,853,271</u>	<u>5,007,249</u>	<u>6,860,520</u>
Excess (deficiency) of revenues over expenditures	<u>(1,215,954)</u>	<u>(286,109)</u>	<u>(1,502,063)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	\$ -	\$ 192,955	\$ 192,955
Transfers out	(7,452,116)	-	(7,452,116)
Total other financing sources and uses	<u>(7,452,116)</u>	<u>192,955</u>	<u>(7,259,161)</u>
Net change in fund balances	<u>(8,668,070)</u>	<u>(93,154)</u>	<u>(8,761,224)</u>
Fund balances - beginning	27,607,723	7,858,817	35,466,540
Fund balances - ending	<u>\$ 18,939,653</u>	<u>\$ 7,765,663</u>	<u>\$ 26,705,316</u>

The accompanying notes are an integral part of the financial statements

**VISTANCIA 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, 2008**

Net change in fund balances - total governmental funds	\$ (8,761,224)
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenues are deferred in the governmental funds because they do not provide current financial resources, but are considered revenue on the statement of activities.	25,756
Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for bonds and notes payable for the statement of activities, but is expensed when due for the governmental fund statements.	79,625
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,853,271) exceeded depreciation (\$0) in the current period.	1,853,271
Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets. No effect on net assets.	1,475,000
The costs of issuing bonds are reported as an expenditure in governmental funds in the year of bond issuance and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.	(106,890)
Change in net assets of governmental activities- statement of activities	\$ (5,434,462)

The accompanying notes are an integral part of the financial statements

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(budgetary basis)</u>	<u>Final Budget</u> <u>Over</u> <u>(Under)</u>
Budgetary fund balance, July 1, 2007	\$ 21,630,856	\$ 21,630,856	\$ 21,630,856	\$ -
<b>RESOURCES (INFLOWS):</b>				
Investment earnings	545,000	545,000	614,616	69,616
Total inflows	<u>545,000</u>	<u>545,000</u>	<u>614,616</u>	<u>69,616</u>
Amounts available for appropriation	<u>22,175,856</u>	<u>22,175,856</u>	<u>22,245,472</u>	<u>69,616</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	-	-	(936)	(936)
Capital outlay	<u>27,821,686</u>	<u>27,821,686</u>	<u>9,064,704</u>	<u>(18,756,982)</u>
Total charges to appropriations	<u>27,821,686</u>	<u>27,821,686</u>	<u>9,063,768</u>	<u>(18,757,918)</u>
Budgetary fund balance, June 30, 2008	<u>\$ (5,645,830)</u>	<u>\$ (5,645,830)</u>	<u>\$ 13,181,704</u>	<u>\$ 18,827,534</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	\$ 22,245,472
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(21,630,856)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	22,701
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 637,317</u>

**Uses/outflows or resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 9,063,768
Differences - budget to GAAP:	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis	48,664
Capital outlay recognized as expenditures for budgetary purposes, but assets capitalized in proprietary funds for financial reporting purposes	(7,259,161)
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 1,853,271</u>

VISTANCIA COMMUNITY FACILITIES DISTRICT  
Peoria, Arizona

**NOTES TO THE FINANCIAL STATEMENTS**

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PEORIA, ARIZONA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Vistancia Community Facilities District, a component unit of the City of Peoria, Arizona (City), conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of other significant accounting policies:

**A. Financial Reporting Entity**

The Vistancia Community Facilities District (the District) was formed by petition to the City Council in 2002. 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. Basic Financial Statements**

The basic financial statements of the District include both government-wide and fund financial statements. The government-wide financial statements (statement of net assets and statement of activities) report on all of the non-fiduciary activities of the District as a whole. All of the activities of the District are governmental activities. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statement focus more on sustainability of the District as an entity and the change in aggregate financial position resulting from activities of the period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components, if applicable: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the District would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2008, the net assets of the District are negative and therefore are shown as unrestricted.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the functions and segments of the District are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is shown separately, not allocated to functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods,

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services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements. The focus of the fund financial statements is on major funds. Both of the funds of the District, the capital projects fund and the debt service fund are governmental funds. The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. Since the governmental fund financial statements are presented on a different basis than the governmental activities of the government-wide financial statements, reconciliations are provided following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities of the government-wide financial statements.

### **C. Basis of Presentation**

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the District:

#### **Governmental Funds**

Governmental funds are used to account for the District's general government activities. The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position rather than upon net income. The following are the Governmental Funds of the District:

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.

