

**CORTINA COMMUNITY  
FACILITIES DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016**

# CORTINA COMMUNITY FACILITIES DISTRICT

<b><u>CONTENTS</u></b>	<b><u>Page</u></b>
INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	10
Notes to Financial Statements	11
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	22
OTHER INFORMATION	24

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cortina Community Facilities District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Cortina Community Facilities District (District), a component unit of the City of Goodyear, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Cortina Community Facilities District as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, for the year ended June 30, 2016, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary and other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
December 1, 2016

## **FINANCIAL STATEMENTS**

**CORTINA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 25,064
Taxes receivable	4,883
Restricted cash and cash equivalents	193,087
Total current assets	223,034
<b>Total assets</b>	<b>223,034</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	782
Accrued interest payable	50,752
Due to City	15,691
Bonds payable	85,000
Total current liabilities	152,225
Noncurrent liabilities:	
Bonds payable	1,950,000
Total noncurrent liabilities	1,950,000
<b>Total liabilities</b>	<b>2,102,225</b>
<b><u>NET POSITION</u></b>	
Restricted for:	
Debt service	197,427
Unrestricted	(2,076,618)
<b>Total net position</b>	<b>\$ (1,879,191)</b>

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

**CORTINA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>Functions/Programs</b>	Expenses	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
<b>Governmental activities:</b>			
General government	\$ 22,965	\$ (22,965)	
Interest on long-term debt	120,398	(120,398)	
<b>Total governmental activities</b>	<b>\$ 143,363</b>	<b>(143,363)</b>	
 <b>General revenues:</b>			
Taxes:			
Property taxes		230,529	
Investment income		21	
<b>Total general revenues</b>		<b>230,550</b>	
<b>Changes in net position</b>		87,187	
<b>Net position, beginning of year</b>		<b>(1,966,378)</b>	
<b>Net position, end of year</b>		<b>\$ (1,879,191)</b>	

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

**CORTINA COMMUNITY FACILITIES DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General	Debt Service	Total Governmental Funds
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 25,064	\$	\$ 25,064
Taxes receivable	543	4,340	4,883
Restricted cash and cash equivalents		193,087	193,087
<b>Total assets</b>	<b>\$ 25,607</b>	<b>\$ 197,427</b>	<b>\$ 223,034</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 782	\$	\$ 782
Due to City	15,691		15,691
<b>Total liabilities</b>	<b>16,473</b>		<b>16,473</b>
Deferred inflows of resources:			
Unavailable property taxes	99	931	1,030
Fund balances:			
Restricted		196,496	196,496
Unassigned	9,035		9,035
<b>Total fund balances</b>	<b>9,035</b>	<b>196,496</b>	<b>205,531</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 25,607</b>	 <b>\$ 197,427</b>	 <b>\$ 223,034</b>

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



**CORTINA COMMUNITY FACILITIES DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

<b>Total governmental fund balances</b>	<b>\$</b>	<b>205,531</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
Property tax receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.		1,030
Interest payable on long-term debt is not reported in the governmental funds.		(50,752)
Bond payments are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(2,035,000)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(1,879,191)</u></b>

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

**CORTINA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 26,731	\$ 204,931	\$ 231,662
Investment income	20	1	21
<b>Total revenues</b>	<u>26,751</u>	<u>204,932</u>	<u>231,683</u>
<b>Expenditures:</b>			
Current -			
General government	22,965		22,965
Debt service -			
Principal retirement		80,000	80,000
Interest and fiscal charges		122,231	122,231
<b>Total expenditures</b>	<u>22,965</u>	<u>202,231</u>	<u>225,196</u>
<b>Changes in fund balances</b>	<u>3,786</u>	<u>2,701</u>	<u>6,487</u>
<b>Fund balances, beginning of year</b>	5,249	193,795	199,044
<b>Fund balances, end of year</b>	<u>\$ 9,035</u>	<u>\$ 196,496</u>	<u>\$ 205,531</u>

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

**CORTINA COMMUNITY FACILITIES DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 6,487</b>
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:	
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(1,133)
Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	80,000
Interest expense in the Statement of Activities differs from the amount reported in the governmental funds because accrued interest was calculated for bonds payable for the Statement of Activities, but is expensed when due for the governmental fund statements.	<u>1,833</u>
<b>Change in net position in governmental activities</b>	<b><u><u>\$ 87,187</u></u></b>

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

**CORTINA COMMUNITY FACILITIES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Property taxes	\$ 26,576	\$ 26,731	\$ 155
Investment income		20	20
<b>Total revenues</b>	<u>26,576</u>	<u>26,751</u>	<u>175</u>
<b>Expenditures:</b>			
Current -			
General government	27,580	22,965	4,615
<b>Total expenditures</b>	<u>27,580</u>	<u>22,965</u>	<u>4,615</u>
<b>Changes in fund balances</b>	<u>(1,004)</u>	<u>3,786</u>	<u>4,790</u>
<b>Fund balances, beginning of year</b>	5,004	5,249	245
<b>Fund balances, end of year</b>	<u>\$ 4,000</u>	<u>\$ 9,035</u>	<u>\$ 5,035</u>

