

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
(A Component Unit of the Town of Marana, Arizona)

Annual Financial Report
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023

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Saguaro Springs Community Facilities District

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Funds Balance Sheet	11
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Notes to Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	21
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	23
CONTINUING DISCLOSURE INFORMATION	
Real and secured Property Taxes Levied and Collected	26
District's Net Assessed Limited Property Values by Property Classification	26
District's Net Assessed Limited Property Values of Major Taxpayers	27
Comparative Net Limited Assessed Property Values	27

Independent Auditors' Report

To the Town Council of
Town of Marana

Saguaro Springs Community Facilities District

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Saguaro Springs Community Facilities District, Arizona (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 District as of June 30, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the other information included in the annual financial report but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Baker Tilly US, LLP

Tempe, Arizona
December 13, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of the Saguaro Springs Community Facilities District (District) we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the Town of Marana, Arizona’s component units for financial reporting purposes for the fiscal year ended June 30, 2023.

Formed in 2007, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the Town of Marana, Arizona (Town). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. The Marana Town Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For fiscal year ending June 30, 2023, the District’s:

- Tax collections were sufficient to pay debt service.
- Tax rate was \$2.80 per \$100 assessed valuation. The tax rate remained the same from the budgeted amount.
- Governmental funds reported a combined ending fund balance of \$964,798. Of this amount, \$368,345 was in the General Fund and \$596,453 was in the Debt Service Fund.
- Governmental fund revenues were greater than expenditures by \$93,130.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis introduces the District’s basic financial statements. Because of its limited purpose, the District’s basic financial statements are comprised of two components: 1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and 2) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* presents information with a broad overview of the District’s finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District’s assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. The focus on net position is important because over time, increases and decreases in net position may serve as a useful indicator of how the financial position of the District may be changing. Increases may indicate an improved financial position. However, decreases in net position may not necessarily indicate the District’s financial position is deteriorating. As a result, other financial and non-financial indicators must also be considered to effectively assess the District’s overall financial health.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The *Statement of Activities* presents information showing how the District’s net position changed during the most recent fiscal year. Since the economic resources measurement focus and accrual basis of accounting are used for the government-wide financial statements, all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and expenses related to accrued interest).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like the Town, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required supplementary information other than MD&A. In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, the liabilities exceeded its assets at the close of the most recent fiscal year by \$7.1 million. The large negative net position balance results from the nature of the District’s operations. The District’s purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The Town Council serves as the Board of Directors. However, the Town has no liability for the District’s debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the Town’s operations and the assets financed through the District are combined with the infrastructure of the Town. Because the capital assets are recorded in the Town’s basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

The following table presents a summary of the District’s net position as of June 30, 2023 and June 30, 2022.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Net Position

June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Assets		
Current Assets	\$556,411	\$295,470
Noncurrent Assets	408,387	576,304
Total Assets	<u>964,798</u>	<u>871,774</u>
Liabilities		
Current Liabilities	408,388	539,494
Noncurrent Liabilities	7,696,434	7,983,116
Total Liabilities	<u>8,104,822</u>	<u>8,522,610</u>
Net Position		
Restricted	-	(7,938,153)
Unrestricted	(7,140,024)	287,317
Total Net Position	<u>\$ (7,140,024)</u>	<u>\$ (7,650,836)</u>

During the fiscal year, total liabilities decreased by \$417,788 primarily due to the \$400,000 payment of principal on the District's general obligation bonds.

Changes in Net Position

Years Ended June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
Revenues		
Taxes	\$ 767,930	\$ 627,507
Total Revenues	<u>767,930</u>	<u>627,507</u>
Expenses		
General Government	1,250	1,356
Capital outlay	-	2,627,553
Debt Service	255,868	507,397
Total Expenses	<u>257,118</u>	<u>3,136,306</u>
Change in Net Position	510,812	(2,508,799)
Net Position, Beginning of Year	(7,650,836)	(5,142,037)
Net Position, End of Year	<u>\$ (7,140,024)</u>	<u>\$ (7,650,836)</u>

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District’s ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2022/23, the District’s governmental funds reported revenues in excess of expenditures by \$93,130 and an ending fund balance of \$964,798. Of the total ending fund balance, \$368,345 is in the General Fund and \$596,453 is in the Debt Service Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the Town for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct public amenities including roadways, sidewalks and a park. The District is authorized to issue bonds up to \$99,000,000.

The District general obligation bonds have a 25-year term. In the event that the District board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt

June 30, 2023 and 2022

	Governmental Activities	
	2023	2022
General Obligation Bonds	\$ 7,705,000	\$ 8,105,000

NEXT YEAR’S BUDGET AND RATES

The fiscal year 2023/24 District budget includes a \$2.80 tax rate per \$100 of assessed value. There is no change from the rate used in the fiscal year 2022/23 budget. The levy comprises \$0.30 for operations and maintenance and \$2.50 for debt service. The levy shall be the net of all cash in excess of ten percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in the fund.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Marana Town Finance Office at 11555 West Civic Center Drive, Marana, Arizona 85653, or visit www.MaranaAZ.gov.

BASIC FINANCIAL STATEMENTS

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 368,292	\$ 187,626	\$ 555,918	\$ -	\$ 555,918
Property taxes receivable	53	440	493	-	493
Noncurrent assets:					
Restricted cash and investments	-	408,387	408,387	-	408,387
Total assets	<u>368,345</u>	<u>596,453</u>	<u>964,798</u>	<u>-</u>	<u>964,798</u>
LIABILITIES					
Current liabilities:					
Accrued interest payable	\$ -	\$ -	\$ -	\$ 133,388	\$ 133,388
General obligation bonds -Due within one year	-	-	-	275,000	275,000
Noncurrent liabilities:					
General obligation bonds -Due after one year	-	-	-	7,430,000	7,430,000
Bond premium	-	-	-	266,434	266,434
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,104,822</u>	<u>8,104,822</u>
FUND BALANCES (DEFICITS)					
Restricted	-	596,453	596,453	(596,453)	-
Unassigned	368,345	-	368,345	(368,345)	-
Total fund balances (deficits)	<u>368,345</u>	<u>596,453</u>	<u>964,798</u>	<u>(964,798)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances					
	<u>\$ 368,345</u>	<u>\$ 596,453</u>	<u>\$ 964,798</u>		
Net Position					
Unrestricted				(7,140,024)	(7,140,024)
Total Net Position				<u>\$ (7,140,024)</u>	<u>\$ (7,140,024)</u>

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

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Property tax	\$ 82,278	\$ 685,652	\$ 767,930	\$ -	\$ 767,930
Total revenues	<u>82,278</u>	<u>685,652</u>	<u>767,930</u>	<u>-</u>	<u>767,930</u>
Expenditures:					
Current -					
General government	1,250	-	1,250	-	1,250
Debt service					
Principal Retirement	-	400,000	400,000	(400,000)	-
Interest and fiscal charges	-	272,775	272,775	(17,682)	255,093
Bond Issuance Costs	-	775	775	-	775
Total expenditures	<u>1,250</u>	<u>673,550</u>	<u>674,800</u>	<u>(417,682)</u>	<u>257,118</u>
Excess (deficiency) of revenues over expenditures	<u>81,028</u>	<u>12,102</u>	<u>93,130</u>	<u>(93,130)</u>	<u>-</u>
Change in fund balances	81,028	12,102	93,130	(93,130)	-
Change in net position	-	-	-	510,812	510,812
Fund balances/Net position, beginning of year	<u>287,317</u>	<u>584,351</u>	<u>871,668</u>	<u>(8,522,504)</u>	<u>(7,650,836)</u>
Fund balances/Net position, end of year	<u>\$ 368,345</u>	<u>\$ 596,453</u>	<u>\$ 964,798</u>	<u>\$ (8,104,822)</u>	<u>\$ (7,140,024)</u>

NOTES TO THE FINANCIAL STATEMENTS

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Saguaro Springs Community Facilities District (District), a component unit of the Town of Marana, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. A summary of the more significant accounting policies of the District follows.

