

# Greater Arizona Development Authority



2012 Annual Report

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## Organization

GADA is governed by a nine-member Board of Directors comprised of four ex-officio members and five members who are appointed by the Governor. The board is responsible for setting policy and approving all projects seeking technical or financial assistance. All board members serve without compensation.

Appointed members serve staggered five-year terms, with no appointed member allowed to serve more than two consecutive terms. In addition, all appointed members shall reside in different counties, and no more than three shall be from the same political party. One shall be a member of an Indian tribe located in Arizona.

GADA is administered by the Executive Director of WIFA, Sandra Sutton, WIFA Chief Financial Officer, Trish Incognito, WIFA Controller Mike Clark and the GADA Project Manager Angie Valenzuela with support from Rex Nowlan, Esq. from the Office of the Arizona Attorney General. Financial advisement services are provided by Western Financial Group and bond counsel is Kutak Rock LLP.

**Sandra Sutton**

Executive Director

**Trish  
Incognito**  
Chief Financial  
Officer

**Angie  
Valenzuela**  
Program  
Manager

**Mike  
Clark**  
Controller

## Board of Directors

- **Greg Linaman, Chair**  
Arizona Commerce Authority
- **Kevin Donnellan**  
Arizona Treasurer's Office
- **Henry Darwin**  
Arizona Department of  
Environmental Quality
- **Kristine Ward**  
Arizona Department of  
Transportation
- **Carlyle W. Begay**  
Arizona Tribal Representative
- **George Cordova**  
Apache County  
Representative
- **Michael J. Ortega**  
Cochise County  
Representative
- **Alan F. Willenbrock**  
Pima County Representative
- **Vacant**  
County Representative

## Overview

The Greater Arizona Development Authority (GADA) was created by the Arizona Legislature in 1997 to assist local and tribal governments and special districts with the development of public infrastructure. GADA's goals have been to lower the costs of financing and help accelerate project development for public facilities owned, operated and maintained by a political subdivision, special district or Indian tribe. To accomplish this, GADA is authorized under statute to offer both financial and technical assistance programs. Up until 2012, GADA was administered by the Arizona Department of Commerce. In FY 2012, the state legislature assigned WIFA to provide general administrative support, equipment, office and meeting space to GADA.

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*Mission: To assist Arizona communities and tribal governments with the development of public infrastructure projects that enhance community and economic development*

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## Financial Update

On April 10, 2012 Standard & Poor’s Ratings Services released a summary of GADA’s revenue bonds following the release of updated criteria and current credit profile review. As a result Standard & Poor’s has lowered GADA’s enhanced rating to “A” from “AA”.

Credit Profile		
Greater Arizona Dev Auth – Infrastructure <i>Long Term Rating</i>	A/Stable	Downgraded
Greater Arizona Dev Auth – Infrastructure <i>Unenhanced Rating</i>	A/(SPUR)/Stable	Downgraded
Greater Arizona Dev Auth – Infrastructure rev bnds ser 2009A <i>Long Term Rating</i>	A/Stable	Downgraded

The rating reflects:

- The authority’s strong market position, resulting in a very strong enterprise risk score;
- State legislation that requires interception of state-shared revenue to pay debt service in the event of a deficiency, which applies to about 80% of the pool participants;
- Diverse loan base spanning the entire state;
- The extremely low loan default and delinquency history; and
- Management policies that are generally considered adequate to strong.

The primary offsetting factor is the vulnerable loss coverage score, that when combined with other financial scoring factors, resulted in only an adequate financial risk score.

The stable outlook reflects the expectation that the trend of exceptionally low level of loan delinquencies and defaults will continue. The rating is not likely to move upward without a significant increase in pledged reserve levels relative to the amount of loans and bonds outstanding. However, with a stable level of pledged reserves, currently totaling \$10.5 million, and a declining debt service schedule, the amount of stress the pool can withstand will increase over time ([www.standardandpoors.com/ratingsdirect](http://www.standardandpoors.com/ratingsdirect)).

## Financial Assistance

Historically, GADA bonds were insured and sold as AAA rated tax-exempt issues. This allowed borrowers with lower investment grade ratings to realize, in some cases, substantial interest savings. Depending on the loan amount, past GADA financial assistance packages have resulted in a savings to borrowers of \$25,000 to \$200,000.

## Loan/Bond Issues - Redemptions & Maturities

The following loan/bond issues have either been redeemed or matured in calendar year 2012:

Issue Name	Status	Date
GADA Holbrook 2001A	Redeemed	May 1, 2012
GADA Three Points Fire 2007B	Matured	August 1, 2012

## Looking Ahead

GADA has successfully undergone a transition from the Commerce Authority to WIFA and has held two Board meetings, approved a budget and completed an external audit. Unfortunately legislative sweeps in fiscal years 2008 – 2010 have substantially diminished GADA’s lending capacity making GADA less attractive as a source for infrastructure funding. However, a financial assistance round for FY 2013 was recently approved to specifically refund outstanding GADA bonds. Current interest rates are at near historic low levels and could allow GADA to offer specific eligible borrowers a unique opportunity to realize a savings on their outstanding debt. Additionally, as bonds are redeemed and the reserve level remains steady, the level of stress the GADA pool can withstand should increase which could lead to higher ratings in the future; re-establishing GADA as a viable funding source for Arizona communities.



## GADA’s General Fund & Appropriation History

GADA’s initial capitalization was \$20 million, funded from general fund monies in installments over a three year period, \$200,000 of which was authorized and used for start-up funding. These monies are not “endowed,” meaning they may be swept or appropriated at any time by the Arizona legislature, with the exception of funds deposited to the pledged collateral reserve fund as security for GADA’s various bond issues.

## Deposits and Withdrawals

Fiscal Year	Description	Amount
FY 98	General Fund Appropriation	\$3,000,000
FY 98	Start Up Funding	(200,000)
FY 99	General Fund Appropriation	8,000,000
FY 00	General Fund Appropriation	9,000,000
FY 03	Withdrawal to General Fund	(2,500,000)
FY 03	LGIP Investment Loss (net of recoveries through the end of FY 08)	(312,744)
FY 08	General Fund Appropriation	2,000,000
FY 08	Withdrawal to General Fund	(1,071,000)
FY 09	Withdrawal to General Fund	(2,000,000)
FY 09	Withdrawal to General Fund	(2,000)
FY 09	Withdrawal to General Fund	(3,194,100)
FY 10	Withdrawal to General Fund	(1,969,000)

There have been seven withdrawals to the \$20 million GADA Fund since the inception of the program. Below are the details for each withdrawal:

- \$200,000 was authorized and expended to “start up” the program in FY 98;
- \$2.5 million of the GADA Fund was withdrawn by the Arizona Legislature in FY 03 to help balance the budget during the recessionary period following 9/11;
- During the year ended June 30, 2003, GADA sustained investment losses due to the bankruptcy of National Century Financial Enterprises Inc., a financing corporation in which the State’s Local Government Investment Pool funds (including GADA) were invested. GADA’s portion of this investment loss was \$668,578. GADA has received several payments representing recovery on this loss through partial settlements reached in the lawsuit as well as recoveries from the bankruptcy proceedings in previous fiscal years and as of June 30, 2008; GADA had recovered \$355,834 of this loss. GADA’s unrecovered remaining loss was \$312,744 as of June 30, 2008;
- \$1.071 million of the GADA Fund was withdrawn by the Arizona Legislature in FY 08 to help balance the state budget;
- Three more sweeps totaling \$5,196,100 were withdrawn by the Arizona Legislature in FY 09 to help balance the state budget; and
- Two more sweeps totaling \$1,969 million were withdrawn by the Arizona Legislature in FY 10 to help balance the state budget.

## Cumulative List of GADA's Financings

Year/Borrower	Amount/Type	Project	Estimated Savings
1998/AVONDALE	\$4,300,000/GO Bond	Public Safety Building and Park Improvements	\$48,679
1998/AVONDALE	\$2,000,000/Revenue Bonds	Water and Sewer	27,353
1998/GOODYEAR	\$6,570,000/Loan Agreement	Road and Fire Station	111,274
1998/WINSLOW	\$400,000/Revenue Bonds	Water	28,967
2000/COTTONWOOD	\$895,000/Loan Agreement	Wash Flood Control	37,775
2000/GILBERT	\$18,035,000 /GO Bonds	Public Safety Complex, Storm Basin, Rec Center, Public Works Field Expansion	512,172
2001/COTTONWOOD	\$2,500,000/Loan Agreement	Public Safety Building	223,645
2001/FLAGSTAFF	\$3,100,000/GO Bonds	Parks and Open Space	195,000
2001/HOLBROOK	\$250,000/Loan Agreement	Wastewater Treatment Facility	31,520
2002/CLARKDALE	\$400,000/Revenue Bonds	Office Space Renovations	37,655
2002/COOLIDGE	\$3,795,000/Revenue Bonds	Police Building	197,396
2002 GUADALUPE	\$3,445,000/Revenue Bonds	Debt Refinancing/Misc Capital Projects	193,680
2003/DREXEL HEIGHTS FIRE DIST.	\$2,110,000/GO Bonds	Fire Facilities and Equipment	87,000
2003 QUEEN CREEK	\$5,530,000/Revenue Bonds	Wastewater System	196,000
2003/WILLIAMS	\$3,590,000/Revenue Bonds	Debt Refinancing/Misc. Capital Projects	635,000
2004/APACHE JUNCTION	\$6,665,000/Revenue Bonds	City Hall Complex	146,000
2004/EL MIRAGE	\$4,855,000/GO Bonds	Street Improvements	232,000
2004/PINETOP-LAKESIDE	\$1,435,000/Revenue Bonds	Multi-Use Parks & Rec Facility	79,000
2004/DREXEL HEIGHTS	\$1,460,000/GO Bonds	Fire Facilities and Equipment	85,000
2004/QUEEN CREEK	\$7,700,000/Revenue Bonds	Public Administrative Facilities	314,000
2004/WILCOX	\$1,200,000/GO Bonds	Public Safety & Admin Facilities	91,000
2005/BUCKEYE	\$9,400,000/Revenue Bonds	Multiple Public Works	171,000
2005/CAMP VERDE	\$2,040,000/Revenue Bonds	Public Safety	88,000
2005 CENTRAL YAVAPAI FIRE DIST	\$11,215,000/GO Bonds	Public Safety	181,000
2005/GOLDER RANCH FIRE DIST	\$8,760,000/GO Bonds	Public Safety	155,000
2005/MARICOPA FIRE DIST	\$1,420,000/GO Bonds	Public Safety	62,000
2005/NORTHWEST FIRE DIST	\$13,105,000/GO Bonds	Public Safety	203,000
2005/TAYLOR	\$500,000/Revenue Bonds	Public Safety	81,000
2005 THREE POINTS FIRE DIST	\$1,255,000/GO Bonds	Public Safety	49,000
2005/DREXEL HEIGHTS	\$1,560,000/GO Bonds	Fire Facilities and Equipment	73,000
2005/QUEEN CREEK	\$2,470,000/Revenue Bonds	Land Acquisition for Public Admin Facilities	122,000
2005/SUPERIOR	\$500,000/Revenue Bonds	Fire Facilities and Equipment	40,000
2005/WILLIAMS	\$1,500,000/Revenue Bonds	Transportation Improvements	105,000
2005/LAKE HAVASU CITY	\$58,070,000/Revenue Bonds	Wastewater System Improvements	507,000
2006/BUCKEYE	\$14,730,000/Revenue Bonds	Administrative Facilities	523,000
2006/QUEEN CREEK	\$11,555,000/Revenue Bonds	Library Facilities	410,000
2006/SAFFORD	\$9,420,000/Revenue Bonds	Road Improvements	259,000

2006/SAHUJARITA	\$16,355,000/Revenue Bonds	Administrative Facilities	376,000
2006/APACHE JUNCTION	\$9,500,000/GO Bonds	Fire Facilities and Equipment	141,000
2006/DREXEL HEIGHTS	\$1,350,000/GO Bonds	Public Safety	44,000
2006/MARICOPA FIRE DIST	\$3,200,000/Revenue Bonds	Fire Facilities and Equipment	76,000
2006/QUARTZSITE	\$7,215,000/Revenue Bonds	Loan Consolidation & Capital Improvements	224,000
2006/SHOW LOW	\$8,370,000/Revenue Bonds	Transportation/Capital and Improvements	167,000
2006/SOMERTON	\$6,885,000/Revenue Bonds	Transportation Improvements and Ladder Truck	152,000
2007/APACHE JUNCTION	\$3,800,000/Revenue Bonds	Library Expansion	116,000
2007/BUCKEYE	\$2,200,000/Revenue Bonds	Administrative Facilities	101,000
2007/CHINO VALLEY	\$5,015,000/Revenue Bonds	Administrative Facilities	142,000
2007/CHINO VALLEY FIRE DIST	\$5,325,000/Revenue Bonds	Fire Facilities and Equipment	148,000
2007/EAGAR	\$3,300,000/Revenue Bonds	Refunding of Prior Obligations, Land and Equipment	116,000
2007/GOLDER RANCH FIRE DIST	\$4,550,000/GO Bonds	Public Safety	135,000
2007/MAYER FIRE DIST	\$745,000/GO Bonds	Fire Facilities, Equipment and Debt Refinancing	79,000
2007/NORTHWEST FIRE DIST	\$13,470,000/GO Bonds	Fire Facilities and Equipment	291,000
2007/PARKER	\$665,000/Revenue Bonds	Misc. Capital Projects	75,000
2007/SNOWFLAKE	\$1,075,000/Revenue Bonds	Fire Facilities	78,000
2007/COTTONWOOD	\$19,935,000/Revenue Bonds	Misc. Capital Projects	327,000
2007/EL MIRAGE	\$1,145,000/Revenue Bonds	Transportation Improvements	94,000
2007/WILCOX	\$315,000/GO Bonds	Misc. Capital Projects	268,000
2007/APACHE COUNTY	\$3,980,000/Revenue Bonds	Administrative Facilities	121,000
2007/THREE POINTS FIRE DIST	\$1,130,000/GO Bonds	Fire Facilities	66,000
2008/DOUGLAS	\$3,00,000/Revenue Bonds	Administrative Facilities	303,000
2008/LAKE HAVASU CITY	\$2,615,000/Revenue Bonds	Transportation Improvements	101,000
2008/PICTURE ROCKS FIRE DIST	\$2,045,000/Revenue Bonds	Fire Facilities and Equipment	91,000
2008/PINAL COUNTY	\$4,495,000/Revenue Bonds	Misc. Capital Project	115,000
2008/RIO RICO	\$3,835,000/GO Bonds	Fire Facilities and Equipment	198,000
2008/SAFFORD	\$3,095,000/Revenue Bonds	Electric System Improvements	309,000
2008/SHOW LOW	\$3,185,000/Revenue Bonds	Administrative Facilities	182,000
2008/THATCHER	\$2,495,000/Revenue Bonds	Misc. Capital Project	268,000
2008/WILLIAMS	\$2,995,000/Revenue Bonds	Transportation Improvements	300,000
2009/MAYER FIRE DIST	\$180,000/GO Bonds	Capital Improvements & Equipment	142,000
2009/PINAL COUNTY	\$12,795,000/Revenue Bonds	Misc. Capital Projects	399,000
2009/SAN LUIS	\$13,750,000/Revenue Bonds	Loan Repayment/Capital Improvements	4,012,000
2009/EL MIRAGE	\$9,600,000/Revenue Bonds	Transportation & City Park Improvements	741,000
2009/SAHUJARITA	\$6,700,000/Revenue Bonds	Transportation Improvements	532,000
2010//FLAGSTAFF	\$3,370,000/REVENUE BONDS	ECONOMIC DEVELOPMENT	85,000
2010/MARICOPA	\$20,000,000/GO BONDS	MISC. CAPITAL PROJECT	1,443,000

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# **Greater Arizona Development Authority**

## **FY 2012 Audited Financial Report**



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HENRY & HORNE, LLP  
CERTIFIED PUBLIC ACCOUNTANTS



FINANCIAL STATEMENTS

Phoenix, Arizona

Year Ended June 30, 2012



GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA

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HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Greater Arizona Development Authority of Arizona  
Phoenix, Arizona

We have audited the accompanying financial statements of the governmental activities and its major fund of the Greater Arizona Development Authority of Arizona, a component unit of the State of Arizona, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Greater Arizona Development Authority of Arizona's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Arizona Development Authority of Arizona, as of June 30, 2012, and the respective changes in financial positions for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2012, on our consideration of the Greater Arizona Development Authority of Arizona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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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. 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.

*Henry + Horne LLP*

Casa Grande, Arizona  
September 12, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Greater Arizona Development Authority's (GADA) financial performance, providing an overview of the activities for the fiscal year ended June 30, 2012. Please read with GADA's financial statements, which follow this section. The completeness and fairness of the following information is the responsibility of GADA's officials and management.

### FINANCIAL HIGHLIGHTS

#### Government-Wide:

- The assets of GADA exceeded liabilities at the close of the fiscal year by \$12.833 million (reported as net assets). Of this amount, \$2.368 million is unrestricted<sup>1</sup> (or not yet pledged) and \$10.465 million is restricted for the purpose of security pledged to bond issuances (restricted net assets).

#### Fund Level:

- As of the close of the fiscal year, GADA's governmental funds reported combined ending fund balances of \$12.833 million, an increase of \$254.2 thousand from the beginning of the year. Approximately 18.45% of the combined fund balances, or \$2.368 million, is available to meet GADA's current and future needs as authorized by ARS §41-1554.03 *et seq.* (*unreserved fund balance*).

#### GADA Bonds:

- Although issued in the name of GADA, loans funded through GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, GADA's bonds do not constitute nor create a general, special or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the restricted net assets of \$10.465 million in the Pledged Collateral Reserve Fund (PCRF).

More detailed information regarding the government-wide financial statements, fund level financial statements and long-term debt activity can be found beginning on page 12.

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<sup>1</sup> Although these funds are not considered to be restricted from an accounting perspective, their use is limited pursuant to Arizona Revised Statutes, §41-1554 *et seq.*

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to GADA's basic financial statements, which are comprised of three components:

- 1) government-wide financial statements (pages 12-13),
- 2) fund financial statements (pages 14-17), and
- 3) notes to the financial statements (pages 18-26).

Required Supplementary Information and other supplementary information are included in addition to the basic financial statements.

### Government-Wide Statements (Reporting GADA as a Whole)

The government-wide financial statements provide a broad overview of GADA's finances in a manner similar to private sector business. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid. The government-wide financial statements include the following:

The Statement of Net Assets (page 12) presents all of GADA's assets and liabilities, with the difference between the two reported as total net assets. Over time, increases and decreases in total net assets measure whether GADA's financial position is improving or deteriorating.

The Statement of Activities (page 13) presents information showing how GADA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., pay outs on technical assistance grants).

Generally, both government-wide statements report three activities:

- *Governmental Activities* – Most of GADA's basic services are reported under this category. Interest earnings on the GADA Fund generally fund these services.
- *Business-type Activities* – GADA is authorized to charge fees to borrowers to help cover costs associated with administration of applications for financial assistance. In FY09, the Board of Directors approved proposed rules changes to recover any costs incurred by GADA on behalf of applicants.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the subject entity is financially accountable. GADA has no discretely presented component units.

At this time, all of GADA's activities are *governmental activities*; although *business-type* activities are eminent in the future, they may be referenced but are not discussed further in this report. Therefore, the balance of Management's Discussion and Analysis is focused on and limited to GADA's *governmental activities*.

## **Fund Financial Statements (Reporting GADA's Major Funds)**

The fund financial statements begin on page 14 and provide detailed information about the GADA Fund, which is a *governmental fund*. Governmental funds focus on how money flows into and out of those funds and the balances left at year end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of GADA's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance GADA's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. This report includes two schedules (pages 15 and 16) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) reported on the government-wide statement.

Currently, GADA has no *proprietary funds* – such funds would reflect charges to customers for the services. Proprietary funds utilize accrual accounting; the same method used by private sector businesses.

Likewise, GADA does not have any *fiduciary funds*, and none are anticipated to be established.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 18 of this report.

### **Required Supplementary Information**

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules for the GADA Fund for the fiscal year and begins on page 29 of this report.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS**

The discussion in this section refers to pages 12 and 13 of the financial statements. GADA's overall financial position and operations for the past year are summarized in Figure 1, based on the information included in the government-wide financial statements.

### **Change in Net Assets**

The change in GADA's net assets from governmental activities covers two categories:

*Restricted net assets* or the Pledged Collateral Reserve Fund (PCRF) – all \$10.465 million of GADA's *restricted net assets* is held in the PCRF. These funds are pledged as security on GADA's bond issuances and represent 81.5% of net assets. Any deposits to the PCRF are determined by national ratings agencies on an issue-by-issue basis.

*Unrestricted net assets* – The remaining balance of GADA’s net assets of \$12.833 million represents *unrestricted net assets* of \$2.368 million (18.5%). GADA’s *unrestricted net assets* consists of monies not yet pledged to bonds, interest earned on the GADA Fund or technical assistance loans, investment loss recovery and any other funds received without restrictions. At the end of FY 12, GADA’s *unrestricted net assets* increased a total of \$254,232. Also included are funds in the amount of \$97,429 maintained at GADA’s trustee for management and clearing purposes.

GADA’s total net assets consist of general fund appropriations and interest earned on these appropriations. The current level of appropriated funds, interest income and the use of both is described in the Fund Financial Statements section of this document.

See Figure 2 for the Statement of Activities.

**Figure 1**

**Greater Arizona Development Authority  
Net Assets as of June 30,**

	2011	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,113,610	\$ 2,367,842
Cash and cash equivalents - restricted	10,465,000	10,465,000
Intergovernmental receivables	18,685,000	18,945,000
Intergovernmental receivables - long-term	453,780,000	433,340,000
<b>Total assets</b>	<b>485,043,610</b>	<b>465,117,842</b>
<b>LIABILITIES</b>		
Bonds, due in less than one year	18,685,000	18,945,000
Bonds, due in more than one year	453,780,000	433,340,000
<b>Total liabilities</b>	<b>472,465,000</b>	<b>452,285,000</b>
<b>NET ASSETS</b>		
Restricted [2]	10,465,000	10,465,000
Unrestricted [3]	2,113,610	2,367,842
<b>Total net assets</b>	<b>\$ 12,578,610</b>	<b>\$ 12,832,842</b>

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<sup>2</sup> Pledged as security on GADA bond issues

<sup>3</sup> Use of these funds is governed by ARS §41-1554.03

**Figure 2**

**Greater Arizona Development Authority  
Statement of Activities for the year ended June 30,**

	<u>2011</u>	<u>2012</u>
<b>REVENUES</b>		
Investment earnings	\$ 306,832	\$ 310,841
<b>EXPENDITURES</b>		
Personnel	160,987	-
Professional services	50,507	42,839
Program expenses - Technical Assistance	47	13,770
	<u>211,541</u>	<u>56,609</u>
Total expenditures		
Change in net assets	95,291	254,232
Net assets - beginning	<u>12,483,319</u>	<u>12,578,610</u>
Net assets - ending	<u>\$ 12,578,610</u>	<u>\$ 12,832,842</u>

## FUND FINANCIAL STATEMENTS ANALYSIS

The discussion in this section refers to pages 14 through 16 of the financial statements. The Fund Financial Statements provide detailed information about GADA's major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that GADA uses to keep track of specific sources of funding and spending for a particular purpose. GADA's cash and cash equivalents are held in four funds: the GADA Fund, the technical assistance loan fund, the operating fund and funds held at US Bank.

In order to understand GADA's funds, a discussion of the history of the GADA Fund is in order.

**History of GADA's General Fund Appropriation deposits and withdrawals** - GADA was created by the Arizona Legislature effective FY 98, and the GADA Fund was originally capitalized with general fund appropriations totaling \$20 million over a three-year period, as shown in Figure 3.

- 1) \$200,000 was authorized and expended to "start up" the program in FY 98;
- 2) \$2.5 million of the GADA Fund was withdrawn by the Arizona Legislature in FY 03 to help balance the budget during the recessionary period following 9/11;
- 3) During the year ended June 30, 2003, GADA sustained investment losses due to the bankruptcy of National Century Financial Enterprises Inc., a financing corporation in which the State's Local Government Investment Pool funds (including GADA) were invested. GADA's portion of this investment loss was \$668,578. GADA has received several payments representing recovery on this loss through partial settlements reached in the lawsuit as well as recoveries from the bankruptcy proceedings in previous fiscal years and as of June 30, 2008; GADA had recovered \$355,834 of this loss. GADA's unrecovered remaining loss was \$312,744 as of June 30, 2008 which was written off during the year ended June 30, 2010 due to the high level of uncertainty as to collectability; and
- 4) \$1.071 million in FY 08 and a total of \$5.196 million in FY09 of the GADA Fund was withdrawn by the Arizona Legislature to help balance the State budget.
- 5) Additional sweeps totaling \$1,969,000 was withdrawn by the Arizona Legislature in FY 10 to help balance the state budget.

The \$2,103,895 difference between GADA's *restricted and unrestricted* net assets of \$12,832,842 (from Figure 1) and the total GADA Fund balance of \$10,728,947 (from Figure 3) is a function of interest earned on the GADA Fund in FY 12 and previous fiscal years.

**Figure 3**

<b>GADA Fund*</b> Deposits and Withdrawals Since Inception (FY 98) as of June 30, 2012	
FY 98 General Fund Appropriation	<b>\$ 3,000,000</b>
FY 98 Start Up Funding	<b>(200,000)</b>
FY 99 General Fund Appropriation	<b>8,000,000</b>
FY 00 General Fund Appropriation	<b>9,000,000</b>
FY 03 Withdrawal to General Fund	<b>(2,500,000)</b>
FY 03 LGIP Investment Loss (net of recoveries)	<b>(312,744)</b>
FY 08 General Fund Appropriation	<b>2,000,000</b>
FY 08 Withdrawal to General Fund	<b>(1,071,000)</b>
FY 09 Withdrawal to General Fund	<b>(2,000,000)</b>
FY 09 Withdrawal to General Fund	<b>(2,000)</b>
FY 09 Withdrawal to General Fund	<b>(3,194,100)</b>
FY 09 LGIP Investment Loss Lehman	<b>(22,409)</b>
FY 10 Withdrawal to General Fund	<b>(1,968,800)</b>
<b>Minimum Necessary Balance</b>	<b>\$ 10,728,947</b>

**The GADA Fund** contains both *restricted* and *unrestricted* assets:

1. *Restricted assets*, or the Pledged Collateral Reserve Fund (PCRF) – all \$10.465 million of GADA's *restricted net assets* is held in the PCRF. These funds are pledged as security on GADA's bond issuances.
2. *Unrestricted assets* – The remaining balance of \$2,367,842 in the GADA Fund consists of monies not yet pledged to bonds and the technical assistance loan fund (discussed separately).

**Technical Assistance Loan Fund** – ARS §41-1554.03.B authorizes up to \$800,000 of the GADA Fund to be used for technical assistance loans. These short-term loans (up to 3 years) may be used for later stage infrastructure project development and may be repaid from the proceeds of a GADA bond issuance. No technical assistance loans were funded in FY 12, and there are currently no outstanding loans.

**Operating Fund** – ARS §41-1554.03 *et seq.* requires that all operating expenses of the program, including staffing, professional services, technical assistance grants and any cost of issuance subsidies for bond issuances and all other expenses must be paid from interest earnings or funds received *other than the GADA Fund*.

In FY 12, the operating fund benefited from interest revenue, earned on the GADA Fund, in the amount of \$310,841. After the budget expenses of \$56,609 were paid, the operating fund had revenues over expenditures in the amount of \$254,232. (Page 16 of the financial statements). This amount is reflected as a portion of the net change of governmental activities in the reconciliation statement on page 17.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION Capital assets**

GADA has no capital assets.

### **Long-term debt**

Although issued in the name of GADA, loans funded through GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, GADA's bonds do not constitute nor create a general, special or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the *restricted* net assets of \$10.465 million in the PCRF. GADA generally conducts at least two bonding rounds per year. There were no new bonds issued In FY 12.

Additional long-term debt information can be found in Footnote 4.

## **ECONOMIC FACTORS**

The economy is still heavily affecting the operations of the State. Any future withdraws done by the State Legislature cannot be determined as budget cuts and sweeps from all Agencies and programs are still under review.

## FINANCIAL STATEMENTS

GREATER ARIZONA DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
June 30, 2012

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 2,367,842
Intergovernmental receivables	18,945,000
Intergovernmental receivables, long-term	433,340,000
Restricted cash and cash equivalents	10,465,000
Total assets	<u>465,117,842</u>
<b>LIABILITIES</b>	
Due within one year:	
Bonds payable	18,945,000
Due in more than one year:	
Bonds payable	433,340,000
Total liabilities	<u>452,285,000</u>
<b>NET ASSETS</b>	
Restricted for:	
Debt service	10,465,000
Unrestricted	2,367,842
Total net assets	<u><u>\$ 12,832,842</u></u>

See accompanying notes.

GREATER ARIZONA DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Governmental Activities</u>
Primary government:			
Administrative expenses	\$ 42,839	\$ -	\$ (42,839)
Program activities	13,770	-	(13,770)
Total governmental activities	<u>\$ 56,609</u>	<u>\$ -</u>	<u>(56,609)</u>
General revenues:			
	Investment income		<u>310,841</u>
	Total general revenues		<u>310,841</u>
Change in net assets			254,232
Net assets, beginning of year			<u>12,578,610</u>
Net assets, end of year			<u>\$ 12,832,842</u>

See accompanying notes.

GREATER ARIZONA DEVELOPMENT AUTHORITY  
 BALANCE SHEET  
 GOVERNMENTAL FUND  
 June 30, 2012

ASSETS	<u>General</u>
Cash and investments	\$ 2,367,842
Cash and cash equivalents - restricted	<u>10,465,000</u>
Total assets	<u>\$ 12,832,842</u>
FUND BALANCE	
Fund balance:	
Restricted for pledged collateral reserve fund	\$ 10,465,000
Unassigned	<u>2,367,842</u>
Total fund balance	<u>12,832,842</u>
Total fund balance	<u>\$ 12,832,842</u>

See accompanying notes.

GREATER ARIZONA DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUND  
June 30, 2012

Total governmental fund balance \$ 12,832,842

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Long-term assets are not available to pay for current period expenditures and,  
therefore, are not reported in the fund

Intergovernmental receivables 452,285,000

Long-term liabilities are not due and payable in the  
current period and therefore are not reported in the fund.

Bonds payable (452,285,000)

Net assets of governmental activities \$ 12,832,842

GREATER ARIZONA DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
Year Ended June 30, 2012

REVENUES - Investment income	<u>\$ 310,841</u>
EXPENDITURES	
Current:	
Administrative expenses	42,839
Program activities	<u>13,770</u>
Total expenditures	<u>56,609</u>
Excess (deficiency) of revenues over expenditures	<u>254,232</u>
Fund balance - beginning of year	<u>12,578,610</u>
Fund balance - end of year	<u><u>\$ 12,832,842</u></u>

See accompanying notes.

GREATER ARIZONA DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT  
OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balance - total governmental fund	\$ 254,232
No reconciling items	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 254,232</u></u>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Greater Arizona Development Authority (GADA) conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of such significant policies.

Nature of Activities

Greater Arizona Development Authority (GADA) was authorized during the 1997 Legislative Session and is a component of the State of Arizona. GADA was signed into law on April 26, 1997 under Arizona Revised Statutes (ARS) § 41-1554. On July 21, 1997, this legislation took effect and GADA was formally constituted. Pursuant to ARS § 41-1554.12, an annual audit of the Greater Arizona Development Authority is required within 150 days after the close of the fiscal year.

The purpose of GADA is to provide cost-effective access to capital for local communities, certain special districts, and tribal governments for public infrastructure projects. GADA has been designed to reduce local governments' cost of borrowing by reducing transaction costs, by providing technical expertise and by "pooling" or otherwise enhancing the credit or financial capacity of individual projects.

Financial Reporting Entity

In accordance with the requirements of Statement No. 14, *The Financial Reporting Entity*, of the Government Accounting Standards Board (GASB), the financial statements must present GADA and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of GADA are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about GADA, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Government-Wide Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statements of activities present a comparison between expenses and program revenues for each governmental program. Direct expenses are those that are specifically associated with the service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the receipts of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as requirements of a particular program and are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of GADA.

Net assets should be reported as restricted when constraints placed on net asset use are either extremely imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Using a fund accounting system, amounts are spent in accordance with established fund authorities. Fund authorities provide rule for the fund activity and are separately established for restricted and unrestricted activity. For both restricted and unrestricted funds that are available for expenditure, the decision for funding is transactional based with the departmental management system in place at GADA.

**Governmental Funds**

The governmental fund is accounted for using modified accrual basis of accounting and current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Governmental Funds (Continued)**

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

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

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first.

Cash and Investments

GADA's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. GADA's investments are invested primarily with the LGIP (see Note 2). These pooled funds are investments of the U.S. Government, agencies guaranteed by the U.S. Government, and certificates of deposit. Investments are stated at cost, which equals fair value. The LGIP is established pursuant to ARS §35-326 and is operated by the State Treasurer in accordance with Arizona law.

**Assistance Programs**

Technical Assistance

The purpose of GADA's technical assistance program is to accelerate project development by assisting communities with various planning-related tasks. The eligible applicants include cities, towns, counties, special districts and Indian Tribes. Technical assistance may include such assistance as: 1) help in writing requests for proposals, 2) development of a project timeline, 3) independent review of feasibility studies or project designs, 4) development of rate studies, 5) analysis of fiscal capacity, and 6) development of a public outreach program.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Assistance Programs (Continued)**

Financial Assistance

GADA's bond structure allows the Authority to lower borrowing costs for Arizona's communities by issuing and selling bonds tax-exempt and by sharing financing costs among several borrowers. Eligible applicants include cities, towns, counties, Indian Tribes, and certain special districts. Principal and interest are payable semiannually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by GADA from the GADA fund which is held by the State Treasurer. Some borrowers also have separate, additional reserve funds, which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

Loan Obligations

Although issued in the name of GADA, loans funded through GADA bonds are solely the obligation of the underlying borrowers and are documented by loan repayment agreements. Pursuant to ARS §41-1554.08, GADA's bonds do not constitute nor create a general, special or other obligation or other indebtedness of the State or any governmental unit within the meaning of any constitutional or statutory debt limitation. The bonds do not constitute a legal debt of the State and are not enforceable against the State. The only exposure to the State is related to the restricted net assets of \$10.465 million in the Pledged Collateral Reserve Fund (PCRF).

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS AND INVESTMENTS

Cash and Investments

Cash and investments, both unrestricted and restricted, are made up of cash on hand and cash invested in the State Treasurer's Office. The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of the participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Deposits

As of June 30, 2012, GADA's investments in the Treasurer's office totaled \$12,735,413. These investments were in Pool 5, a separate pool of investments owned by GADA and managed by the Treasurer's office on GADA's behalf. The investments in GADA Pool 5 are longer term investments, invested to recognize a stable income return to GADA for its operations. Interest earned from investment in Pool 5 is allocated to GADA monthly. The market fluctuations of individual securities held within the pool are recognized by GADA. Pool 5 does not seek to maintain a \$1.00 NAV.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, GADA's deposits may not be returned to it. GADA does not have a deposit policy for custodial credit risk; however GADA's deposits are managed by the State Treasurer and deposits of State treasury monies with financial institutions are required by State statutes to be entirely covered by the Federal Depository Insurance Corporation (FDIC) or, alternatively, collateralized for amounts in excess of the amount insured. As of June 30, 2012, all of GADA's deposits were FDIC insured or collateralized with securities held by pledging financial institution's trust department or agent.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, GADA follows the investment policy established by the State Treasurer.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. All of GADA's investments are held with the State Treasurer and as such follows the State Treasurer investment policy. The LGIP pooled funds are not rated.

NOTE 3 RESTRICTED NET ASSETS

The restricted net assets amount of \$10,465,000 as of June 30, 2012 represents pledged security funds of \$605,000, \$1,060,000, \$745,000, \$1,695,000, \$3,120,000, \$1,140,000, \$982,000, \$322,356, \$137,500, \$49,144 and \$609,000 for fourteen bonds that were issued by GADA during the fiscal years of 2010, 2009, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000 and 1998, respectively. The restricted net assets amounts will remain restricted until the bonds are repaid.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 LONG-TERM DEBT

Changes in Bonds Payable

The following is a summary of changes in bonds payable for the year ended June 30, 2012:

Balance, June 30, 2011	\$ 472,465,000
Additions	-
Retirements	<u>20,180,000</u>
Balance, June 30, 2012	<u>\$ 452,285,000</u>

Maturities of Bonds Payable

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	\$ 18,945,000	\$ 21,403,709	\$ 40,348,709
2014	19,535,000	20,618,909	40,153,909
2015	20,025,000	19,785,859	39,810,859
2016	20,385,000	18,903,760	39,288,760
2017	21,080,000	17,982,285	39,062,285
2018-2022	110,975,000	74,642,108	185,617,108
2023-2027	120,190,000	46,209,551	166,399,551
2028-2032	73,070,000	17,851,715	90,921,715
2033-2037	43,720,000	6,470,504	50,190,504
2038-2039	<u>4,360,000</u>	<u>230,938</u>	<u>4,590,938</u>
	<u>\$ 452,285,000</u>	<u>\$ 244,099,338</u>	<u>\$ 696,384,338</u>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 - LONG-TERM DEBT (Continued)

The following summarized GADA's bonds outstanding at June 30, 2012:

Description and Due Date	Interest Rate	Original Value	2012
Series 1998 Bonds 08/1/98-08/1/18	4.10 - 5.75	\$ 13,270,000	\$ 185,000
Series 2000A Bonds 08/1/00-08/1/20	5.00 - 6.00	18,930,000	185,000
Series 2001A Bonds 08/1/01-08/1/13	3.35 - 4.75	2,750,000	505,000
Series 2002 Bonds 08/1/02-08/1/22	2.25 - 4.75	7,640,000	5,365,000
Series 2003A Bonds 08/1/03-08/1/20	3.00 - 5.00	11,230,000	9,020,000
Series 2004A Bonds 08/1/04-08/1/25	3.95 - 5.00	12,955,000	4,005,000
Series 2004B Bonds 08/1/04-08/1/29	2.00 - 5.50	10,360,000	7,455,000
Series 2005A Bonds 08/1/05-08/1/24	2.38 - 5.00	47,695,000	37,760,000
Series 2005B Bonds 08/1/05-08/1/35	3.00 - 5.00	64,100,000	62,250,000
Series 2006A Bonds 08/1/06-08/1/36	4.00 - 5.00	52,060,000	45,330,000
Series 2006B Bonds 08/1/07-08/1/24	4.00 - 5.00	36,520,000	30,340,000
Series 2006-1 8/1/07-8/1/25	4.00 - 5.00	63,220,000	51,520,000
Series 2007A Bonds 08/1/08-08/1/33	4.00 - 5.00	40,145,000	34,875,000
Series 2007B Bonds 08/1/8-08/1/27	4.00 - 5.00	26,505,000	22,900,000
Series 2008A Bonds 08/1/09-08/1/27	3.00 - 5.00	27,760,000	23,735,000
Series 2008-1 Bonds 8/1/09-8/1/38	4.00 - 5.25	15,265,000	14,465,000
Series 2008-2 Bonds 8/1/09-8/1/31	3.25 - 5.25	44,590,000	40,780,000
Series 2009A Bonds 08/1/09-08/1/38	5.00 - 5.50	26,725,000	23,690,000
Series 2009B Bonds 08/1/09-08/1/29	4.50 - 5.00	16,300,000	15,445,000
Series 2010A Bonds 08/1/10-08/1/30	2.00 - 5.20	23,370,000	22,475,000
			\$ 452,285,000
Total bonds payable			\$ 452,285,000
Less: current portion			18,945,000
			\$ 433,340,000
Long-term portion			\$ 433,340,000

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

NOTE 4 LONG-TERM DEBT (Continued)

GADA entered into a series of agreements with local Arizona communities which require these individual communities to make debt service payments to GADA equal to the debt service requirements of the bonds issued. These agreements directly relate to the bonds payable amounts recorded on GADA's Statement of Net Assets, and therefore are recorded on government-wide financial statements. The following is the local communities' portion of bonds payable included in the balance sheet of GADA as of June 30, 2012:

	1998 Bonds	2000A Bonds	2001A Bonds	2002 Bonds	2003A Bonds	2004A Bonds	2004B Bonds	2005A Bonds	2005B Bonds	2006A Bonds
City of Winslow	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Cottonwood	-	185,000	505,000	-	-	-	-	-	-	-
City of Holbrook	-	-	-	-	-	-	-	-	-	-
City of Flagstaff	-	-	-	-	-	-	-	-	-	-
City of Maricopa	-	-	-	-	-	-	-	-	-	-
Town of Clarkdale	-	-	-	195,000	-	-	-	-	-	-
City of Coolidge	-	-	-	2,450,000	-	-	-	-	-	-
Town of Guadalupe	-	-	-	2,720,000	-	-	-	-	-	-
Town of Queen Creek	-	-	-	-	4,580,000	-	6,275,000	-	2,130,000	10,530,000
City of Williams	-	-	-	-	2,970,000	-	-	-	1,165,000	-
Drexel Heights Fire District	-	-	-	-	1,470,000	-	495,000	-	665,000	-
City of Apache Junction	-	-	-	-	-	-	-	-	-	-
Town of Pinetop-Lakeside	-	-	-	-	-	340,000	-	-	-	-
City of El Mirage	-	-	-	-	-	3,665,000	-	-	-	-
City of Wicox	-	-	-	-	-	-	685,000	-	-	-
Town of Taylor	-	-	-	-	-	-	-	390,000	-	-
Town of Camp Verde	-	-	-	-	-	-	-	1,595,000	-	-
Town of Buckeye	-	-	-	-	-	-	-	8,495,000	-	14,425,000
Central Yavapai Fire District	-	-	-	-	-	-	-	8,785,000	-	-
Goldier Ranch Fire District	-	-	-	-	-	-	-	6,985,000	-	-
Maricopa Fire District	-	-	-	-	-	-	-	645,000	-	-
Northwest Fire District	-	-	-	-	-	-	-	10,865,000	-	-
Three Pointe Fire District	-	-	-	-	-	-	-	-	-	-
Lake Havasu City	-	-	-	-	-	-	-	-	58,070,000	-
Town of Superior	-	-	-	-	-	-	-	-	220,000	-
City of Safford	-	-	-	-	-	-	-	-	-	7,885,000
Town of Sahuarita	-	-	-	-	-	-	-	-	-	12,490,000
City of Show Low	-	-	-	-	-	-	-	-	-	-
City of Somerton	-	-	-	-	-	-	-	-	-	-
Town of Quartzsite	-	-	-	-	-	-	-	-	-	-
Apache Junction Fire District	-	-	-	-	-	-	-	-	-	-
Town of Chino Valley	-	-	-	-	-	-	-	-	-	-
Town of Eager	-	-	-	-	-	-	-	-	-	-
Town of Parker	-	-	-	-	-	-	-	-	-	-
Town of Snowflake	-	-	-	-	-	-	-	-	-	-
Chino Valley Fire District	-	-	-	-	-	-	-	-	-	-
Golden Ranch Fire District	-	-	-	-	-	-	-	-	-	-
Mayer Fire District	-	-	-	-	-	-	-	-	-	-
Apache County	-	-	-	-	-	-	-	-	-	-
City of Douglas	-	-	-	-	-	-	-	-	-	-
Santa Cruz Court	-	-	-	-	-	-	-	-	-	-
Pinal County	-	-	-	-	-	-	-	-	-	-
Rio Rico Fire District	-	-	-	-	-	-	-	-	-	-
City of San Luis	-	-	-	-	-	-	-	-	-	-
Town of Thatcher	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 185,000</b>	<b>\$ 185,000</b>	<b>\$ 505,000</b>	<b>\$ 5,365,000</b>	<b>\$ 9,020,000</b>	<b>\$ 4,005,000</b>	<b>\$ 7,455,000</b>	<b>\$ 37,760,000</b>	<b>\$ 62,250,000</b>	<b>\$ 45,330,000</b>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

NOTE 4 - LONG-TERM DEBT (Continued)

	2006B Bonds	2006-1 Bonds	2007A Bonds	2007B Bonds	2008A Bonds	2008-1 Bonds	2008-2 Bonds	2009A Bonds	2009B Bonds	2010A Bonds	Total
City of Winslow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	185,000
City of Cottonwood	-	-	-	17,285,000	-	-	-	-	-	-	17,975,000
City of Holbrook	-	-	-	-	-	-	-	-	-	-	-
City of Flagstaff	-	-	-	-	-	-	-	-	-	3,205,000	3,205,000
City of Maricopa	-	-	-	-	-	-	-	-	-	19,270,000	19,270,000
Town of Clarkdale	-	-	-	-	-	-	-	-	-	-	185,000
City of Coolidge	-	-	-	-	-	-	-	-	-	-	2,450,000
Town of Guadalupe	-	-	-	-	-	-	-	-	-	-	2,720,000
Town of Queen Creek	-	-	-	-	1,585,000	-	-	-	-	-	25,100,000
City of Williams	-	-	-	-	2,715,000	-	-	-	-	-	6,850,000
Drexel Heights Fire District	750,000	-	-	-	-	-	-	-	-	-	3,380,000
City of Apache Junction	-	-	3,210,000	-	-	-	-	-	-	-	3,210,000
Town of Pinalop-Lakeside	-	-	-	-	-	-	-	-	-	-	340,000
City of El Mirage	-	-	-	990,000	-	-	-	-	8,990,000	-	13,645,000
City of Wilcox	-	-	-	275,000	-	-	-	-	-	-	960,000
Town of Taylor	-	-	-	-	-	-	-	-	-	-	390,000
Town of Camp Verde	-	-	-	-	-	-	-	-	-	-	1,595,000
Town of Buckeye	-	-	2,025,000	-	-	-	-	-	-	-	24,945,000
Central Yavapai Fire District	-	-	-	-	-	-	-	-	-	-	8,785,000
Golder Ranch Fire District	-	-	-	-	-	-	-	-	-	-	5,985,000
Maricopa Fire District	2,350,000	-	-	-	-	-	-	-	-	-	2,995,000
Northwest Fire District	-	-	11,645,000	-	-	-	-	-	-	-	22,510,000
Three Points Fire District	-	-	-	370,000	-	-	-	-	-	-	370,000
Lake Havasu City	-	-	-	-	2,235,000	-	-	-	-	-	60,305,000
Town of Superior	-	-	-	-	-	-	-	-	-	-	220,000
City of Safford	-	-	-	-	2,805,000	-	-	-	-	-	10,690,000
Town of Sahuarita	-	-	-	-	-	-	-	8,455,000	-	-	18,945,000
City of Show Low	8,775,000	-	-	-	2,360,000	-	-	-	-	-	9,135,000
City of Somerton	5,685,000	-	-	-	-	-	-	-	-	-	5,885,000
Town of Quartzsite	8,570,000	-	-	-	-	-	-	-	-	-	8,570,000
Apache Junction Fire District	8,210,000	-	-	-	-	-	-	-	-	-	8,210,000
Town of Chino Valley	-	-	4,265,000	-	-	-	-	-	-	-	4,265,000
Town of Esger	-	-	2,875,000	-	-	-	-	-	-	-	2,875,000
Town of Parker	-	-	565,000	-	-	-	-	-	-	-	565,000
Town of Snowflake	-	-	905,000	-	-	-	-	-	-	-	905,000
Chino Valley Fire District	-	-	4,695,000	-	-	-	-	-	-	-	4,695,000
Golden Ranch Fire District	-	-	4,020,000	-	-	-	-	-	-	-	4,020,000
Mayer Fire District	-	-	870,000	-	-	-	-	170,000	-	-	840,000
Apache County	-	-	-	3,980,000	-	-	-	-	-	-	3,980,000
City of Douglas	-	-	-	-	2,720,000	-	-	-	-	-	2,720,000
Santa Cruz Court	-	-	-	-	-	14,465,000	40,780,000	-	-	-	55,245,000
Pinal County	-	51,520,000	-	-	3,360,000	-	-	9,770,000	-	-	64,650,000
Rio Rico Fire District	-	-	-	-	3,870,000	-	-	-	-	-	3,870,000
City of San Luis	-	-	-	-	-	-	-	13,750,000	-	-	13,750,000
Town of Thatcher	-	-	-	-	2,265,000	-	-	-	-	-	2,265,000
<b>Total</b>	<b>\$30,340,000</b>	<b>\$51,520,000</b>	<b>\$34,875,000</b>	<b>\$22,900,000</b>	<b>\$23,735,000</b>	<b>\$14,465,000</b>	<b>\$40,780,000</b>	<b>\$23,690,000</b>	<b>\$15,445,000</b>	<b>\$22,475,000</b>	<b>\$452,285,000</b>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA

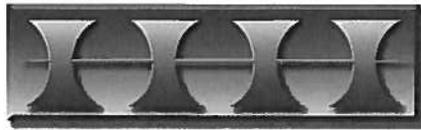
PHOENIX, ARIZONA

COMPLIANCE REPORT

Year Ended June 30, 2012

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**HENRY & HORNE, LLP**  
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Directors  
Greater Arizona Development Authority of Arizona  
Phoenix, Arizona

We have audited the financial statements of the governmental activities and its major fund of the Greater Arizona Development Authority of Arizona (the "Authority"), as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to material weaknesses, as defined above.

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Authority's management and members of the Arizona state legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Henry + Horne LLP*

Casa Grande, Arizona  
September 12, 2012