



PRESCOTT VALLEY

Parkway Community Facilities District No. 1

**ANNUAL FINANCIAL REPORT
FISCAL YEAR 2021-2022**



**Parkway Community Facilities District No. 1
For the Fiscal Year Ended June 30, 2022**

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Basic Financial Statements

Parkway Community Facilities District No. 1

Statement of Net Position

June 30, 2022

	Governmental Activities
ASSETS	
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Current assets:	
Restricted cash and cash equivalents	\$ 360,673
Accounts receivable	32,664
Total current assets	<u>393,337</u>
Total assets	<u>393,337</u>
LIABILITIES	
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Current liabilities:	
Accounts payable	197
Advance from Town	117,409
Long-term liabilities - due within one year	160,000
Total current liabilities	<u>277,606</u>
Noncurrent liabilities:	
Long-term liabilities - due in more than one year	<u>1,870,000</u>
Total noncurrent liabilities	<u>1,870,000</u>
Total liabilities	<u>2,147,606</u>
NET POSITION	
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Unrestricted	(1,754,269)
Total net position	<u>\$ (1,754,269)</u>

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

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Statement of Activities

For the Year Ended June 30, 2022

Function/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Community Facilities District					
Administration	\$ 8,273	\$ -	\$ 70,000	\$ -	\$ 61,727
Interest and fiscal charges	112,735	-	-	-	(112,735)
Total district activities	121,008	-	70,000	-	(51,008)
Total primary government	121,008	-	70,000	-	(51,008)

General Revenues:

Taxes:

Property taxes

200,277

Interest and investment income

77

Contributions

18,360

Total general revenues

218,714

Change in net position

167,706

Net position - beginning

(1,921,975)

Net position - ending

\$ (1,754,269)

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

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Balance Sheet

June 30, 2022

ASSETS

Restricted assets - cash and cash equivalents	\$ 360,673
Accounts receivable	32,664
Total assets	<u>\$ 393,337</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 197
Advance from Town	117,409
Total liabilities	<u>117,606</u>

Fund balance:

Restricted	<u>275,731</u>
Total fund balance	<u>275,731</u>

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

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,030,000)
Net position of governmental activities - statement of net position	<u>\$ (1,754,269)</u>

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

Parkway Community Facilities District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

REVENUES	
Property tax	\$ 200,277
Interest	77
Contributions	18,360
Total revenues	<u>218,714</u>
EXPENDITURES	
Administrative charges	8,273
Debt service:	
Principal payment	150,000
Interest and fiscal charges	112,735
Total expenditures	<u>271,008</u>
Excess of revenues over (under) expenditures	(52,294)
Other financing sources (uses):	
Transfers in	70,000
Transfers out	-
Total other financing sources	<u>70,000</u>
Excess of revenues and other sources over expenditures	17,706
Fund balances - beginning	<u>258,025</u>
Fund balances - ending	<u><u>\$ 275,731</u></u>

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

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Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balances - governmental fund type	\$ 17,706
Amounts reported for governmental activities in the statement of activities are different because:	
Issuance and repayment of long-term debt is a revenue and expenditure in the governmental funds, but the issuance and repayment reduces long-term liabilities in the statements of net position. In the current period, this amount is:	
Principal payments on debt	150,000
Changes in net position of governmental activities	<u>\$ 167,706</u>

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

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NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Parkway Community Facilities District No. 1 (District) was created by the Town of Prescott Valley (Town) as a special purpose community facilities district pursuant to state law on April 27, 2006. The purpose of the District is to assist in financing necessary on and off-site infrastructure and public improvements.

The Town Council serves as the District's board of directors. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39 – *Determining Whether Certain Organizations are Component Units*, the District financial statements are reported in the Town's financial statements for the year ended June 30, 2022, 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 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 District operates a general fund. The operations of the fund are accounted for by providing a separate set of self-balancing accounts comprised of the fund's assets, liabilities, fund equity, revenues and expenditures. The minimum number of funds is compliant with legal and managerial requirements.

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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g. the *statement of net position* and the *statement of activities*) report information on the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The *statement of activities* demonstrates the degree to which the direct expenses are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given 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 and other items not properly included among program revenues are reported instead as general revenues.

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, where applicable, 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 both measurable and available.