A. Reporting Entity

The Saguaro Springs Community Facilities District (District) was formed by petition to the Town of Marana Town Council in September 2007. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the Town. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The Town Council serves as the Board of Directors; however, the Town has no liability for the District's debt. For financial reporting purposes, transactions of the Saguaro Springs Community Facilities District are included as if the District were part of the Town's operations.

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 on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide financial statement amounts.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon 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.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded when payment is due.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

D. Property Tax Calendar

Property taxes are levied by the District and collected by the Pima County Treasurer. All 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 delinquent date. Pursuant to ARS, a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance.

Cash and investments in the Debt Service Fund at June 30, 2023 is restricted as to usage.

2. Restricted Assets

The trust indentures executed for the entire bond series issued require all cash and investments for each bond series to be held on deposit by the trustee/fiscal agents. These assets are restricted for payment of interest and trustee fees associated with the bond issues, retirement of principal balances, and to finance various capital projects.

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the Town of Marana, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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.

5. Net Position/Fund Balance

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amount in those funds can be spent. Nonspendable portions of fund balance consists of funds that are not in spendable form, such as inventories and prepaids, or can be legally or contractually required to be maintained intact. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported as unrestricted.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – RECONCILIATION GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Total Fund Balances		\$ 964,798
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.		
General obligation bonds payable	(7,705,000)	
Accrued interest payable	<u>(133,388)</u>	(7,838,388)
Issuance premium is long term in nature and amortized over the life of the bonds; therefore, is not reported in the funds.		
		(266,434)
Total Net Position		<u><u>\$(7,140,024)</u></u>

B. Amounts reported in the statement of activities are different because:

Net change in Fund Balance		\$93,130
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.		
		400,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		
Accrued interest	6,000	
Premium on bonds	<u>11,682</u>	17,682
Change in Net Position		<u><u>\$510,812</u></u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the Town for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2023, the carrying amount of the District’s deposits and bank balance were \$964,305.

Custodial Credit Risk

The District does not have a formal policy with respect to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2023, as follows:

Restricted for:	
Debt Service Fund	\$ 408,387

B. Long-Term Liabilities

1. General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds are generally callable with interest payable semiannually.

The CFD general obligation bonds outstanding as reported in governmental activities as of June 30, 2023, were as follows:

	<u>Outstanding June 30, 2023</u>
\$3,845,000 CFD General Obligation Bonds, 2018 Series, due in annual installments of \$110,000 to \$235,000; through July 15, 2043; at a 3.0% to 4.0% interest rate.	\$ 3,430,000
\$1,950,000 CFD General Obligation Bonds, 2019 Series, due in annual installments of \$50,000 to \$340,000; through July 15, 2044; at a 3.0% to 4.0% interest rate.	\$ 1,800,000

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

\$2,720,000 CFD General Obligation Bonds, 2021 Series, due in annual installments of \$50,000 to \$460,000; through July 15, 2046; at a 3.0% interest rate.

Total \$ 2,475,000
\$ 7,705,000

Annual debt service requirements to maturity on the CFD general obligation bonds at June 30, 2023, are summarized as follows:

Year ending June 30	Principal	Interest	Total
2024	\$ 275,000	\$ 262,650	\$ 537,650
2025	215,000	255,300	470,300
2026	220,000	248,775	468,775
2027	230,000	241,425	471,425
2028	235,000	233,225	468,225
2029 – 2033	1,310,000	1,027,750	2,337,750
2034 – 2038	1,580,000	759,700	2,339,700
2039 – 2043	1,885,000	451,184	2,336,184
2044 – 2047	1,755,000	109,197	1,864,197
Totals	<u>\$ 7,705,000</u>	<u>\$ 3,589,206</u>	<u>\$ 11,294,206</u>

Changes in Long-term liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds Issuance	\$8,105,000	\$ -	\$ (400,000)	\$7,705,000	\$ 275,000
Premium	278,116	-	(11,682)	266,434	-
	<u>\$ 8,383,116</u>	<u>\$ -</u>	<u>\$ (411,682)</u>	<u>\$7,971,434</u>	<u>\$ 275,000</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss. The District's insurance protection is provided by the Arizona Municipal Risk Retention Pool. The District carries commercial insurance for \$1,000,000 per occurrence and \$2,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for \$1,000,000 each wrongful act and \$1,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023**

