

HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

KING RANCH COMMUNITY FACILITIES
DISTRICT

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013



KING RANCH COMMUNITY FACILITIES DISTRICT

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HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
King Ranch Community Facilities District
Goodyear, Arizona

We have audited the accompanying financial statements of the governmental activities and the General fund, of King Ranch Community Facilities District (the District), a component unit of the City of Goodyear, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, 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.

Auditors' 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 auditors' 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.

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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 General fund of the King Ranch Community Facilities District, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Governmental Accounting Standards Board (GASB) issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 65, Items Previously Reported as Assets and Liabilities that could have a material impact on the financial statements. GASB Statement No. 62 and 65 have not impacted the financial statements of King Ranch Community Facilities District; however, GASB Statement No. 63 has impacted what was previously identified as "Statement of Net Assets" and renamed it to "Statement of Net Position." Our opinion is not modified with respect to those matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Henry + Horne LLP

Casa Grande, Arizona
November 14, 2013

FINANCIAL STATEMENTS

KING RANCH COMMUNITY FACILITIES DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	<u>\$ 27</u>
Total assets	<u>27</u>
LIABILITIES	
Accounts payable	4,837
Due to City	<u>205</u>
Total liabilities	<u>5,042</u>
NET POSITION	
Unrestricted	<u>(5,015)</u>
Total net position	<u><u>\$ (5,015)</u></u>

KING RANCH COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary government:		<u>Governmental Activities</u>
Governmental activities:		
General government	\$ 3,795	\$ (3,795)
Total governmental activities	<u>\$ 3,795</u>	<u>(3,795)</u>
General revenues:		
Taxes		(5,637)
Investment income		<u>16</u>
Total general revenues		<u>(5,621)</u>
Change in net position		(9,416)
Net position, beginning of year		<u>4,401</u>
Net position, end of year		<u>\$ (5,015)</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 27
Total assets	<u>27</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 4,837
Due to City	<u>205</u>
Total liabilities	<u>5,042</u>
Fund balance:	
Unassigned	<u>(5,015)</u>
Total fund balance	<u>(5,015)</u>
Total liabilities and fund balance	<u>\$ 27</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General
REVENUES	
Taxes	\$ (5,637)
Investment income	16
Total revenues	<u>(5,621)</u>
EXPENDITURES	
Current:	
General government	3,795
Total expenditures	<u>3,795</u>
Net change in fund balance	(9,416)
Fund balances - beginning of year	<u>4,401</u>
Fund balances - end of year	<u><u>\$ (5,015)</u></u>

KING RANCH COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - GENERAL
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,983	\$ 4,983	\$ (5,637)	\$ (10,620)
Investment income	-	-	16	16
Total revenues	<u>4,983</u>	<u>4,983</u>	<u>(5,621)</u>	<u>(10,604)</u>
EXPENDITURES				
Current:				
General government	<u>6,300</u>	<u>6,300</u>	<u>3,795</u>	<u>2,505</u>
Total expenditures	<u>6,300</u>	<u>6,300</u>	<u>3,795</u>	<u>2,505</u>
Net change in fund balance	(1,317)	(1,317)	(9,416)	(8,099)
Fund balance - beginning of year	<u>4,401</u>	<u>4,401</u>	<u>4,401</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,084</u>	<u>\$ 3,084</u>	<u>\$ (5,015)</u>	<u>\$ (8,099)</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The King Ranch Community Facilities District (District), is a special purpose district created specifically to acquire or construct public infrastructure within specified 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 specified 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.

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 February 6, 2007, 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 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.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government–Wide and Fund Financial Statements (Continued)

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. Fund Balances – Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts than can be used only for specific purposes determined by a formal action of the Board of Directors. The Board of Directors is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has adopted the City's policy in which only the Board of Directors or the District's Treasurer may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unassigned fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors or the District's Treasurer has provided otherwise in its commitment or assignment actions.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 (loss) associated with the current fiscal period are all considered to be susceptible to accrual and so 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.

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports all funds as major governmental funds.

General Fund – This fund is the general operating fund of the District. It accounts for all financial resources of the District, except those required to be accounted for in other funds.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the District on demand. Cash equivalents are 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.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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, are shown net of an allowance for uncollectibles.

Property taxes are levied by the District and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

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

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness. The District operates with only a secondary levy. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value property is used in determining the tax rate.

G. 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.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. Budgetary Data

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

K. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS No. 62 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of GASBS No. 63 has impacted the presentation of the District's financial statements.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Impact of Recently Issued Accounting Principles (Continued)

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. GASBS No. 65 provides reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, and other related disclosures. In addition, the reporting of such items should be limited to those instances identified by the Governmental Accounting Standards Board. Statement No. 65 also changes the determination of the major fund calculations and limits the use of the term deferred in financial statement presentation. The adoption of GASBS No. 65 has not impacted the presentation of the District's financial statements.

NOTE 2 CASH AND INVESTMENTS

At June 30, 2013, cash and cash equivalents consisted of the following:

Cash and cash equivalents	\$	27
Total cash and cash equivalents	<u>\$</u>	<u>27</u>

Deposits

At June 30, 2013, the carrying amount of the District's deposits totaled \$0 and the bank balance was \$0. The District's deposits at June 30, 2013 were covered by Federal Depository Insurance to the extent of \$0.

Investments

Arizona Revised Statutes (ARS) 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.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than five years. The dollar weighted average portfolio maturity is less than 240 days. The net asset value per share of the pool at June 30, 2013 was \$1.00. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007. The fair value of a participant's position in the pool approximates the value of that participant's pool share.

Funds held in the State Treasurer's Local Government Investment Pool represent 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. At June 30, 2013, the District's funds invested with the State Treasurer totaled \$27.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy regarding interest rate risk. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. All of the District's investments have maturities of less than 12 months.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District does not have a formal policy regarding credit risk. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in LGIP at year end were rated AAAF/S1+.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 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 the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.