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Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers property tax revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenues are considered to be measured and available when the District receives cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

C. Property Tax Calendar

The County Treasurer is responsible for collecting property taxes for all government entities within the county. The county levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to Arizona statutes, a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

D. Budgets and Budgetary Accounting

The District is not required to adopt an annual appropriated budget, but adopts a budget for management purposes only, therefore, no budgetary comparison is required.

E. Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

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 (30) days, and pooled investment funds established by the State Treasurer. Other investments include obligations of the U.S. Treasury, U.S. Government agencies, bankers' acceptances and mutual funds.

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 position. Bond premiums and discounts, as well as the difference between the reacquisition price, and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

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

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financing 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, 2022.

Fund Equity

In the fund financial statements, governmental funds report a restriction of fund balance for amounts that are legally restricted by outside parties for a specific purpose.

II. DETAILED NOTES

A. Cash and Cash Equivalents

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 money market funds, as governed by state statute.

Deposits

At June 30, 2022, the carrying amount of the District's deposits was \$360,673, which is comprised of deposits with trustee of \$360,673.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. As of June 30, 2022, the District's deposits were covered by federal depository insurance or by the collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus had no deposits that were exposed to custodial credit risk.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District limits its investment portfolio to maturities of less than three (3) years, unless matched to a specific cash flow.

Credit Risk

The District invests in obligations of the U.S. Treasury, U.S. Government agencies, Certificates of Deposit, bankers' acceptances, repurchase agreements, money market and mutual funds consisting of the foregoing as a means of limiting its credit risk.

The District's investment in money market funds were rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

B. Receivables

Receivables at yearend for the District are \$32,664.

C. Inter-Fund Balances and Inter-Fund Transfers

Advances. With the downturn in the housing market in 2008, the secondary assessed value for the District was severely affected. As a result, the District did not generate sufficient *ad valorem* taxes to cover operating expenditures incurred

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within the District. The Town has advanced funds to the District to cover these costs. The District will begin repaying the Town as the secondary assessed value begins to increase.

Transfers. Transfers from General Fund are used to partially fund Parkway CFD debt service. Transfer amount in fiscal year 2021-22 is \$70,000.

D. Debt

The District has the following long-term obligations:

\$3,425,000 Parkway Community Facilities District No. 1 General Obligation Bonds, Series 2006 is due in annual payments of \$90,000 to \$255,000 through July 15, 2031, with interest at 4.85-5.35% per annum (payable from revenues generated through an *ad valorem* tax assessed against the properties located within the boundaries of the District).

Changes in Long-Term Liabilities:

Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022	Due Within One Year
\$2,180,000	\$ -	\$ 150,000	\$2,030,000	\$ 160,000

Debt Service requirements to maturity are as follows:

Fiscal Year	Principal	Interest
Ending		
2023	\$ 160,000	\$ 104,020
2024	170,000	95,275
2025	175,000	86,133
2026	185,000	76,592
2027	195,000	66,473
2028-2032	1,145,000	159,832
	\$ 2,030,000	\$ 588,325

III. OTHER INFORMATION

A. Contingent Liabilities

In the ordinary course of conducting its operations the District is involved in various legal matters. The District's legal counsel reports on the cases pending against the District. These matters are in various stages and the impact, if any, is not currently determinable. The District's management does not believe that any of these matters would have a material impact on the financial statements.

B. 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.

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C. Debt Service Reserve

At the time the bonds were issued for the District improvements, a debt service reserve in the amount of \$269,780 was established. An unscheduled draw of \$37,207 was made against the \$269,780 reserve to make the July 15, 2011 bond payment. An unscheduled draw of \$2,164 was made against the reserve to make the July 15, 2012 bond payment. Another unscheduled draw of \$10,266 was made against the reserve to make the July 15, 2013 bond payment. An unscheduled draw of \$25,984 was made against the reserve to make the July 15, 2014 bond payment. An unscheduled draw of \$23,318 was made against the reserve to make the July 15, 2015 bond payment. An unscheduled draw of \$37,402 was made against the reserve to make the July 15, 2017 bond payment. An unscheduled draw of \$4,554 was made against the reserve to make the July 15, 2018 bond payment. As of June 30, 2022, the reserve balance is \$133,244.

D. Subsequent Events

On June 23, 2022, the District approved a property tax rate increase from \$11.31 per \$100 of secondary assessed value to \$11.65.