

**EASTRIDGE
COMMUNITY FACILITIES DISTRICT
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004**

EASTRIDGE COMMUNITY FACILITIES DISTRICT
FISCAL YEAR ENDED JUNE 30, 2004

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Eastridge Community Facilities District
Prescott Valley, Arizona

We have audited the accompanying financial statements of the governmental activities of the *Eastridge Community Facilities District (District)*, a component unit of the Town of Prescott Valley, Arizona, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the *District's* management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the *Eastridge Community Facilities District*, at June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The *Eastridge Community Facilities District* has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Eide Bailly LLP

Phoenix, Arizona
November 22, 2004

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www.eidebailly.com

1702 East Highland Avenue □ Suite 100 □ Phoenix, Arizona 85016 □ Phone 602.264.5844 □ Fax 602.277.4845 □ EOE

Basic Financial Statements

Eastridge Community Facilities District
Statement of Net Assets
 June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
<hr/>	
Restricted Cash, Cash Equivalents, and Investments Assets:	
Cash and investments	\$ 652,975
Total restricted cash, cash equivalents, and investments assets:	<u>652,975</u>
Total assets	<u>652,975</u>
LIABILITIES	
<hr/>	
Liabilities Payable from Restricted Assets:	
Interest Payable	85,719
Bonds, loans, capital leases, and other payables-due within one year	<u>125,000</u>
Total Liabilities Payable from Restricted Assets	<u>210,719</u>
Noncurrent Liabilities:	
Bonds, loans, capital leases, and other payables-due in more than one year	<u>2,375,000</u>
Total noncurrent liabilities	<u>2,375,000</u>
Total liabilities	<u>2,585,719</u>
NET ASSETS	
<hr/>	
Restricted:	
Debt service	<u>(1,932,744)</u>
Total net assets	<u>\$ (1,932,744)</u>

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

Eastridge Community Facilities District
Statement of Activities
For the Year Ended June 30, 2004

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Community Facility District Development	\$ 1,531,629	\$ -	\$ -	\$ -	\$ (1,531,629)
Interest and fiscal charges	417,167	-	-	-	(417,167)
Total district activities	1,948,796	-	-	-	(1,948,796)
Total primary government	\$ 1,948,796	\$ -	\$ -	\$ -	\$ (1,948,796)
General Revenues:					
Interest and Investment Income					16,052
Total general revenues					16,052
Change in net assets					(1,932,744)
Net assets - beginning					-
Net assets - ending					\$ (1,932,744)

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

**EASTRIDGE COMMUNITY FACILITIES DISTRICT
BALANCE SHEET
AS OF JUNE 30, 2004**

Assets	
Restricted assets	\$ 652,975
Total Assets	<u>652,975</u>
Liabilities and Fund Equity	
Liabilities	
Deposits	-
Total Liabilities	<u>-</u>
Fund Balance	
Unreserved	652,975
Total Fund Balance	<u>652,975</u>
Total Liabilities and Fund Balance	<u>\$ 652,975</u>

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

**Eastridge Community Facilities District
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets**

June 30, 2004

Fund Balance - Governmental Fund Type \$ 652,975

Amounts reported for governmental activities in the statement of net assets
are different because:

Current liabilities, including interest payable, is not due and payable
in the current period and therefore is not reported in the funds. (85,719)

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds. (2,500,000)

Net assets of governmental activities. \$ (1,932,744)

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

**EASTRIDGE COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2004**

Revenues	
Interest	\$ 16,052
Total revenues	<u>16,052</u>
Expenditures	
Capital outlay	1,531,629
Interest and fiscal charges	<u>331,448</u>
Total expenditures	<u>1,863,077</u>
Excess of revenues over (under) expenditures	(1,847,025)
Other financing sources	
Bond proceeds	<u>2,500,000</u>
Total other financing sources	<u>2,500,000</u>
Excess of revenues and other sources over expenditures	652,975
Fund balance, beginning of year	-
Fund balance, end of year	<u>\$ 652,975</u>

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

Eastridge Community Facilities District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2004

Net change in fund balances - Governmental Fund Type	\$	652,975
Amounts reported for governmental activities in the statement of activities are different because:		
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which bond proceeds exceeded principal retirement in the current period.		
		(2,500,000)
Additional accrued interest calculated on bonds and notes payable.		(85,719)
Changes in net assets of governmental activities	\$	<u>(1,932,744)</u>

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

EASTRIDGE COMMUNITY FACILITIES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Eastridge Community Facilities District (District) was created by the Town of Prescott Valley as a special purpose community facilities district pursuant to state law on March 13, 2003. The purpose of the District is to assist in financing necessary on and off-site infrastructure and public improvements. The developers initially build the infrastructure and the District sells bonds to buy the improvements from the developers.