### **D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the District's actual revenues and expenditures conform to the annual budget. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The District considers revenues available under

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modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is 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 are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

When applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 – *Recipient Reporting for Certain Shared Non-exchange Transactions* (Statement #33), receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Under GASB Statement #33, property taxes are susceptible to accrual when an enforceable legal claim has arisen. As noted above, the District recognizes property taxes received within 60 days of fiscal year-end to be revenues under modified accrual. The remaining taxes levied, if any, are considered deferred revenue on the financial statements. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Interest and dividend income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

#### **E. Budgets and Budgetary Accounting**

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 the second Monday in August to allow sufficient time for legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August.
- In June, the proposed budget for the following fiscal year is presented by the 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 2008.
- 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.

The District prepares its annual budget on a modified cash basis, which differs from GAAP. The District prepares budgetary comparison statements for both of its funds for presentation in the

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annual financial statements of the District. These statements display original budget, amended budget and actual results (on a budgetary basis). The budgetary statements are presented as supplemental information after the notes to the financial statements.

**F. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed by the District. Encumbrances, if any, are reported as designations of fund balances at June 30 in the financial statements, since they do not constitute expenditures or liabilities. No restrictions of net assets for encumbrances are shown in the government-wide financial statements.

**G. Deposits and Investments**

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

Cash and cash equivalents held at June 30, 2008 by the trustee, plus accrued interest are restricted as to usage.

The District's deposits at June 30, 2008 were collateralized with securities held by the pledging financial institution's trust department in the District's name.

Investments, if any, are stated at fair value in accordance to GASB Statement #31. Interest income from investments is recorded as earned under the modified accrual basis of accounting.

**H. Capital Assets**

Governmental Fund types do not display capital assets on the face of the fund financial statements. The costs of purchasing, or constructing, capital assets are shown as capital outlay expenditures in the Governmental Statement of Revenues, Expenditures and Changes in Fund Balance, unless the capital assets have already been transferred to the City. The capital assets of the District, once completed and acceptable to the City, are transferred to the City. All subsequent costs of operating and maintaining those assets will be the responsibility of the City.

Since the capital assets acquired or constructed by the District are turned over to the City once they are operational, the District generally does not own capital assets. Capital assets still under construction at fiscal year-end, are shown as work-in-progress on the District's government-wide financial statements.

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**I. Restricted Assets**

Certain proceeds of the District's bonds, as well as certain resources set aside for their repayments, are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

**J. 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 deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

Governmental fund types do not display long-term obligations on the face of the financial statements. Bond premiums and discounts, as well as bond issuance costs, are recognized 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.

**K. 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. The District's insurance coverage is provided by the City under the City's umbrella insurance policies. The City maintains a Self-Insurance Fund (accounted for in the Internal Service Funds) to account for and finance its uninsured risks of loss. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected.

Governmental Accounting Standards Board Statement #10 requires that claims liabilities 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, 2008, no claims liability is reported in the District's financial statements, or by the City on behalf of the District. The District, through the City, is self-insured for property and public liability up to \$500,000. Excess coverage insurance policies purchased through commercial insurance carriers cover individual claims in excess of this amount, up to a maximum of \$40 million per occurrence. Additionally, through a development agreement between the District and the developer, the developer is responsible for \$250,000, per incident, of any insurance deductibles that might be paid by the City on behalf of the District. During the fiscal year ended June 30, 2008, there was no significant reduction in excess insurance coverage. Additionally, settlements for each of the last three fiscal years have not exceeded the City's, and therefore the District's, insurance coverage.

**L. Cash Equivalents**

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

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**M. 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. BUDGET BASIS OF ACCOUNTING**

The District does not have a general fund or any special revenue funds. However, the District does adopt an annual operating budget for both of its funds. The District prepares the annual budget on a modified cash basis, which differs from GAAP, as discussed in Note 1. Budgetary control over expenditures is exercised at the fund level. The budgetary comparison schedule for the general fund is presented as part of the basic financial statements. The budgetary schedule for the debt service fund is presented as supplemental information after these notes to the financial statements. The budgetary schedules include a reconciliation of the adjustments required to convert the budgetary revenues and expenditures or changes in net assets on a budgetary basis, to revenues and expenditures or changes in net assets on a GAAP basis.

**3. CASH AND INVESTMENTS**

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demands deposits, certificates of deposit and repurchase agreements at 102 percent of all deposits not covered by Federal depository insurance.