	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Property tax	\$ 82,580	\$ 82,278	\$ (302)
Total revenues	<u>82,580</u>	<u>82,278</u>	<u>(302)</u>
Expenditures:			
Current -			
General government	39,500	1,250	38,250
Capital outlay	325,000	-	325,000
Total expenditures	<u>364,500</u>	<u>1,250</u>	<u>363,250</u>
Excess (deficiency) of revenues over expenditures	<u>(281,920)</u>	<u>81,028</u>	<u>362,948</u>
Net change in fund balances	(281,920)	81,028	362,948
Fund balances (deficits), July 1, 2022	<u>-</u>	<u>287,317</u>	<u>287,317</u>
Fund balances (deficits), June 30, 2023	<u>\$ (281,920)</u>	<u>\$ 368,345</u>	<u>\$ 650,265</u>

SUPPLEMENTARY INFORMATION

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET
AND ACTUAL - DEBT SERVICE
YEAR ENDED JUNE 30, 2023**

	Original and Final Budget	Actual	Variance - Positive (Negative)
Revenues:			
Property Taxes	\$ 688,171	\$ 685,652	\$ (2,519)
Total revenues	<u>688,171</u>	<u>685,652</u>	<u>(2,519)</u>
Expenditures:			
Debt service -			
Principal retirement	400,000	400,000	-
Interest and fiscal charges	272,775	272,775	-
Bond issuance costs	2,000	775	1,225
Total expenditures	<u>674,775</u>	<u>673,550</u>	<u>1,225</u>
Excess (deficiency) of revenues over expenditures	<u>13,396</u>	<u>12,102</u>	<u>(1,294)</u>
Net change in fund balances	13,396	12,102	(1,294)
Fund balances (deficits), July 1, 2022	<u>-</u>	<u>584,351</u>	<u>584,351</u>
Fund balances (deficits), June 30, 2023	<u>\$ 13,396</u>	<u>\$ 596,453</u>	<u>\$ 583,057</u>

CONTINUING DISCLOSURE INFORMATION

SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT CONTINUING DISCLOSURE INFORMATION

SEC Rule 15c2-12, as amended, requires the Town to provide Continuing Disclosure Annual Reports that include audited financial statements and other financial information for the benefit of owners and holders of bond obligations issued by the Town. The Continuing Disclosure Annual Report shall contain or incorporate by reference certain information as set forth in the Continuing Disclosure Agreements and Undertakings executed by the Town with the issuance of its municipal bond obligations.

Information in this section is provided solely pursuant to the requirements of SEC Rule 15c2-12 and Continuing Disclosure Agreements and Undertakings and include financial information that is not required for fair presentation in conformity with accounting principles generally accepted in the United States of America and is therefore unaudited and not covered by the auditor's opinion.

Annual continuing disclosure information is filed with the Municipal Securities Rulemaking Board (MSRB) for public access via their Electronic Municipal Market Access (EMMA) system at www.emma.msrb.org.

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
CONTINUING DISCLOSURE INFORMATION**

REAL AND SECURED PROPERTY TAXES LEVIED AND COLLECTED (a)

Fiscal Year	District Tax Rate (b)	District Tax Levy	Collected to June 30th of Initial Fiscal Year		Cumulative Collections as of September 30, 2023	
			Amount	% of Levy	Amount	% of Levy
2023/24	2.80	914,188	(c)	(c)	36,684	4.01%
2022/23	2.80	770,751	767,931	99.63%	767,931	99.63%
2021/22	2.80	625,657	627,507	100.30%	627,507	100.30%
2020/21	2.80	528,466	526,744	99.67%	526,744	99.67%
2019/20	2.80	408,897	407,933	99.76%	407,933	99.76%
2018/19	2.80	285,164	284,003	99.59%	284,003	99.59%
2017/18	0.30	19,231	19,009	98.85%	19,213	99.91%
2016/17	0.30	12,152	12,074	99.36%	12,152	100.00%
2015/16	0.30	7,914	7,873	99.48%	7,914	100.00%
2014/15	0.30	5,064	5,031	99.35%	5,064	100.00%