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

**CORTINA COMMUNITY FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Cortina Community Facilities District (District) is a special purpose district created specifically to acquire or construct public infrastructure within specific areas of the City of Goodyear, Arizona, and is 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 specific revenues generated within the District (revenue bonds). The District was 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.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2016, the District implemented the provisions of GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements and establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also enhances accountability and transparency through revised note disclosures.

The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District, a component unit of the City of Goodyear, Arizona (City), was established January 28, 2002, and is a political subdivision of the State of Arizona as well as a municipal corporation by Arizona Law. The City Council serves as the Board of Directors. All transactions of the District are included in the City's financial statements. However, the City has no liability for the debt.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by tax revenues, and 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.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

**Fund Financial Statements** – 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports all funds as major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**D. Cash and Investments**

Arizona Revised Statutes (A.R.S.) authorize the District to invest public monies in the State Treasurer’s Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District upon demand. Cash equivalents as defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

**E. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**F. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

**G. Property Tax Calendar**

The County Treasurer is responsible for collecting property taxes for all governmental entities within the county. The District levies real property taxes on or before the third Monday in August, which 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 A.R.S., a lien against assessed real 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.

**H. Restricted Assets**

Certain proceeds of the District’s bonds, as well as certain resources set aside for their repayment, are classified as restricted cash on the statement of net position and on the balance sheet because their use is limited by applicable bond covenants.



**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**J. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the 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 over the term 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 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.

**K. Net Position Flow Assumption**

In the government-wide financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**L. Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**M. Budgetary Data**

The District adopts a budget on an annual basis. There were no supplemental budgetary appropriations made during the year.

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

***Nonspendable.*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

***Restricted.*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

**CORTINA COMMUNITY FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

*Assigned.* Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or a management official delegated that authority by the formal Governing Board action. The District has adopted the City’s policy on which only the Board of Directors or the District’s Treasurer may assign amounts for specific purposes.

*Unassigned.* Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Deficit Net Position** – At year end, the government-wide statements reported a deficit net position of \$1,879,191. The deficit arose because the titles of all capital assets are held by the City of Goodyear.

**NOTE 4 – CASH AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits was \$2,544 and the bank balance was \$2,544.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 – CASH AND INVESTMENTS**

The State Treasurer’s pool is an external investment pool, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The activity and performance of the pool is reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments.

*Fair Value Measurements.* The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s money market accounts are measured at fair value on a recurring basis and are valued using quoted market prices (Level 1 inputs). At year end, the District’s investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>
Money market accounts	\$ 193,087
State Treasurer’s investment pool 5	22,520
Total	<u>\$ 215,607</u>

*Interest Rate Risk.* The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the District’s investments have maturities of less than 12 months.

*Credit Risk.* The District has no investment policy that would further limit its investment choices. The State Treasurer’s investment pool 5 was rated AAA by Standard and Poor’s at year end. The District’s investments in money market accounts were rated AAAM.

*Custodial Credit Risk - Investments.* The District’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

*Concentration of Credit Risk.* The District places no limit on the amount the District may invest in any one issuer.

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – GENERAL OBLIGATION BONDS PAYABLE**

Bonds payable at year end consisted of the following outstanding general obligation bonds. The bonds are both callable and noncallable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt.

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Remaining Maturities</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General Obligation Bonds, Series 2005	\$ 1,700,000	5.25-5.7%	7/15/16-29	\$ 1,235,000	\$ 60,000
General Obligation Bonds, Series 2006	955,000	5.0-5.375%	7/15/16-31	<u>800,000</u>	<u>25,000</u>
Total				<u>\$ 2,035,000</u>	<u>\$ 85,000</u>

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows:

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 85,000	\$ 108,532
2018	90,000	103,969
2019	90,000	99,244
2020	95,000	94,388
2021	100,000	89,269
2022-26	605,000	354,175
2027-31	785,000	162,758
2032	<u>185,000</u>	<u>4,972</u>
Total	<u>\$ 2,035,000</u>	<u>\$ 1,017,307</u>

**CORTINA COMMUNITY FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the current fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>				
Bonds payable	\$ 2,115,000	\$ 80,000	\$ 2,035,000	\$ 85,000
Governmental activity long-term liabilities	<u>\$ 2,115,000</u>	<u>\$ 80,000</u>	<u>\$ 2,035,000</u>	<u>\$ 85,000</u>

**NOTE 7 – 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 protection is provided by the Arizona Municipal Risk Retention Pool, of which the District is a participating member. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its member’s additional premiums should reserves and annual premium be insufficient to meet the pool’s obligations.