The District participates in the pooled cash and investments of the City for daily transactions. The City then periodically requested reimbursement from the District's restricted funds held by the trustee. At June 30, 2008, the District had a deposit of \$12,157 in the City's pooled cash and investments and a negative pooled cash of \$134,949 which was netted from restricted cash and cash equivalents.

Cash and investments at June 30, 2008 consist of the following:

Participation in City's pooled cash & investments	\$ 12,157
Amount due from restricted investments	(134,949)
Cash and investments held by trustee-restricted	<u>27,172,341</u>
Total cash & investments	<u>\$ 27,049,549</u>

At June 30, 2008, of the cash and investments held by trustee-restricted, 100% or \$27,172,341, were invested in money market accounts, held by the trustee, with a maturity of less than one year, and are reported as restricted cash and cash equivalents.

**4. PROPERTY TAXES**

Arizona law provides for a two tiered tax system: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of maximum permissible bonded indebtedness.

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Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% annually only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies on residential property are limited to one percent of the primary full cash value of such property. Additionally, primary taxes on all types of property are limited to a maximum increase of two percent over the prior year's levy, adjusted for new construction and annexations. Secondary property taxes levied to pay principal and interest on bonded indebtedness are not limited. The District's assessed valuation for 2008 is \$91,288,926.

The Arizona tax year has been defined as a calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year. The definition of the tax year is a function of the fact that the tax lien for the year attaches to the real property as of January 1 of the year in question.

The District Board adopts the annual tax levy each year on or before the third Monday in August. The basis of this levy is 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 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. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase that has not been redeemed may demand a County Treasurer's Deed from the County Treasurer.

Property taxes are recognized as revenue in the government-wide financial statements when an enforceable legal claim has arisen. Therefore, the District recognizes revenue and a receivable, less any allowance for doubtful accounts deemed appropriate, for the entire tax levy in the year it is levied. For the governmental fund statements, property tax revenues not collected within 60 days of year end are deferred.

Property taxes receivable consist of uncollected taxes as determined from the records of the County Treasurer's Office and at June 30, 2008 were \$99,963 in the Debt Service Fund. The deferred property taxes at June 30, 2008 were \$64,814 in the Debt Service Fund.

## **5. TRANSFERS**

Net transfers out between the District and the City of \$7,259,161 are included in the government-wide and fund financial statements of the District at June 30, 2008. These transfers are the result of capital assets bought or constructed by the District which, upon completion, are transferred to the City for operation and maintenance (see Note 8). Additionally, in the Fund Financial Statements at June 30, 2008 there were transfers of \$192,955 between the District's General Fund and the Debt Service Fund. There were no significant transfers during fiscal year 2008 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

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**6. DEFICITS IN FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

For the year ended June 30, 2008, expenditures, including capital outlay and transfers, did not exceed budget for either of the funds of the District.

**7. FUND BALANCE/NET ASSETS RESERVATIONS AND DESIGNATIONS**

Only restrictions imposed by external sources are shown as Restricted Net Assets on the government-wide financial statements. Additionally, reserves for encumbrances are shown on the governmental fund financial statements. Reservations or designations of fund balances imposed by the reporting district, whether by administrative policy or legislative action, are shown in aggregate on the governmental fund financial statements. The District does, however, reserve or designate portions of net assets in other funds to demonstrate the district's intended use of those net assets. Reservations are created by legislative action of the District Board while designations are created by administrative policy. There were no reservations or designations of fund balance/net assets included in unreserved fund balance/net assets at June 30, 2008.

**8. CAPITAL ASSETS**

The following table discloses the capital asset activity of the District, for the government-wide financial statements, for the fiscal year ended June 30, 2008.

	Balances June 30, 2007	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2008
Non-depreciable assets:				
Work in Progress–Water system	\$ -	1,895,929	82,702	1,813,227
Work in Progress–Wastewater system	-	7,216,503	7,176,459	40,044
Total capital assets	\$ -	9,112,432	7,259,161	1,853,271

As discussed in Note 1, governmental fund types do not display capital assets on the face of the financial statements. The District does, however, purchase or construct capital assets with the intent of conveying the assets to the City upon completion and acceptance by the City.

**9. LONG-TERM DEBT**

Community Facilities Districts (CFD's), are special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the City, are authorized under state law to issue general obligation (GO) or revenue bonds to be repaid by property (ad valorem) taxes levied on property within the district (for GO debt), or by specified revenues generated within the districts (revenue bonds). CFD's are created by petition to the City Council by property owners within the area to be covered by the district, and debt may be issued only after approval of the voters within the district.

On October 15, 2002 the City Council formed the Vistancia Community Facilities District (the District) pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes. The District was subsequently authorized, by the voters of the district on November 12, 2002, to issue up to \$100,000,000 in general obligation bonds to construct public infrastructure within the District. The district issued \$21,250,000 in fiscal year 2003, \$23,550,000 in fiscal year 2005, and \$22,760,000 in fiscal year 2007 of general obligation bonds against this authorization. These bonds will be repaid by the property owners within the District. The bonds are obligations of the District only. The City has no obligation for the District debt other than the administration of the collection of the property taxes and payment of the debt service on behalf of the District.

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Legal Debt Limit – General Obligation bonded indebtedness for the District cannot exceed 60 percent of the market value of the property in the District after the infrastructure is completed plus the value of the infrastructure improvements made.

As discussed in Note 1, governmental type funds do not display long-term obligations on the face of the financial statements. The following tables disclose the long-term debt obligations of the District as of June 30, 2008 for the government-wide financial statements.

Delivery Date	Description	Purpose	Maturity Dates	Net Interest Rate	Ave. Life (Yrs)	Original Principal Balance	Principal Balance Outstanding
<b>Community Facility District Bonds</b> (collateralized by ad valorem property taxes levied on the property benefiting from the improvements)							
12/17/02	Series 2002	Vistancia Community Facilities District infrastructure	7/15/05-22	6.69	12.7	21,250,000	19,000,000
04/27/05	Series 2005	Vistancia Community Facilities District infrastructure	7/15/07-24	5.47	13.2	23,550,000	22,850,000
12/28/06	Series 2006	Vistancia Community Facilities District Infrastructure	7/15/09-26	4.26	20	22,760,000	22,760,000
Total bonds payable							64,610,000
Less current portion							1,550,000
<b>Long-term portion of bonds payable</b>							<b>\$63,060,000</b>

The following is a summary of the long-term debt activity of the District for the fiscal year ended June 30, 2008.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 66,085,000	-	1,475,000	64,610,000	1,550,000

The following table discloses the debt service requirements as of June 30, 2008, segregating principal and interest, for the next five years and in five-year increments thereafter.

Fiscal year	Principal	Interest	Total
2009	1,550,000	3,416,955	4,966,955
2010	2,170,000	3,329,455	5,499,455
2011	2,275,000	3,222,393	5,497,393
2012	2,385,000	3,108,336	5,493,336
2013	2,505,000	2,985,974	5,490,974
2014-2018	14,650,000	12,717,405	27,367,405
2019-2023	19,305,000	8,168,062	27,473,062
2024-2027	19,770,000	1,945,343	21,715,343
Totals	\$ 64,610,000	38,893,923	103,503,923

SUPPLEMENTAL INFORMATION

**VISTANCIA COMMUNITY FACILITIES DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (budgetary basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary fund balance, July 1, 2007	\$ 7,827,930	\$ 7,827,930	\$ 7,827,930	\$ -
<b>RESOURCES (INFLOWS):</b>				
Property Taxes	1,905,580	1,905,580	1,759,501	(146,079)
Investment earnings	248,300	245,200	533,755	288,555
Miscellaneous	2,853,371	2,853,371	2,413,644	(439,727)
Total inflows	<u>5,007,251</u>	<u>5,004,151</u>	<u>4,706,900</u>	<u>(297,251)</u>
Amounts available for appropriation	<u>12,835,181</u>	<u>12,832,081</u>	<u>12,534,830</u>	<u>(297,251)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Debt service:				
Principal payments	1,475,000	1,475,000	1,475,000	-
Interest and other charges	3,532,251	3,532,251	3,532,249	(2)
Total charges to appropriations	<u>5,007,251</u>	<u>5,007,251</u>	<u>5,007,249</u>	<u>(2)</u>
Budgetary fund balance, June 30, 2008	<u>\$ 7,827,930</u>	<u>\$ 7,824,830</u>	<u>\$ 7,527,581</u>	<u>\$ (297,249)</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	\$ 12,534,830
Differences - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(7,827,930)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis	14,240
Total revenues as reported on the combining statement of revenue, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 4,721,140</u>

**Uses/outflows or resources:**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 5,007,249
Differences - budget to GAAP:	
Total expenditures as reported in the combining statement of revenues, expenditures, and changes in fund balances - non-major governmental funds	<u>\$ 5,007,249</u>