

KING RANCH COMMUNITY FACILITIES DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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KING RANCH COMMUNITY FACILITIES DISTRICT

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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 each major fund (General), 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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. 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 respective financial position of the governmental activities and each major fund as listed above, of the King Ranch Community Facilities District, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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Board of Directors
King Ranch Community Facilities District
Goodyear, Arizona

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.

A handwritten signature in black ink, appearing to read "Greg. Hove, CPA". The signature is written in a cursive style with a large initial "G".

Casa Grande, Arizona
November 17, 2010

KING RANCH COMMUNITY FACILITIES DISTRICT
 STATEMENT OF NET ASSETS
 June 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	<u>\$ 20,058</u>
Total assets	<u>20,058</u>
LIABILITIES	
Accounts payable	190
Due to City	<u>15,867</u>
Total liabilities	<u>16,057</u>
NET ASSETS	
Unrestricted	4,001
Total net assets	<u><u>\$ 4,001</u></u>

KING RANCH COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Governmental Activities</u>
Primary government:		
Governmental activities:		
General government	\$ 19,729	\$ (19,729)
Total governmental activities	<u>\$ 19,729</u>	<u>(19,729)</u>
General revenues:		
Taxes		19,698
Investment income		<u>31</u>
Total general revenues		<u>19,729</u>
Change in net assets		<u>-</u>
Net assets, beginning of year		<u>4,001</u>
Net assets, end of year		<u>\$ 4,001</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2010

ASSETS	General
Cash and cash equivalents	\$ 20,058
Total assets	<u>\$ 20,058</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 190
Due to City	15,867
Total liabilities	<u>16,057</u>
Fund balances:	
Unreserved	4,001
Total fund balances	<u>4,001</u>
Total liabilities and fund balances	<u>\$ 20,058</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2010

REVENUES	<u>General</u>
Taxes	\$ 19,698
Investment income	31
Total revenues	<u>19,729</u>
EXPENDITURES	
Current:	
General government	<u>19,729</u>
Total expenditures	<u>19,729</u>
Net change in fund balance	-
Fund balances - beginning of year	<u>4,001</u>
Fund balances - end of year	<u>\$ 4,001</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - GENERAL
For The Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 19,699	\$ 19,699	\$ 19,699	\$ -
Investment income	100	100	30	(70)
Total revenues	<u>19,799</u>	<u>19,799</u>	<u>19,729</u>	<u>(70)</u>
EXPENDITURES				
General government	<u>19,799</u>	<u>19,799</u>	<u>19,729</u>	<u>70</u>
Total expenditures	<u>19,799</u>	<u>19,799</u>	<u>19,729</u>	<u>70</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>4,001</u>	<u>4,001</u>	<u>4,001</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,001</u>	<u>\$ 4,001</u>	<u>\$ 4,001</u>	<u>\$ -</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 assets 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.

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.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 (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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. 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.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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 assets.

G. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose.

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.

NOTE 2 CASH AND INVESTMENTS

At June 30, 2010, cash and cash equivalents consisted of the following:

Cash equivalents-investments	\$	9,574
Cash in bank		10,484
Total cash and cash equivalents	\$	<u>20,058</u>

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 CASH AND INVESTMENTS (Continued)

Deposits

At June 30, 2010, the carrying amount of the District's deposits totaled \$10,484 and the bank balance was \$10,484. The District's deposits at June 30, 2010 were covered by Federal Depository Insurance to the extent of \$10,484.

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.

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, 2010 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, 2010, the District's funds invested with the State Treasurer totaled \$9,574.

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 are unrated.

KING RANCH COMMUNITY FACILITIES DISTRICT
A COMPONENT UNIT OF THE CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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.