The Town council serves as the District's board of directors. In accordance with GASB "Statement 14 – The Financial Reporting Entity," the District financial statements are reported in the Town's financial statements for the year ended June 30, 2004 using the blended method.

The financial statements of the District conform to generally accepted accounting principles as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

B. BASIS OF PRESENTATION

Fund Accounting

The accounts of the District are organized and operated on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that is comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The minimum number of funds is maintained consistent with legal and managerial requirements. The District operates only one fund, a general fund, described as follows.

GOVERNMENTAL FUND TYPE:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, where applicable, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund types are accounted for using the "flow of current financial resources" measurement focus. This means that only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

EASTRIDGE COMMUNITY FACILITIES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

D. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Governmental Accounting Standards Board Statement No. 39

The District adopted the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – and Amendment of GASB Statement No. 14*. This statement provides guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. Accordingly, the District considered the effects of this statement when evaluating the presentation display requirements of its component units.

E. BUDGETS AND BUDGETARY ACCOUNTING

The District is not required to adopt an annual appropriated budget but does, however, adopt a budget for management purposes. Therefore, no budgetary comparison is required.

F. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Cash Equivalents and Investments

Arizona statutes require that public deposits of more than \$100,000 meet several specific requirements. Deposits of less than \$100,000 are subject only to local ordinance or resolution. Generally, the state statutes allow investments in certain certificates of deposit, interest bearing savings accounts in qualified banks and savings and loan institutions, repurchase agreements with maximum maturity of thirty days, and pooled investment funds established by the State Treasurer.

The District records only bond trust activity. There are no checking or investment accounts for the District.

Restricted Assets

District bond assets as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Property and Equipment and Long-Term Liabilities

The District has no capital assets. All capital assets acquired by the District are donated to the Town. The Town is responsible for maintaining the improvements.

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt 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

EASTRIDGE COMMUNITY FACILITIES DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2004

uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Accumulated Compensated Absences

No liability for accumulated compensated absences existed at June 30, 2004.

NOTE 2 – CASH AND INVESTMENTS

The bank trust fund represents proceeds from bond sales and certain resources set aside for their repayment. Under the terms of the bond indenture, the proceeds are required to be held by a trustee. Funds on deposit are invested by the trustee in highly liquid investments, as governed by state statute.

Cash and investments at June 30, 2004, consist of the following:

Bank trust funds	<u>652,975</u>
Total cash and investments on the Combined balance sheet	<u>\$ 652,975</u>

The District's investments are categorized below to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered in the District's name or for which the securities are held by the District or its agents in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the District's name.

	Category			Reported Amount/ Fair Value
	1	2	3	
Bank Trust Funds	<u>\$ 652,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,975</u>
Total	<u>\$ 652,975</u>	<u>\$ -</u>	<u>\$ -</u>	
Total investments				<u>\$ 652,975</u>

NOTE 3 – DEBT

The Eastridge Community Facilities District has the following long-term obligations:

\$ 2,500,000 Eastridge Community Facilities District General Obligation Bonds, Series 2003 is due in annual payments of \$125,000 to \$275,000 through July 1, 2018, with interest at 6.00-7.25% per annum. (Payable from revenues generated from an assessment levied against the properties located within the boundaries of the District.)

EASTRIDGE COMMUNITY FACILITIES DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Debt Service requirements to maturity are as follows:

Fiscal Year Ending	Principal	Interest
2005	\$ 125,000	\$ 171,438
2006	125,000	163,938
2007	125,000	156,438
2008	125,000	148,937
2009	150,000	141,437
2010-14	875,000	546,681
2015-18	975,000	183,068
	\$2,500,000	\$1,511,937

NOTE 4 – CONTINGENT LIABILITIES

At this time there are no contingent liabilities.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters for which it carries commercial insurance. The District also carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance.