



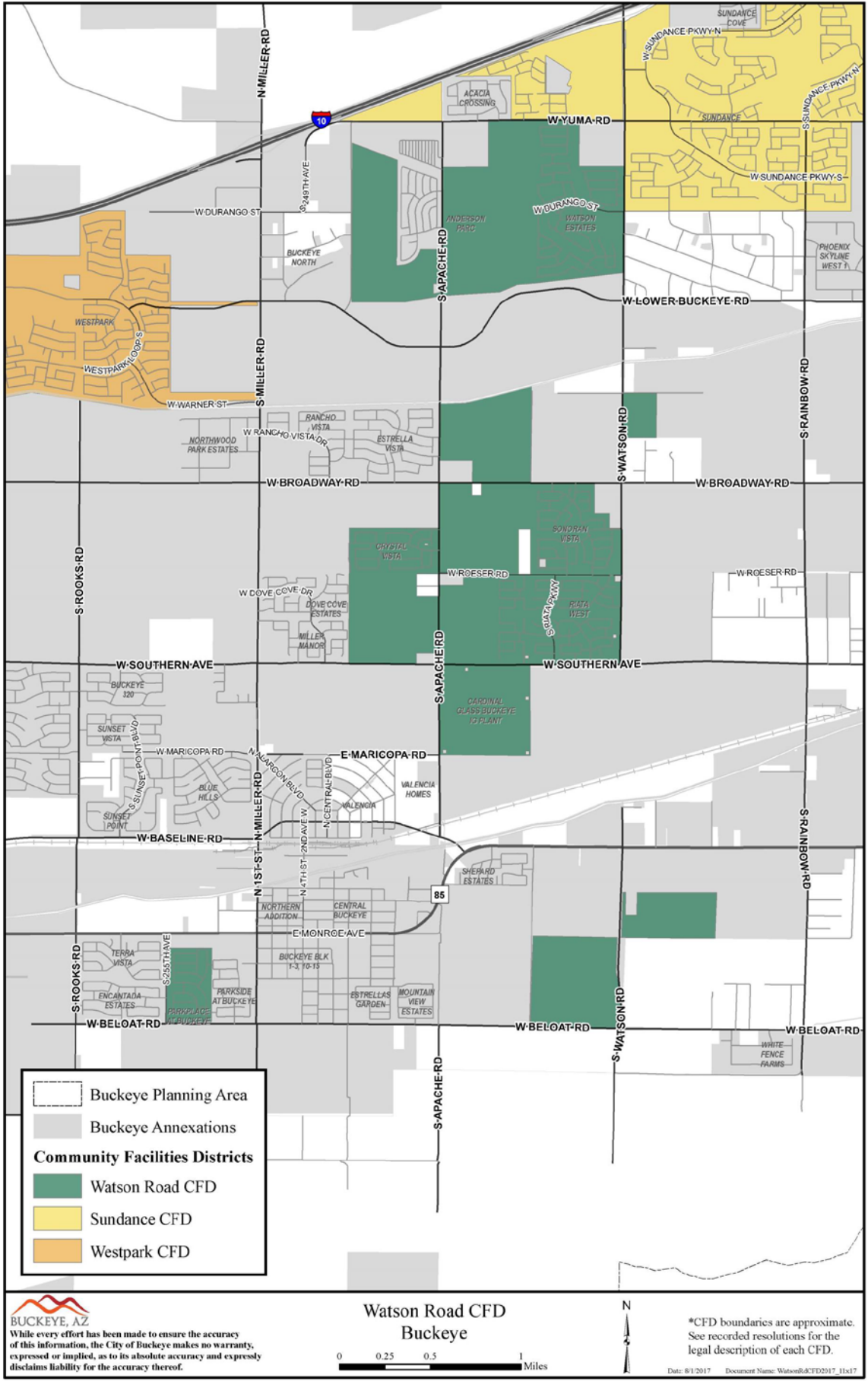
**Watson Road
Community Facilities District
Annual Financial Report**

City of Buckeye


Year Ended June 30, 2020

Issued by: City of Buckeye Finance Department

Watson Road CFD



Buckeye Planning Area
 Buckeye Annexations
Community Facilities Districts
 Watson Road CFD
 Sundance CFD
 Westpark CFD


 While every effort has been made to ensure the accuracy of this information, the City of Buckeye makes no warranty, expressed or implied, as to its absolute accuracy and expressly disclaims liability for the accuracy thereof.