- (a) *Taxes are collected by the Treasurer of Pima County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County's General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year's taxes are paid by December 31.*
- (b) *Prior to fiscal year 2018/19, the district tax rate only included the Operation and Maintenance Tax. The Debt Service rate of \$2.50 was levied for the first time in fiscal year 2018/19.*
- (c) *2023/24 taxes in course of collection:
First installment due 10-01-23; delinquent 11-01-23
Second installment due 03-01-24; delinquent 05-01-24*

Source: Office of the Treasurer of Pima County

DISTRICT'S NET ASSESSED LIMITED PROPERTY VALUES BY PROPERTY CLASSIFICATION

Class	2023/24	2022/23	2021/22	2020/21	2019/20
Commercial, Industrial, Utilities & Mines	\$ 265,031	\$ 195,458	\$ 170,990	\$ 147,230	\$ 111,982
Agricultural & Vacant	2,010,622	1,765,188	1,538,346	1,754,384	1,259,989
Residential (Owner Occupied)	21,270,028	16,522,275	14,519,716	13,091,378	11,375,611
Residential (rental)	9,103,888	9,043,900	6,115,816	3,880,818	1,855,890
Totals	\$ 32,649,569	\$ 27,526,821	\$ 22,344,868	\$ 18,873,810	\$ 14,603,472

Source: *Abstract of the Assessment Roll*, State of Arizona Department of Revenue

**SAGUARO SPRINGS COMMUNITY FACILITIES DISTRICT
CONTINUING DISCLOSURE INFORMATION**

DISTRICT'S NET ASSESSED LIMITED PROPERTY VALUES OF MAJOR TAXPAYERS

Taxpayer (a)	2023/24 Net Limited Assessed Property Value	As % of 2023/24 Net Limited Assessed Property Value
TITLE SECURITY AGENCY OF AZ TR 201434-T / DR HORTON INC	1,524,972	4.67%
UNISOURCE ENERGY CORPORATION	166,766	0.51%
MC CARTHY KELLY E & JANICE L REVOC LIVING TR	68,194	0.21%
FKH SFR PROPCO	59,205	0.18%
HOME RENT 2 LLC	56,571	0.17%
SOUTHWEST GAS CORPORATION	54,019	0.17%
LIEBEL CARL & YASMINA	48,768	0.15%
HOVEY RICHARD H & SYLVIA	46,926	0.14%
AH4R PROPERTIES TWO LLC	45,290	0.14%
HASELHORST ROSS & JENNY	39,356	0.12%
Total	\$ 2,110,067.00	6.46%

(a) Some of such taxpayers or their parent corporations are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). Such reports, proxy statements and other information (collectively, the "Filings") may be inspected, copied and obtained at prescribed rates at the SEC's public reference facilities at 100 F Street, N.E., Washinton, D.C. 20549-2736. In addition, the Filings may also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005. The Filings may also be obtained through the internet on the SEC's EDGAR data base at <http://www.sec.gov>. No representative of the District, the Financial Advisor, the Underwriter, Bond Counsel or counsel to the Underwriter has examined the information set forth in the Filings for accuracy or completeness, nor does any such representative assume responsibility for the same.

Source: The Assessor of Pima County

COMPARATIVE NET LIMITED ASSESSED PROPERTY VALUES

Fiscal Year	Saguaro Springs Community Facilities			
	District	Town of Marana	Pima County	State of Arizona
2023/24	\$ 32,649,569	\$ 776,667,792	\$ 10,646,893,610	\$ 83,026,530,244
2022/23	27,526,821	718,888,990	10,132,624,448	78,405,598,978
2021/22	22,344,868	671,072,055	9,696,150,354	74,200,233,397
2020/21	14,603,472	620,250,845	8,946,163,624	69,914,521,042
2019/20	14,603,472	579,412,886	8,729,964,923	66,154,632,834

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue