



**PRESCOTT VALLEY**

# **Entertainment Center Community Facilities District**

**ANNUAL FINANCIAL REPORT  
FISCAL YEAR 2021-2022**



**Entertainment Center Community Facilities District  
For the Fiscal Year Ended June 30, 2022**

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## **Basic Financial Statements**

**Entertainment Center Community Facilities District****Statement of Net Position**

June 30, 2022

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Current assets:   |                                    |
| Cash and investments  | \$ 576,760                         |
| Accounts receivable:  |                                    |
| Miscellaneous   | 156,640                            |
| Total current assets  | <u>733,400</u>                     |
| Noncurrent assets:  |                                    |
| Capital assets:   |                                    |
| Land and construction in progress                               | 2,361,198                          |
| Facilities, infrastructure, and equipment (net of depreciation) | 14,529,595                         |
| Total noncurrent assets   | <u>16,890,793</u>                  |
| Total assets  | <u>17,624,193</u>                  |
| <b>LIABILITIES</b>  |                                    |
| Current liabilities:  |                                    |
| Accounts payable  | 420,111                            |
| Unearned revenue  | 344,643                            |
| Long-term liabilities - due within one year                     | 745,000                            |
| Total current liabilities                                       | <u>1,509,754</u>                   |
| Noncurrent liabilities:   |                                    |
| Long-term liabilities - due in more than one year               | 14,375,000                         |
| Total noncurrent liabilities                                    | <u>14,375,000</u>                  |
| Total liabilities   | <u>15,884,754</u>                  |
| <b>NET POSITION</b>   |                                    |
| Net investment in capital assets                                | 1,770,793                          |
| Unrestricted  | (31,354)                           |
| Total net position  | <u>\$ 1,739,439</u>                |

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

**Entertainment Center Community Facilities District**

**Statement of Activities**

For the Year Ended June 30, 2022

| Function/Programs             | Expenses            | Program Revenues     |                                    |                                  | Governmental Activities |
|-------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|
|                               |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |                         |
| Community Facilities District |                     |                      |                                    |                                  |                         |
| Administration                | \$ 3,879,444        | \$ 2,443,854         | \$ 2,016,700                       | \$ -                             | \$ 581,110              |
| Interest and fiscal charges   | 596,700             | -                    | -                                  | -                                | (596,700)               |
| Total district activities     | <u>4,476,144</u>    | <u>2,443,854</u>     | <u>2,016,700</u>                   | <u>-</u>                         | <u>(15,590)</u>         |
| Total primary government      | <u>\$ 4,476,144</u> | <u>\$ 2,443,854</u>  | <u>\$ 2,016,700</u>                | <u>\$ -</u>                      | <u>(15,590)</u>         |

General revenues:

|                          |                     |
|--------------------------|---------------------|
| Total general revenues   | -                   |
| Change in net position   | (15,590)            |
| Net position - beginning | 1,755,029           |
| Net position - ending    | <u>\$ 1,739,439</u> |

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

**Entertainment Center Community Facilities District**

**Balance Sheet**

June 30, 2022

**ASSETS**

|                      |    |                |
|----------------------|----|----------------|
| Cash and investments | \$ | 576,760        |
| Accounts receivable: |    |                |
| Miscellaneous        |    | 156,640        |
| Total assets         | \$ | <u>733,400</u> |

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE**

|                    |    |                 |
|--------------------|----|-----------------|
| Liabilities:       |    |                 |
| Accounts payable   | \$ | 420,111         |
| Unearned revenue   |    | 344,643         |
| Total liabilities  |    | <u>764,754</u>  |
| Fund balances:     |    |                 |
| Unassigned         |    | <u>(31,354)</u> |
| Total fund balance |    | <u>(31,354)</u> |

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

|                                |                    |            |
|--------------------------------|--------------------|------------|
| Governmental capital assets    | 19,551,038         |            |
| Less: accumulated depreciation | <u>(2,660,245)</u> | 16,890,793 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

|   |    |                  |
|---|----|------------------|
| Governmental bonds payable  |    | (15,120,000)     |
| Total liabilities, deferred inflows of resources and fund balance | \$ | <u>1,739,439</u> |

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

**Entertainment Center Community Facilities District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
For the Year Ended June 30, 2022

| <b>REVENUES</b>  |                    |
|--|--------------------|
| Recreation fees  | \$ 2,443,854       |
| Total revenues   | <u>2,443,854</u>   |
| <b>EXPENDITURES</b>                                    |                    |
| Administrative charges                                 | 3,235,323          |
| Capital outlay   | 33,966             |
| Debt service:  |                    |
| Principal payment                                      | 720,000            |
| Interest and fiscal charges                            | 596,700            |
| Total expenditures                                     | <u>4,585,989</u>   |
| Excess of revenues over (under) expenditures           | (2,142,135)        |
| Other financing sources:                               |                    |
| Transfers in   | 2,016,700          |
| Transfers out  | -                  |
| Total other financing sources                          | <u>2,016,700</u>   |
| Excess of revenues and other sources over expenditures | (125,435)          |
| Fund balances - beginning                              | 94,081             |
| Fund balances - ending                                 | <u>\$ (31,354)</u> |

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

**Entertainment Center Community Facilities District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended June 30, 2022

|  |  |           |                 |
|--|--|-----------|-----------------|
| Net change in fund balances - governmental fund type   |  | \$        | (125,435)       |
| Amounts reported for governmental activities in the statement of activities are different because:   |  |           |                 |
| Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.   |  |           |                 |
| Expenditures for capital assets  |  | 33,966    |                 |
| Less amount not capitalized  |  | (9,811)   |                 |
| Less current year depreciation   |  | (634,310) | (610,155)       |
| Issuance and repayment of long-term debt is a revenue and expenditure in the governmental funds, but the issuance and repayment reduces long-term liabilities in the statements of net position. In the current period, these amounts are: |  |           |                 |
| Principal payments on debt   |  |           | 720,000         |
| Changes in net position of governmental activities   |  | \$        | <u>(15,590)</u> |

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



## Entertainment Center Community Facilities District

### NOTES TO FINANCIAL STATEMENTS

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Financial Reporting Entity

The Entertainment Center Community Facilities District (District) was created by the Town of Prescott Valley (Town) as a special purpose community facilities district pursuant to state law on June 14, 2017. The purpose of the District is to further the cultural and recreational opportunities in the Town.

The Town Council serves as the District's board of directors. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39 – *Determining Whether Certain Organizations are Component Units*, the District financial statements are reported in the Town's financial statements for the year ended June 30, 2022 using the blended method.

The financial statements of the District conform to generally accepted accounting principles as applicable to governmental units. The District applies all relevant GASB pronouncements.

##### B. Basis of Presentation

###### Fund Accounting

The accounts of the District are organized and operated on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The District operates a general fund. The operations of the fund are accounted for by providing a separate set of self-balancing accounts comprised of the fund's assets, liabilities, fund equity, revenues and expenditures. The minimum number of funds is compliant with legal and managerial requirements.

###### General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

###### Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g. the *statement of net position* and the *statement of activities*) report information on the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 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 and other items not properly included among program revenues are reported instead as general revenues.

##### 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.

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.

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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. The District considers revenues to be available if they are collected within sixty (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, as well as expenditures related to claims and judgments, are recorded only when payment is due.

### **D. Budgets and Budgetary Accounting**

The District is not required to adopt an annual appropriated budget, but adopts a budget for management purposes only, therefore, no budgetary comparison is required.

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

#### **Deposits and Investments**

Arizona statutes require that public deposits of more than \$100,000 meet several specific requirements. Deposits of less than \$100,000 are subject only to local ordinance or resolution. Generally, the state statutes allow investments in certain certificates of deposit, interest bearing savings accounts in qualified banks and savings and loan institutions, repurchase agreements with maximum maturity of thirty (30) days, and pooled investment funds established by the State Treasurer. Other investments include obligations of the U.S. Treasury, U.S. Government agencies, bankers' acceptances and mutual funds.

#### **Restricted Assets**

District bond assets as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

#### **Long-Term Liabilities**

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as the difference between the reacquisition price, and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed.

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 the debt 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.

#### **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/expenditures) 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 will not be recognized as an inflow of resources (revenue) until that time.

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**Accumulated Compensated Absences**

No liability for accumulated compensated absences existed at June 30, 2022.

**Fund Equity**

In the fund financial statements, governmental funds report a restriction of fund balance for amounts that are legally restricted by outside parties for a specific purpose. For the fiscal year ended June 30, 2022, the District had a deficit fund balance of \$31,354.

**II. DETAILED NOTES**

**A. Cash and Cash Equivalents**

The District maintains two bank checking accounts and a petty cash fund. As of June 30, 2022, petty cash fund was \$8,200.

**Deposits**

At June 30, 2022, the carrying amount of the District's deposits was \$576,760, and the bank balance was \$594,680. The \$17,920 difference represents outstanding checks, petty cash, and other reconciling items.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. As of June 30, 2022, the District's deposits were covered by federal depository insurance or by the collateral held by the District's agent or pledging financial institution's trust department or agent in the name of the District, and thus had no deposits that were exposed to custodial credit risk.

**B. Receivables**

Receivables at yearend for the District are \$156,640.

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**C. Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

|  | Capital<br>Assets<br>06/30/21 | Increases           | Decreases   | Transfers   | Capital<br>Assets<br>06/30/22 |
|--|-------------------------------|---------------------|-------------|-------------|-------------------------------|
| <b>Governmental activities:</b>              |                               |                     |             |             |                               |
| Capital assets, not being depreciated:       |                               |                     |             |             |                               |
| Land   | \$ 2,361,198                  | \$ -                | \$ -        | \$ -        | \$ 2,361,198                  |
| Construction in progress                     | -                             | -                   | -           | -           | -                             |
| Total capital assets, not being depreciated: | <u>2,361,198</u>              | <u>-</u>            | <u>-</u>    | <u>-</u>    | <u>2,361,198</u>              |
| Capital assets, being depreciated:           |                               |                     |             |             |                               |
| Buildings                                    | 15,380,160                    | 24,155              | -           | -           | 15,404,315                    |
| Improvements other than buildings            | 900,596                       | -                   | -           | -           | 900,596                       |
| Machinery and equipment                      | 884,929                       | -                   | -           | -           | 884,929                       |
| Total capital assets, being depreciated:     | <u>17,165,685</u>             | <u>24,155</u>       | <u>-</u>    | <u>-</u>    | <u>17,189,840</u>             |
| Less accumulated depreciation for:           |                               |                     |             |             |                               |
| Buildings                                    | (1,231,074)                   | (367,264)           | -           | -           | (1,598,338)                   |
| Improvements other than buildings            | (297,865)                     | (90,060)            | -           | -           | (387,925)                     |
| Machinery and equipment                      | (496,996)                     | (176,986)           | -           | -           | (673,982)                     |
| Total accumulated depreciation:              | <u>(2,025,935)</u>            | <u>(634,310)</u>    | <u>-</u>    | <u>-</u>    | <u>(2,660,245)</u>            |
| Total capital assets, being depreciated, net | <u>15,139,750</u>             | <u>(610,155)</u>    | <u>-</u>    | <u>-</u>    | <u>14,529,595</u>             |
| Governmental activities capital assets, net  | <u>17,500,948</u>             | <u>(610,155)</u>    | <u>-</u>    | <u>-</u>    | <u>16,890,793</u>             |
| Total  | <u>\$ 17,500,948</u>          | <u>\$ (610,155)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,890,793</u>          |

The District has no construction in progress activity as of June 30, 2022.

Depreciation expense charged to functions/programs of culture and recreation was \$634,310.

**D. Construction Commitments**

The District has no construction commitments as of June 30, 2022.

**E. Inter-Fund Transfers**

Transfers from General Fund are used to partially fund Event Center operations. Transfer amount in fiscal year 2021-22 is \$2,016,700.

**F. Debt**

The District has the following long-term obligations:

\$16,000,000 Entertainment Center Community Facilities District Revenue Bonds, Series 2017, are due in annual payments of \$555,000 to \$1,120,000 through July 1, 2037, with interest at 4.00% per annum (payable from operating revenues generated by the Entertainment Center – purchase of the Entertainment Center and related property interests).

\$2,000,000 Entertainment Center Community Facilities District Revenue Bonds, Series 2018, are due in annual payments of \$110,000 to \$160,000 through January 1, 2033, with interest at 2.50% per annum (payable from operating revenues generated by the Entertainment Center – improvements to the Entertainment Center and related parking areas).

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Changes in Long-Term Liabilities:

|             | Balance<br>06/30/2021 | Increases | Decreases  | Balance<br>06/30/2022 | Due Within<br>One Year |
|-------------|-----------------------|-----------|------------|-----------------------|------------------------|
| Series 2017 | \$ 14,180,000         | \$ -      | \$ 600,000 | \$ 13,580,000         | \$ 620,000             |
| Series 2018 | 1,660,000             | -         | 120,000    | 1,540,000             | 125,000                |

Debt Service requirements to maturity are as follows:

| Fiscal Year<br>Ending | Principal            | Interest            |
|-----------------------|----------------------|---------------------|
| 2023                  | \$ 745,000           | \$ 569,300          |
| 2024                  | 770,000              | 540,875             |
| 2025                  | 805,000              | 511,350             |
| 2026                  | 830,000              | 480,600             |
| 2027                  | 865,000              | 448,750             |
| 2028-2032             | 4,835,000            | 1,720,800           |
| 2033-2037             | 5,150,000            | 742,800             |
| 2038-2042             | 1,120,000            | 22,400              |
|                       | <u>\$ 15,120,000</u> | <u>\$ 5,036,875</u> |

**III. OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters for which it carries commercial insurance. The District also carries commercial insurance for all other risks of loss.