**SUPPLEMENTARY INFORMATION**

**CORTINA COMMUNITY FACILITIES DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE  
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Property taxes	\$ 203,926	\$ 204,931	\$ 1,005
Investment income		1	1
<b>Total revenues</b>	<u>203,926</u>	<u>204,932</u>	<u>1,006</u>
<b>Expenditures:</b>			
Debt service -			
Principal retirement	165,000	80,000	85,000
Interest and fiscal charges	181,098	122,231	58,867
<b>Total expenditures</b>	<u>346,098</u>	<u>202,231</u>	<u>143,867</u>
<b>Changes in fund balances</b>	<u>(142,172)</u>	<u>2,701</u>	<u>144,873</u>
<b>Fund balances, beginning of year</b>	184,504	193,795	9,291
<b>Fund balances, end of year</b>	<u>\$ 42,332</u>	<u>\$ 196,496</u>	<u>\$ 154,164</u>



## **OTHER INFORMATION**

## CORTINA COMMUNITY FACILITIES DISTRICT

### Assessment Ratios

The appropriate property classification ratio is applied to the taxable value to determine the assessed valuation for such parcel. The assessment ratios utilized during the fiscal years 2013-14 through 2016-17 for each class of property are set forth below:

<b>Property Classification (a)</b>	<b>Assessment as Percent of Taxable Value</b>			
	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Mining, Utility, Commercial and Industrial (b)	19.5%	19.0%	18.5%	18.0%
Agriculture and Vacant Land (b)	16.0%	16.0%	16.0%	15.0%
Owner Occupied Residential	10.0%	10.0%	10.0%	10.0%
Leased or Rented Residential	10.0%	10.0%	10.0%	10.0%
Railroad, Private Car Company and Airline Flight Property (c)	15.0%	16.0%	15.0%	14.0%

Source: Arizona Department of Revenue

- (a) Additional classes of property exist, but seldom amount to a significant portion of total valuation.
- (b) For tax year 2016, Full Cash Values, up to an amount established by law for each tax year, on commercial, industrial and agricultural personal property are exempt from taxation (for tax year 2016, such maximum amount is \$152,926). This exemption is indexed annually for inflation. Any portion of the Full Cash Value in excess of that amount will be assessed at the applicable rate.
- (c) This percentage is determined annually to be equal to the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial, and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash (market) value of such properties.

## CORTINA COMMUNITY FACILITIES DISTRICT

### Ad Valorem Taxation in the District

The tables below are shown to indicate (a) for fiscal years 2016-17 and 2015-16, the Net Assessed Limited Property Value of the District, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years 2006-07 through 2014-15, the then-applicable, but now-replaced, Net Secondary Assessed Valuations of the District.

The Full Cash Value and Net Assessed Limited Property Value of taxable property within the boundaries of the District for fiscal years 2016-17 and 2015-16 is as follows:

<b>Fiscal Year</b>	<b>Full Cash Value</b>	<b>Net Assessed Limited Property Value</b>
2016-17	\$138,724,572	\$9,317,541
2015-16	130,857,148	8,866,866

The Full Cash Value and Net Secondary Assessed Valuation of taxable property within the boundaries of the District for the indicated fiscal year is as follows:

<b>Fiscal Year</b>	<b>Full Cash Value</b>	<b>Net Secondary Assessed Valuation</b>
2014-15	\$96,474,841	\$9,168,527
2013-14	76,903,798	7,669,563
2012-13	82,854,885	8,277,737
2011-12	87,387,514	8,793,569
2010-11	107,518,045	10,849,319
2009-10	156,006,488	15,736,711
2008-09	204,245,155	20,561,793
2007-08	176,654,868	17,861,681
2006-07	76,626,179	8,125,535

---

Source: Maricopa County Assessor's Office.

## CORTINA COMMUNITY FACILITIES DISTRICT

### Net Assessed Valuation by Property Classification

The table below shows fiscal years 2015-16 and 2016-17, Net Assessed Limited Property Values by property classification for the District, utilizing new constitutional and statutory property valuation requirements.

### Net Assessed Limited Property Values by Property Classification

<b>Legal Class</b>	<b>Description</b>	<b>2015-16</b>	<b>2015-16 Percent of Total</b>	<b>2016-17</b>	<b>2016-17 Percent of Total</b>
1	Commercial	\$17,592	0.20%	\$27,523	0.30%
2	Agricultural & Vacant Residential (owner occupied)	24,745	0.28%	24,347	0.26%
3	Residential (rental occupied)	5,726,052	64.58%	5,920,322	63.54%
4	Possessory Interests	3,043,571	34.32%	3,287,697	35.28%
9		54,906	0.62%	57,652	0.62%
		<u>\$8,866,866</u>	<u>100.00%</u>	<u>\$9,317,541</u>	<u>100.00%</u>

Source: Maricopa County Assessor's Office.