Watson Road CFD
Buckeye



*CFD boundaries are approximate.
 See recorded resolutions for the legal description of each CFD.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Watson Road Community Facilities District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Watson Road Community Facilities District (District), a component unit of the City of Buckeye, Arizona, as of and for the year ended June 30, 2020, 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 Watson Road Community Facilities District, as of June 30, 2020, 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.

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. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are 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. Such 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 Supplementary 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 it.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
December 17, 2020

BASIC FINANCIAL STATEMENTS



WATSON RD COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION
 June 30, 2020

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,180,032
Receivables, net	19,582,757
Restricted assets	
Cash with paying agent	2,115,504
Restricted cash	2,120,853
Total assets	24,999,146
LIABILITIES	
Accounts payable	42,537
Unearned revenue	82,769
Matured debt interest payable	187,043
Note payable	110,021
Noncurrent liabilities:	
Due within one year	1,818,440
Due in more than one year	19,095,560
Total liabilities	21,336,370
Net position:	
Restricted for:	
Debt service	3,347,571
Unrestricted	315,205
Total net position	\$ 3,662,776

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

WATSON RD COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental activities			
General government	\$ 199,072	\$ 104,802	\$ (94,270)
Highways and streets	2,639	-	(2,639)
Interest on long-term debt	<u>1,591,751</u>	<u>1,402,158</u>	<u>(189,593)</u>
Total governmental activities	<u>1,793,462</u>	<u>1,506,960</u>	<u>(286,502)</u>
General revenues:			
Taxes:			
Property taxes			97,585
Investment earnings			59,585
Other			<u>31,085</u>
Total general revenues			<u>188,255</u>
Change in net position			(98,247)
Net position - beginning			<u>3,761,023</u>
Net position - ending			<u><u>\$ 3,662,776</u></u>

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

WATSON RD COMMUNITY FACILITIES DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 357,560	\$ 822,472	\$ 1,180,032
Receivables, net			
Taxes	182	-	182
Accounts	-	330,015	330,015
Special Assessments	-	19,252,560	19,252,560
Restricted Assets			
Cash with paying agent	-	2,115,504	2,115,504
Restricted cash	-	2,120,853	2,120,853
Total assets	<u>\$ 357,742</u>	<u>\$ 24,641,404</u>	<u>\$ 24,999,146</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 42,537	\$ -	\$ 42,537
Deferred revenue	-	82,769	82,769
Notes payable	-	110,021	110,021
Matured debt principal payable	-	1,818,440	1,818,440
Matured debt interest payable	-	187,043	187,043
Total liabilities	<u>42,537</u>	<u>2,198,273</u>	<u>2,240,810</u>
Deferred inflows of resources:			
Unavailable revenue	-	19,252,560	19,252,560
Total deferred inflows of resources	<u>-</u>	<u>19,252,560</u>	<u>19,252,560</u>
Fund balances:			
Restricted			
Debt service	-	3,190,571	3,190,571
Unassigned	315,205	-	315,205
Total fund balances	<u>315,205</u>	<u>3,190,571</u>	<u>3,505,776</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 357,742</u>	<u>\$ 24,641,404</u>	<u>\$ 24,999,146</u>

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

**WATSON RD COMMUNITY FACILITIES DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total governmental fund balances	\$	3,505,776
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
Special Assessments		19,252,560
<p>Some liabilities, including bonds payable are not due and payable in the current year and therefore are not reported in the funds.</p>		
Bonds payable		(19,095,560)
Total net position of governmental activities	\$	3,662,776

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

WATSON RD COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 97,585	\$ -	\$ 97,585
Charges for services	104,802	-	104,802
Special assessments	-	3,736,598	3,736,598
Investment earnings	-	59,585	59,585
Other	31,085	-	31,085
Total revenues	<u>233,472</u>	<u>3,796,183</u>	<u>4,029,655</u>
EXPENDITURES			
Current:			
General Government	195,541	3,531	199,072
Highway and streets	2,639	-	2,639
Debt service:			
Principal retirement	-	2,334,440	2,334,440
Interest and fiscal charges	3,820	1,211,755	1,215,575
Issuance costs	-	376,176	376,176
Total expenditures	<u>202,000</u>	<u>3,925,902</u>	<u>4,127,902</u>
Excess (deficiency) of revenues over expenditures	<u>31,472</u>	<u>(129,719)</u>	<u>(98,247)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds Issued	-	20,914,000	20,914,000
Payment to refunding agent	-	(21,071,000)	(21,071,000)
Total other financing sources and uses	<u>-</u>	<u>(157,000)</u>	<u>(157,000)</u>
Net change in fund balances	31,472	(286,719)	(255,247)
Fund balances - beginning	<u>283,733</u>	<u>3,477,290</u>	<u>3,761,023</u>
Fund balances - ending	<u>\$ 315,205</u>	<u>\$ 3,190,571</u>	<u>\$ 3,505,776</u>

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

WATSON RD COMMUNITY FACILITIES DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds		(255,247)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.</p>		
Special assessments		(2,334,440)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal on long-term debt reduces long-term debt on the statement of net position. Likewise, refunding and defeasance of existing debt reduces the balance of long-term debt without adding additional debt. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these items are deferred and amortized over the term of the long-term debt in the statement of activities.</p>		
Issuance of long-term debt	(20,914,000)	
Principal payments on long-term debt	<u>23,405,440</u>	
		2,491,440
Change in net position of governmental activities		<u><u>\$ (98,247)</u></u>

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

WATSON RD COMMUNITY FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL- GENERAL
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amount Budgetary Basis	Variance Between Final Budget and Actual Amounts
	Adopted	Final		
REVENUES				
Taxes	\$ 101,209	\$ 101,209	\$ 97,585	\$ (3,624)
Charges for services	5,000	5,000	104,802	99,802
Other	-	-	31,085	31,085
Total revenues	106,209	106,209	233,472	127,263
EXPENDITURES				
Current:				
General Government	171,000	206,000	195,541	10,459
Highway and streets	5,000	4,500	2,639	1,861
Fiscal charges	24,000	39,500	3,820	35,680
Contingency	76,972	26,972	-	26,972
Total expenditures	276,972	276,972	202,000	74,972
Net change in fund balances	(170,763)	(170,763)	31,472	202,235
Fund balances - beginning	170,763	170,763	283,733	112,970
Fund balances - ending	\$ -	\$ -	\$ 315,205	\$ 315,205

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

Notes to Financial Statements – Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Watson Road Community Facilities District (District) is a special purpose district created specifically to acquire or construct public infrastructure within specific areas of the City of Buckeye, 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 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 Buckeye, Arizona (City), was established (October 18, 2005), 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 non-fiduciary 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.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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

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recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. As permitted by generally accepted accounting principles, the District applies the “early recognition” option for debt service payments. Property tax resources are provided in Debt Service Fund during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore the expenditures and related liabilities have been recognized.

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.

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.

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 operations except those required to be accounted for in other funds.

Debt Service Funds – The Debt Service Funds account 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 comprised of interest, dividends, and net changes in the fair value of applicable investments.

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 Taxes

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.

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.

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 are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding 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.

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 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.

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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.

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 – 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. Bank balances are uninsured and uncollateralized. The unrestricted cash is in a repurchase sweep agreement rather than a deposit. At year-end, the carrying amount of the District's bank balance was \$1,180,032. In addition to unrestricted cash balance, the District also maintains deposits with paying agents and trustees. Restricted cash and cash with paying agent at year-end equaled \$2,120,853 and \$2,115,504; respectively. These amounts represents amounts held by either the District or the District's trustee for future debt service payments.

NOTE 4 – NOTES PAYABLE

In March 2020, the District issued \$110,021 in supplemental interest certificates. These certificates were necessary to provide sufficient cash flow to pay future debt service payments. Special assessment revenue was used to repay the certificates in July 2020.

NOTE 5 – SPECIAL ASSESSMENT REVENUE BOND PAYABLE

The District is a special purpose district created specifically to acquire or construct public infrastructure within specific areas of the City of Buckeye, Arizona, and was authorized under state law to issue special assessment (SA) revenue bonds to be repaid by the property 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. The District comprises approximately 2,080 acres.

The CFD Board of Directors has pledged revenue derived from an annual assessment on the real property of the Watson Road CFD to repay \$49,000,000 in special assessment revenue bonds issued in December 2005. Proceeds were used for infrastructure improvements within the special assessment District. The bonds are payable solely from assessments on the property in the District. By way of a current refunding, these bonds were fully defeased through the issuance of \$20,914,000 Watson Road Assessment Refunding Bonds, Series 2020 issued in March 2020. The combined defeasance resulted in cash flow savings of \$4,056,467 and an economic gain (net present value of savings) of \$2,611,527. The total principal remaining to be paid on the bonds is \$19,095,560. The principal paid for the current year was \$1,818,440. Principal and interest paid

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for the current year approximate amounts received from special assessment properties, which, at times exceed special assessments billed for the year.

Purpose	Interest Rates (%)	Matures	Original Issue Amount	Amount Outstanding
Watson Road Special Assessment Revenue				
Bonds, Series 2005 (private placement)	4.5 - 6.0%	July 2030	49,000,000	-
Bonds, Series 2020 (private placement)	3.14%	July 2030	20,914,000	19,095,560

Annual debt service requirements to maturity on special assessment revenue bonds at year-end are summarized as follows:

Fiscal Year Ending	Private Placement	
	Principal	Interest
2021	\$ 1,655,005	\$ 599,601
2022	1,706,972	547,634
2023	1,760,571	494,034
2024	1,815,853	438,752
2025	1,872,871	381,734
2026-30	10,284,288	988,740
	<u>\$ 19,095,560</u>	<u>\$ 3,450,495</u>

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

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

	July 1, 2019	Increases	Decreases	June 30, 2020	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special Assessments	\$ 21,587,000	\$ 20,914,000	\$ (23,405,440)	\$ 19,095,560	\$ -
Total bonds payable	<u>\$ 21,587,000</u>	<u>\$ 20,914,000</u>	<u>\$ (23,405,440)</u>	<u>\$ 19,095,560</u>	<u>\$ -</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.



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SUPPLEMENTARY INFORMATION



WATSON RD COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amount</u> <u>Budgetary Basis</u>	<u>Variance Between</u> <u>Final Budget and</u> <u>Actual Amounts</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Special assessments	\$ 3,213,930	\$ 3,213,930	\$ 3,736,598	\$ 522,668
Investment earnings	15,000	15,000	59,585	44,585
Total revenues	<u>3,228,930</u>	<u>3,228,930</u>	<u>3,796,183</u>	<u>567,253</u>
EXPENDITURES				
Current:				
General Government	-	20,000	3,531	16,469
Debt Service:				
Principal retirement	1,882,000	1,882,000	2,334,440	(452,440)
Interest and fiscal charges	1,331,930	1,331,930	1,211,755	120,175
Issuance costs	-	-	376,176	(376,176)
Contingency	<u>3,279,742</u>	<u>3,259,742</u>	<u>-</u>	<u>3,259,742</u>
Total expenditures	<u>6,493,672</u>	<u>6,493,672</u>	<u>3,925,902</u>	<u>2,567,770</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,264,742)</u>	<u>(3,264,742)</u>	<u>(129,719)</u>	<u>3,135,023</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	20,914,000	20,914,000
Payment to refunding agent	-	-	(21,071,000)	(21,071,000)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(157,000)</u>	<u>(157,000)</u>
Net change in fund balances	(3,264,742)	(3,264,742)	(286,719)	2,978,023
Fund balances - beginning	<u>3,264,742</u>	<u>3,264,742</u>	<u>3,477,290</u>	<u>212,548</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,190,571</u>	<u>\$ 3,190,571</u>

OTHER INFORMATION



Ad Valorem Taxation in the District

The tables below are shown to indicate (a) for fiscal years FY15-16 through FY19-20, the Net Assessed Limited Property Value of the District, utilizing new constitutional and statutory property valuation requirements, and (b) for fiscal years FY10-11 through FY14-15, 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 FY15-16 through FY19-20 are as follows:

Fiscal Year	Full Cash Value	Net Assessed Limited Property Value
FY 15-16	\$229,904,584	\$16,703,003
FY 16-17	244,312,292	17,555,182
FY 17-18	302,544,317	21,245,960
FY 18-19	398,514,435	28,660,423
FY 19-20	476,255,696	33,032,689

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:

Fiscal Year	Full Cash Value	Net Secondary Assessed Value
FY 10-11	\$186,054,887	\$21,595,877
FY 11-12	157,981,338	16,743,603
FY 12-13	142,076,732	14,581,241
FY 13-14	137,547,328	13,884,415
FY 14-15	170,899,465	16,965,121

Net Assessed Valuation by Property Classification

The table below is shown to indicate for fiscal years FY18-19 and FY19-20, the 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

Legal Class	Description	Fiscal Year FY 18-19	Percent of Total	Fiscal Year FY 19-20	Percent of Total
1	Commercial/Industrial	\$3,404,492	11.88%	\$3,040,386	9.20%
2	Agricultural/Vacant	1,476,379	5.15%	1,085,062	3.28%
3	Residential	20,055,761	69.98%	24,411,999	73.91%
4	Residential Rental	3,723,791	12.99%	4,495,242	13.61%
	Total	\$28,660,423	100.00%	\$33,032,689	100.00%

Net Assessed Property Values of Major Taxpayers

The tables below are shown to indicate for fiscal years FY19-20 and FY18-19, the major property taxpayers located within the District, and their FY18-19 and FY19-20 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 19-20

Taxpayer	Net Assessed Limited Property Value	As Percent of District's Total Net Assessed Limited Property Value
CARDINAL IG COMPANY	\$2,986,200	9.04%
BRIDGEPORT BUCKEYE LLC/ETAL	357,761	1.08%
SPT AZ LAND HOLDINGS LLC	307,041	0.93%
LGI HOMES-ARIZONA LLC	207,018	0.63%
TAH 2018-1 BORROWER LLC	136,314	0.41%
MUPR 3 ASSETS LLC	59,542	0.18%
LEE BRANDON R	59,105	0.18%
STARDOM REAL ESTATE LLC	42,502	0.13%
GONZALEZ CAMERINA/RODRIGUEZ JUAN JOSE	41,904	0.13%
RUC HOLDINGS ULC/ETAL	40,473	0.12%
Total	\$4,237,860	12.83%

Fiscal Year 18-19

Taxpayer	Net Assessed Limited Property Value	As Percent of District's Total Net Assessed Limited Property Value
CARDINAL IG COMPANY	\$2,844,000	9.92%
BRIDGEPORT BUCKEYE LLC/ETAL	346,093	1.21%
SPT AZ LAND HOLDINGS LLC	292,421	1.02%
LGI HOMES-ARIZONA LLC	262,818	0.92%
TAH 2018-1 BORROWER LLC	129,822	0.45%
D R HORTON INC	113,156	0.39%
OWEN FAMILY CHARITABLE REMAINDER UNITRUST	51,905	0.18%
REMINGTON INVESTMENTS INC PROFIT SHARING PLAN	49,726	0.17%
BUCKEYE 30 LLC	47,113	0.16%
STARDOM REAL ESTATE LLC	40,478	0.14%
Total	\$4,177,532	14.58%