**CORTINA COMMUNITY FACILITIES DISTRICT**

**Net Assessed Property Values of Major Taxpayers**

The tables below are shown to indicate for fiscal years 2016-17 and 2015-16, the major property taxpayers located within the District, and their 2016-17 and 2015-16 Net Assessed Limited Property Value, utilizing new constitutional and statutory property valuation requirements, and their relative proportion of the total Net Assessed Limited Property Value for the District.

**Fiscal Year 2016-17**

<b>Taxpayer</b>	<b>2016-17 Net Assessed Limited Property Valuation</b>	<b>As Percent of District's 2016-17 Net Assessed Limited Property Valuation</b>
AH4R PROPERTIES LLC	\$89,029	0.96%
ARP 2014-1 BORROWER LLC	76,671	0.82
SBY 2014-1 BORROWER LLC	61,681	0.66
EDUCATION CAPITAL SOLUTIONS LLC	57,652	0.62
SKATES MANAGEMENT LTD	42,483	0.46
FREO ARIZONA LLC	35,072	0.38
SFR 2012-1 US WEST LLC	25,262	0.27
AMERICAN RESIDENTIAL LEASING COMPANY LLC	24,001	0.26
WONG BOBBY YAT BONG	21,951	0.24
AZTCS LLC	21,902	0.24
	<b>\$455,704</b>	<b>4.89%</b>

**Fiscal Year 2015-16**

<b>Taxpayer</b>	<b>2015-16 Net Assessed Limited Property Valuation</b>	<b>As Percent of District's 2015-16 Net Assessed Limited Property Valuation</b>
ARP PHOENIX FUND I LP	\$96,304	1.09%
ARP 2014-1 BORROWER LLC	73,020	0.82
SBY 2014-1 BORROWER LLC	58,743	0.66
EDUCATION CAPITAL SOLUTIONS LLC	54,906	0.62
FREO ARIZONA LLC	42,724	0.48
SKATES MANAGEMENT LTD	40,461	0.46
SFR 2012-1 US WEST LLC	24,058	0.27
AMERICAN RESIDENTIAL LEASING COMPANY LLC	22,857	0.26
PRIVATE OWNER	21,310	0.24
PRIVATE OWNER	20,906	0.24
	<b>\$455,289</b>	<b>5.14%</b>

Source: Maricopa County Assessor's Office, as of September 15, 2016.

## CORTINA COMMUNITY FACILITIES DISTRICT

### Record of Taxes Levied and Collected in the District

Under Arizona law, the Board of Supervisors of the County is required to establish and levy a tax in an amount sufficient to satisfy debt service requirements of the District. Property taxes are levied and collected on property within the District by the Treasurer of the County on behalf of the District. The following table sets forth the tax collection records of the District for the periods shown:

<b>Fiscal Year</b>	<b>Real and Secured Personal Property Tax Levy (a)</b>	<b>Collected to June 30th (b)</b>		<b>Total Collections (c)</b>	
		<b>Amount</b>	<b>Percent of Tax Levy</b>	<b>Amount</b>	<b>Percent of Tax Levy</b>
2015-16	\$230,530	\$229,101	99.38%	\$229,101	99.38%
2014-15	238,693	236,376	99.03%	238,693	100.00%
2013-14	218,585	215,473	98.58%	218,453	99.94%
2012-13	235,918	233,256	98.87%	235,918	100.00%
2011-12	240,047	235,714	98.20%	240,047	100.00%
2010-11	239,629	233,227	97.33%	239,389	99.90%
2009-10	191,138	185,396	97.00%	191,138	100.00%
2008-09	31,253	30,324	97.03%	31,253	100.00%
2007-08	509,060	480,180	94.33%	504,251	99.06%
2006-07	231,579	218,270	94.25%	231,429	99.94%

Source: Maricopa County Treasurer's Office.

- (a) Tax levy is as reported by the Treasurer of the County as of August of each fiscal year. Amount does not include adjustments made to levy amounts after the August report.
- (b) Reflects collections made through June 30, the end of the fiscal year, on such year's levy. Property taxes are payable in two installments. The first installment is due on October 1 and becomes delinquent on November 1, but is waived if the full tax year's taxes are paid in full by December 31. The second installment becomes due on March 1 and is delinquent on May 1. Interest at the rate of 16 percent per annum attaches on first and second installments following their delinquent dates. Penalties for delinquent payments are not included in the above collection figures.
- (c) Reflects collections made through June 30, 2016.