

GREATER ARIZONA DEVELOPMENT AUTHORITY



12/31/2015

2015 Annual Report



The *Mission* of the **Greater Arizona Development Authority** is to assist Arizona communities with the development of public infrastructure projects that enhance community and economic development.

Greater Arizona Development Authority

2015 ANNUAL REPORT

OVERVIEW OF GADA

The Greater Arizona Development Authority (GADA) was created by the Arizona Legislature in FY 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. Until FY 2012, GADA was administered by the Arizona Department of Commerce. Effective FY 2013, the state legislature assigned WIFA to administer the program.

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.

Statutorily Designated



- Greg Linaman, Chair
Commerce Authority
- Misael Cabrera
Department of Environmental
Quality
- Sean Dollman
Office of State Treasurer
- Kristine Ward
Department of Transportation

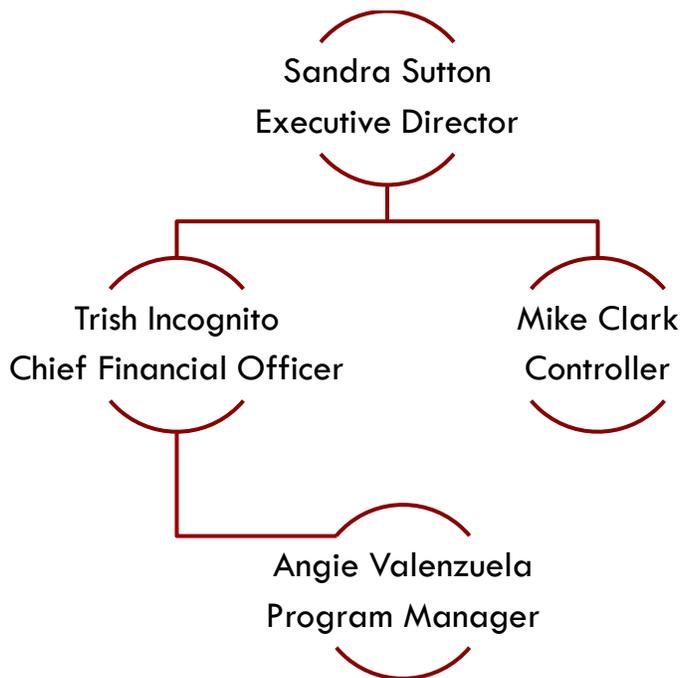
Governor Appointed



- Mignonne D. Hollis (I)
Cochise County
- Paul B. Johnson (R)
Yuma County
- Patt A. Parker (R)
Yavapai County
- Hildy Angius (R)
Mohave County
- Raymond K. Nopah
Tribal Representative

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 Program Manager, Angie Valenzuela with support from Rex Nowlan, Esq. from the Office of the Arizona Attorney General. Financial advisory services are provided by Western Financial Group and bond counsel is Kutak Rock LLP.



FINANCIAL ASSISTANCE

GADA bonds are currently rated A by Standard & Poor’s Ratings Services and A1 by Moody’s Investors Service, Inc. Historically, GADA bonds have been insured and sold as tax-exempt issues. GADA provides cost effective bond financing to rural and tribal communities by issuing bonds on behalf of the community and passing on the lower interest rates associated with its enhanced rating. Many small, rural and tribal communities face higher interest rates in the public bond market because their credit is unknown or below investment grade. This means they either cannot finance their infrastructure projects or they would do so at a much higher cost than they can obtain with a GADA loan.

Since its inception, GADA has saved borrowers over \$20 million in lower interest rates and reduced closing costs. On average, GADA has saved individual borrowers \$250,000 per financing.

GADA's Credit Profile

In March 2014, Standard & Poor's Ratings Services assigned a 'stable' outlook to GADA's unenhanced infrastructure revenue bonds and reaffirmed their previous A rating. The rating reflects:

- GADA'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;
- A diverse loan base spanning the entire state;
- An extremely low loan default and delinquency history; and
- Management policies that are generally considered adequate to strong.

Standard & Poor's is of the opinion that loan origination policies employed by GADA are strong, as the authority participates in its own review of each credit. Further, the stable outlook reflects the expectation that the trend of exceptionally low level of loan delinquencies and defaults will continue. Notwithstanding the agency's stable outlook on GADA bonds, 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.

Since 2003, Moody's Investors Service, Inc. has consistently rated GADA A1.

2015 Refunding Round

The GADA Board of Directors opened a round of financial assistance, in November 2014, for the sole purpose of refunding portions of GADA's outstanding 2004B, 2005A, 2005B, 2006A, and 2006B GADA bonds. After discussions with the borrowers, it was determined that it was not financially advantageous to move forward with the refunding.

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
2000A/COTTONWOOD	\$895,000/Loan Agreement	Wash Flood Control	37,775
2000A/GILBERT	\$18,035,000 /GO Bonds	Public Safety Complex, Storm Basin, Rec Center, Public Works Field Expansion	512,172
2001A/COTTONWOOD	\$2,500,000/Loan Agreement	Public Safety Building	223,645
2001B/FLAGSTAFF	\$3,100,000/GO Bonds	Parks and Open Space	195,000
2001A/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

Year/Borrower	Amount/Type	Project	Estimated Savings
2003A/DREXEL HEIGHTS FIRE DIST.	\$2,110,000/GO Bonds	Fire Facilities and Equipment	87,000
2003A/QUEEN CREEK	\$5,530,000/Revenue Bonds	Wastewater System	196,000
2003A/WILLIAMS	\$3,590,000/Revenue Bonds	Debt Refinancing/Misc. Capital Projects	635,000
2004A/APACHE JUNCTION	\$6,665,000/Revenue Bonds	City Hall Complex	146,000
2004A/EL MIRAGE	\$4,855,000/GO Bonds	Street Improvements	232,000
2004A/PINETOP-LAKESIDE	\$1,435,000/Revenue Bonds	Multi-Use Parks & Rec Facility	79,000
2004B/DREXEL HEIGHTS	\$1,460,000/GO Bonds	Fire Facilities and Equipment	85,000
2004B/QUEEN CREEK	\$7,700,000/Revenue Bonds	Public Administrative Facilities	314,000
2004B/WILCOX	\$1,200,000/GO Bonds	Public Safety & Admin Facilities	91,000
2005A/BUCKEYE	\$9,400,000/Revenue Bonds	Multiple Public Works	171,000
2005A/CAMP VERDE	\$2,040,000/Revenue Bonds	Public Safety	88,000
2005A/CENTRAL YAVAPAI FIRE DIST	\$11,215,000/GO Bonds	Public Safety	181,000
2005A/GOLDER RANCH FIRE DIST	\$8,760,000/GO Bonds	Public Safety	155,000
2005A/MARICOPA FIRE DIST	\$1,420,000/GO Bonds	Public Safety	62,000
2005A/NORTHWEST FIRE DIST	\$13,105,000/GO Bonds	Public Safety	203,000
2005A/TAYLOR	\$500,000/Revenue Bonds	Public Safety	81,000
2005A/THREE POINTS FIRE DIST	\$1,255,000/GO Bonds	Public Safety	49,000
2005B/DREXEL HEIGHTS	\$1,560,000/GO Bonds	Fire Facilities and Equipment	73,000
2005B/QUEEN CREEK	\$2,470,000/Revenue Bonds	Land Acquisition for Public Admin Facilities	122,000
2005B/SUPERIOR	\$500,000/Revenue Bonds	Fire Facilities and Equipment	40,000
2005B/WILLIAMS	\$1,500,000/Revenue Bonds	Transportation Improvements	105,000
2005B/LAKE HAVASU CITY	\$58,070,000/Revenue Bonds	Wastewater System Improvements	507,000
2006A/BUCKEYE	\$14,730,000/Revenue Bonds	Administrative Facilities	523,000
2006A/QUEEN CREEK	\$11,555,000/Revenue Bonds	Library Facilities	410,000
2006A/SAFFORD	\$9,420,000/Revenue Bonds	Road Improvements	259,000
2006A/SAHUARITA	\$16,355,000/Revenue Bonds	Administrative Facilities	376,000
2006B/APACHE JUNCTION	\$9,500,000/GO Bonds	Fire Facilities and Equipment	141,000
2006B/DREXEL HEIGHTS	\$1,350,000/GO Bonds	Public Safety	44,000
2006B/MARICOPA FIRE DIST	\$3,200,000/Revenue Bonds	Fire Facilities and Equipment	76,000
2006B/QUARTZSITE	\$7,215,000/Revenue Bonds	Loan Consolidation & Capital Improvements	224,000
2006B/SHOW LOW	\$8,370,000/Revenue Bonds	Transportation/Capital and Improvements	167,000
2006B/SOMERTON	\$6,885,000/Revenue Bonds	Transportation Improvements and Ladder Truck	152,000
2007A/APACHE JUNCTION	\$3,800,000/Revenue Bonds	Library Expansion	116,000
2007A/BUCKEYE	\$2,200,000/Revenue Bonds	Administrative Facilities	101,000
2007A/CHINO VALLEY	\$5,015,000/Revenue Bonds	Administrative Facilities	142,000
2007A/CHINO VALLEY FIRE DIST	\$5,325,000/Revenue Bonds	Fire Facilities and Equipment	148,000
2007A/EAGAR	\$3,300,000/Revenue Bonds	Refunding of Prior Obligations, Land and Equipment	116,000
2007A/GOLDER RANCH FIRE DIST	\$4,550,000/GO Bonds	Public Safety	135,000
2007A/MAYER FIRE DIST	\$745,000/GO Bonds	Fire Facilities, Equipment and Debt Refinancing	79,000
2007A/NORTHWEST FIRE DIST	\$13,470,000/GO Bonds	Fire Facilities and Equipment	291,000
2007A/PARKER	\$665,000/Revenue Bonds	Misc. Capital Projects	75,000
2007A/SNOWFLAKE	\$1,075,000/Revenue Bonds	Fire Facilities	78,000

Year/Borrower	Amount/Type	Project	Estimated Savings
2007B/COTTONWOOD	\$19,935,000/Revenue Bonds	Misc. Capital Projects	327,000
2007B/EL MIRAGE	\$1,145,000/Revenue Bonds	Transportation Improvements	94,000
2007B/WILCOX	\$315,000/GO Bonds	Misc. Capital Projects	268,000
2007B/APACHE COUNTY	\$3,980,000/Revenue Bonds	Administrative Facilities	121,000
2007B/THREE POINTS FIRE DIST	\$1,130,000/GO Bonds	Fire Facilities	66,000
2008A/DOUGLAS	\$3,000,000/Revenue Bonds	Administrative Facilities	303,000
2008A/LAKE HAVASU CITY	\$2,615,000/Revenue Bonds	Transportation Improvements	101,000
2008A/QUEEN CREEK	\$2,045,000/Revenue Bonds	Park Improvements & Recreational Projects	91,000
2008A/PINAL COUNTY	\$4,495,000/Revenue Bonds	Misc. Capital Project	115,000
2008A/RIO RICO FIRE DIST	\$3,835,000/GO Bonds	Fire Facilities and Equipment	198,000
2008A/SAFFORD	\$3,095,000/Revenue Bonds	Electric System Improvements	309,000
2008A/SHOW LOW	\$3,185,000/Revenue Bonds	Administrative Facilities	182,000
2008A/THATCHER	\$2,495,000/Revenue Bonds	Misc. Capital Project	268,000
2008A/WILLIAMS	\$2,995,000/Revenue Bonds	Transportation Improvements	300,000
2009A/MAYER FIRE DIST	\$180,000/GO Bonds	Capital Improvements & Equipment	142,000
2009A/PINAL COUNTY	\$12,795,000/Revenue Bonds	Misc. Capital Projects	399,000
2009A/SAN LUIS	\$13,750,000/Revenue Bonds	Loan Repayment/Capital Improvements	4,012,000
2009B/EL MIRAGE	\$9,600,000/Revenue Bonds	Transportation & City Park Improvements	741,000
2009B/SAHUARITA	\$6,700,000/Revenue Bonds	Transportation Improvements	532,000
2010A//FLAGSTAFF	\$3,370,000/Revenue Bonds	Economic Development	85,000
2010A/MARICOPA	\$20,000,000/GO Bonds	Misc. Capital Project	1,443,000
2014A/COOLIDGE	\$1,910,000/Refunding Revenue Bonds	Refunded 2002 Revenue Bonds	197,699
2014A/GUADALUPE	\$2,145,000/Refunding Revenue Bonds	Refunded 2002 Revenue Bonds	208,243
2014A/QUEEN CREEK	\$3,845,000/Refunding Revenue Bonds	Refunded 2003A Revenue Bonds	450,853
2014A/WILLIAMS	\$2,495,000/Refunding Revenue Bonds	Refunded 2003A Revenue Bonds	286,329

*In Addition to the financings listed above, GADA issued bonds at the request of Santa Cruz County (Series 2008-1 & 2008-2) for a total amount of \$59,855,000; and Pinal County (Series 2006-1) in the amount of \$63,220,000 for the purpose of providing funding for construction/improvements to their governmental units.

Loan/Bond Issues – Redemptions & Maturities

The following loan/bond issues have either been redeemed or matured in FY 2015:

Issue Name	Status	Date
Drexel Heights Fire District 2004B	Matured	August 1, 2014
City of Maricopa 2010A1	Matured	August 1, 2014
Maricopa Fire District 2005A	Matured	August 1, 2014

TECHNICAL ASSISTANCE

By legislative statute, GADA can provide technical assistance to cities, towns, counties, special districts and tribal communities in connection with the early stages of project development. Technical assistance may include:

- Assistance in selecting outside consultants;
- Evaluation of design and construction options;
- Financial advisory services;
- Assistance in satisfying statutory requirements;
- An advance on planned financial assistance (“short-term assistance”).

Due to limited available funds, no technical assistance rounds were opened in FY 2015.

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. 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.

Summary of Appropriations and Withdrawals

There have been seven withdrawals from 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 1998;
- \$2,500,000 of the GADA Fund was withdrawn by the Arizona Legislature in FY 2003 to help balance the budget during the recessionary period following the terrorist attacks on 9/11/2001;
- During FY 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. At the end of FY 2015, GADA had recovered \$510,934 of this loss. The remaining balance of \$157,644 may be written off by the Treasurer’s Office as uncollectable;
- \$1,071,000 of the GADA Fund was withdrawn by the Arizona Legislature in FY 2008 to help balance the state budget;
- Three more sweeps totaling \$5,196,100 were withdrawn by the Arizona Legislature in FY 2009 to help balance the state budget;
- During FY 2009, GADA experienced another investment loss due to the bankruptcy of Lehman Brothers. GADA’s portion of this loss was \$22,409. At the end of FY 2015 a total of \$14,586 remains to be recovered; and
- Two more sweeps totaling \$1,968,800 were withdrawn by the Arizona Legislature in FY 2010 to help balance the state budget.

Appropriations/Withdrawals

Fiscal Year	Description	Amount
1998	General Fund Appropriation	\$3,000,000
1998	Start Up Funding	(200,000)
1999	General Fund Appropriation	8,000,000
2000	General Fund Appropriation	9,000,000
2003	Withdrawal to General Fund	(2,500,000)
2003	LGIP Investment Loss (net of recoveries through the end of FY 2015)	(157,644)
2008	General Fund Appropriation	2,000,000
2008	Withdrawal to General Fund	(1,071,000)
2009	Withdrawal to General Fund	(2,000,000)
2009	Withdrawal to General Fund	(2,000)
2009	Withdrawal to General Fund	(3,194,100)
2009	LGIP Investment Loss Lehman Brothers (net of recoveries through the end of FY 2015)	(14,586)
2010	Withdrawal to General Fund	(1,968,800)

GREATER ARIZONA DEVELOPMENT AUTHORITY

FY 2015 AUDITED FINANCIAL REPORT

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HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS



FINANCIAL STATEMENTS

PHOENIX, ARIZONA

Year Ended June 30, 2015



GREATER ARIZONA DEVELOPMENT AUTHORITY

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HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Arizona Development Authority
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and its major fund of the Greater Arizona Development Authority (the "Authority"), a component unit of the State of Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and its major fund information of the Greater Arizona Development Authority, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2015, on our consideration of the Authority's internal control over financial reporting and on 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* in considering the Authority's internal control over financial reporting and compliance.

Henry + Horne LLP

Casa Grande, Arizona
September 28, 2015

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, 2015. Please read it in conjunction 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 \$13,348,093 (reported as *net position*). Of this amount, \$1,383,093 is unrestricted¹ (or not yet pledged) and \$11,965,000 (*restricted net assets*) is restricted for the purpose of security pledged to outstanding bonds.

Fund Level:

- As of the close of the fiscal year, GADA's governmental funds reported combined ending fund balances of \$13,348,093, an increase of \$68,694 from the beginning of the year. Approximately 10.36% of the combined fund balances, or \$1,383,093 million, is available to meet GADA's current and future needs as authorized by ARS §41-2254, E3 & ARS §41-2254, E4.

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 §41-2259, GADA's bonds do not constitute or 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 \$11,965,000 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 10.

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 10-11),
- 2) fund financial statements (pages 12-15), and
- 3) notes to the financial statements (17-25).

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

¹ Although these funds are not considered to be restricted from an accounting perspective, their use is limited pursuant to Arizona Revised Statutes, §41-2554 et seq.

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 Position (page 10) 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 11) 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., disbursements 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 rule 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 12 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 13 and 15) 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 17 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

The discussion in this section refers to pages 10 and 11 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 \$11,965,000 of GADA's *restricted net assets* is held in the PCRF. These funds are pledged as security on GADA's outstanding bonds and represent 89.64% of net assets.

Unrestricted net assets – The remaining balance of GADA's net position represents *unrestricted net assets* of \$1,383,093 (10.36%). 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 15, GADA's *unrestricted net assets* increased a total of \$68,694.

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.

Figure 1

Greater Arizona Development Authority		
Net Position as of June 30, 2015		
	Governmental Activities	
	2015	2014
ASSETS		
Cash and cash equivalents	1,381,657	1,305,846
Interest Receivable	5,957	14,626
Intergovernmental receivables	19,730,000	19,200,000
Cash and cash equivalents - restricted	11,965,000	11,965,000
Intergovernmental receivables, long-term	369,435,000	389,165,000
Total assets	402,517,614	421,650,472
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued Liabilities	4,521	6,073
Bonds, due in less than one year	19,730,000	19,200,000
Bonds, due in more than one year	369,435,000	389,165,000
Total liabilities	389,169,521	408,371,073
NET ASSETS		
Restricted ²	11,965,000	11,965,000
Unrestricted ³	1,383,093	1,314,399
Total net assets	13,348,093	13,272,399

FUND FINANCIAL STATEMENTS ANALYSIS

The discussion in this section refers to pages 12 through 15 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 2.

- 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

² Pledged as security on GADA bond issues

³ Use of these funds is governed by ARS §41-2554

recoveries from the bankruptcy proceedings in previous fiscal years and as of June 30, 2015, GADA had recovered \$510,934 of this loss. Additional distributions may occur.

- 4) \$1.071 million in FY 08 and a total of \$5.196 million in FY09 of the GADA Fund were withdrawn by the Arizona Legislature to help balance the State budget.
- 5) During the year ended June 30, 2009, GADA experienced another investment loss due to the bankruptcy of Lehman Brothers. GADA's portion of this loss was \$22,409. As of the end of June 30, 2015 a total of \$7,823 has been recovered. Additional distributions are expected.
- 6) An additional \$1,968,800 was withdrawn by the Arizona Legislature in FY 10 to help balance the state budget.

The \$2,460,495 difference between GADA's *restricted and unrestricted* net assets of \$13,348,093 (from Figure 1) and the total GADA Fund balance of \$10,887,598 (from Figure 2) is a function of interest earned on the GADA Fund in FY 15 and previous fiscal years.

Figure 2

GADA Fund* Deposits and Withdrawals Since Inception (FY 98) as of June 30, 2015	
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)	(161,916)
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 09 LGIP Investment Loss Lehman Brothers	(14,586)
FY 10 Withdrawal to General Fund	(1,968,800)
Minimum Necessary Balance	\$ 10,887,598

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

1. *Restricted assets*, or the Pledged Collateral Reserve Fund (PCRF) – all \$11,965,000 of GADA's *restricted net assets* are held in the PCRF. These funds are pledged as security on GADA's outstanding bonds and represent 89.64% of the \$13,348,093 GADA Fund.
2. *Unrestricted assets* – The remaining balance of \$1,383,093 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 §41-2554 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 15, and there are currently no outstanding loans.

Operating Fund – ARS §41-2554 E *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*.

At the end of a fiscal year, any unspent portion of the budget, or interest earned on the GADA Fund or technical assistance loans in excess of that required funding the approved budget, are held in the operating fund as an operating reserve. The use of these funds requires a vote of the Board.

In FY 15, the operating fund benefited from interest revenue earned on the GADA Fund, in the amount of \$178,164. After the budget expenses of \$109,470 were paid, the operating fund had revenues over expenditures in the amount \$68,694. (See page 14 of the financial statements).

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 §41-2259, 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 \$11,965,000 in the PCRFB.

In FY 15 no new GADA actions were conducted or any retirements. For 2016, GADA is already aware of five retirement actions and two escrow actions. With interest rates remaining low, more retirements are expected over this next year.

Economic Factors

The Arizona economy is improving, interest rates are favorable and cities and towns are identifying new infrastructure projects. In response to these factors, GADA hired a full time position at the end of FY 14. The person hired work with various organizations within the state to revitalize the program and move forward with the intent of adding new projects. A request for an additional \$20 million in appropriation was submitted but not approved in 2015. GADA will continue to seek additional funding.

FINANCIAL STATEMENTS

GREATER ARIZONA DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2015

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,381,657
Interest receivable	5,957
Intergovernmental receivables	19,730,000
Intergovernmental receivables, long-term	369,435,000
Restricted cash and cash equivalents	<u>11,965,000</u>
 Total assets	 <u>402,517,614</u>
 LIABILITIES	
Accrued liabilities	4,521
Noncurrent liabilities:	
Due within one year:	
Bonds payable	19,730,000
Due in more than one year:	
Bonds payable	<u>369,435,000</u>
 Total liabilities	 <u>389,169,521</u>
 NET POSITION	
Restricted for:	
Debt service	11,965,000
Unrestricted	<u>1,383,093</u>
 Total net position	 <u><u>\$ 13,348,093</u></u>

GREATER ARIZONA DEVELOPMENT AUTHORITY
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

<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:			
Personnel	\$ 71,677	\$ -	\$ (71,677)
Administrative expenses	<u>37,793</u>	<u>-</u>	<u>(37,793)</u>
Total governmental activities	<u>\$ 109,470</u>	<u>\$ -</u>	<u>(109,470)</u>
 General revenues:			
	Investment income		175,571
	Other income		<u>2,593</u>
	Total general revenues		<u>178,164</u>
 Change in net position			68,694
Net position, beginning of year			<u>13,279,399</u>
Net position, end of year			<u>\$ 13,348,093</u>

GREATER ARIZONA DEVELOPMENT AUTHORITY
 BALANCE SHEET
 GOVERNMENTAL FUND
 June 30, 2015

ASSETS	<u>General</u>
Cash and cash equivalents	\$ 1,381,657
Interest receivable	5,957
Cash and cash equivalents - restricted	<u>11,965,000</u>
 Total assets	 <u>\$ 13,352,614</u>
 LIABILITIES	
Accrued liabilities	<u>\$ 4,521</u>
 FUND BALANCE	
Fund balance:	
Restricted for pledged collateral reserve fund	11,965,000
Unassigned	<u>1,383,093</u>
 Total fund balance	 <u>13,348,093</u>
 Total fund balance	 <u>\$ 13,352,614</u>

GREATER ARIZONA DEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
June 30, 2015

Total governmental fund balance \$ 13,348,093

Amounts reported for governmental activities in the Statement of
Net Position 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 389,165,000

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

Bonds payable (389,165,000)

Net position of governmental activities \$ 13,348,093

GREATER ARIZONA DEVELOPMENT AUTHORITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 Year Ended June 30, 2015

REVENUES	
Investment income	\$ 175,571
Other income	<u>2,593</u>
Total revenues	<u>178,164</u>
EXPENDITURES	
Current:	
Personnel	71,677
Administrative expenses	37,733
Program activities	<u>60</u>
Total expenditures	<u>109,470</u>
Excess (deficiency) of revenues over expenditures	<u>68,694</u>
Fund balance - beginning of year	<u>13,279,399</u>
Fund balance - end of year	<u><u>\$ 13,348,093</u></u>

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, 2015

Net change in fund balance - total governmental fund	\$ 68,694
No reconciling items	<u>-</u>
Change in net position of governmental activities	<u>\$ 68,694</u>



GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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) § 41-2252. On July 21, 1997, this legislation took effect and GADA was formally constituted. Pursuant to ARS § 41-2263, 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 the Governmental Accounting Standards Board Accounting Standards Codification, the financial statements must present GADA and its components 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 position and the statement of activities display information about GADA, the primary governmental activity, 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, 2015

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 position should be reported as restricted when constraints placed on assets use are either externally 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 restricted net position 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 rules 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, 2015

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

Governmental Funds (Continued)

As of June 30, 2015, 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). 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 providing funding to assist 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.

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.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Assistance Programs (Continued)

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 §41-2259, 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 \$11.965 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.

Deposits

As of June 30, 2015, GADA's investments in the Treasurer's office totaled \$13,346,657. These investments were in Pools 5 and 4, separate pools of investments owned by GADA and managed by the Treasurer's office on GADA's behalf. The investments in GADA Pool 5 are short term investments and the ones in Pool 4 are longer term investments, invested to recognize a stable income return to GADA for its operations. Interest earned from investments are allocated to GADA monthly. The market fluctuations of individual securities held within the both pools are recognized by GADA and do seek to maintain a \$1.00 NAV.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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. Monies held by the State Treasurer are investments and are covered under the State Treasurer investment policy which includes the type of securities that can be purchased for investment purposes. These investments are not covered by the FDIC insurance or collateral.

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 CASH AND CASH EQUIVALENTS

The restricted net position amount of \$11,965,000 as of June 30, 2015 represents pledged security funds of \$1,500,000, \$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 fifteen bonds that were issued by GADA during the fiscal years of 2014, 2010, 2009, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000 and 1998, respectively. The restricted net position amounts will remain restricted until the bonds are repaid.

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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, 2015:

Balance, June 30, 2014	\$ 408,365,000
Additions	-
Retirements	<u>19,200,000</u>
Balance, June 30, 2015	<u>\$ 389,165,000</u>

Maturities of Bonds Payable

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 19,730,000	\$ 18,690,920	\$ 38,420,920
2017	20,700,000	17,798,175	38,498,175
2018	21,435,000	16,855,691	38,290,691
2019	22,245,000	15,833,012	38,078,012
2020	20,705,000	14,795,499	35,500,499
2021-2025	116,820,000	57,790,839	174,610,839
2026-2030	94,380,000	29,889,761	124,269,761
2031-2035	53,920,000	11,733,174	65,653,174
2036-2039	<u>19,230,000</u>	<u>1,314,316</u>	<u>20,544,316</u>
	<u>\$ 389,165,000</u>	<u>\$ 184,701,387</u>	<u>\$ 573,866,387</u>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 LONG-TERM DEBT (Continued)

The following summarized GADA's bonds outstanding at June 30, 2015:

Description and Due Date	Interest Rate	Original Value	2015
Series 1998 Bonds 08/1/98-08/1/18	4.10 - 5.75	\$ 13,270,000	\$ 110,000
Series 2002 Bonds 08/1/02-08/1/22	2.25 - 4.75	7,640,000	105,000
Series 2004B Bonds 08/1/04-08/1/29	2.00 - 5.50	10,360,000	5,900,000
Series 2005A Bonds 08/1/05-08/1/24	2.38 - 5.00	47,695,000	30,490,000
Series 2005B Bonds 08/1/05-08/1/35	3.00 - 5.00	64,100,000	61,120,000
Series 2006A Bonds 08/1/06-08/1/36	4.00 - 5.00	52,060,000	40,400,000
Series 2006B Bonds 08/1/07-08/1/24	4.00 - 5.00	36,520,000	25,820,000
Series 2006-1 Bonds 8/1/07-8/1/25	4.00 - 5.00	63,220,000	43,240,000
Series 2007A Bonds 08/1/08-08/1/33	4.00 - 5.00	40,145,000	30,030,000
Series 2007B Bonds 08/1/8-08/1/27	4.00 - 5.00	26,505,000	19,525,000
Series 2008A Bonds 08/1/09-08/1/27	3.00 - 5.00	27,760,000	19,115,000
Series 2008-1 Bonds 8/1/09-8/1/31	3.25 - 5.25	15,265,000	13,585,000
Series 2008-2 Bonds 8/1/09-8/1/38	4.00 - 5.25	44,590,000	36,665,000
Series 2009A Bonds 08/1/09-08/1/38	5.00 - 5.50	16,000,000	10,520,000
Series 2009A-TE Bonds 08/1/09-08/1/38	6.85 - 8.10	10,725,000	9,020,000
Series 2009B Bonds 08/1/09-08/1/29	4.50 - 5.00	16,300,000	13,595,000
Series 2010A -TE Bonds 08/1/10-08/1/30	2.00 - 5.20	6,425,000	2,840,000
Series 2010A Taxable Bonds 08/1/10-08/1/30	3.60 - 6.34	16,945,000	16,945,000
Series 2014 R Bonds 03/26/14-08/1/28	2.00 - 5.00	10,395,000	<u>10,140,000</u>
Total bonds payable			\$389,165,000
Less: current portion			<u>19,730,000</u>
Long-term portion			<u>\$369,435,000</u>

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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 Position, 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, 2015:

	1998 Bonds	2002 Bonds	2004B	2005A Bonds	2005B Bonds	2006A Bonds	2006B Bonds	2006-1 Bonds	2007A Bonds
City of Winslow	\$ 110,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City of Cottonwood	-	-	-	-	-	-	-	-	-
City of Flagstaff	-	-	-	-	-	-	-	-	-
City of Maricopa	-	105,000	-	-	-	-	-	-	-
Town of Clarkdale	-	-	-	-	-	-	-	-	-
City of Coolidge	-	-	-	-	-	-	-	-	-
Town of Guadalupe	-	-	-	-	-	-	-	-	-
Town of Queen Creek	-	-	5,540,000	-	1,900,000	9,810,000	-	-	-
City of Williams	-	-	-	-	965,000	-	-	-	-
Drexel Heights Fire District	-	-	-	-	125,000	-	320,000	-	-
City of Apache Junction	-	-	-	-	-	-	-	-	2,725,000
Town of Pinetop-Lakeside	-	-	-	-	-	-	-	-	-
City of El Mirage	-	-	-	-	-	-	-	-	-
City of Wilcox	-	-	360,000	-	-	-	-	-	-
Town of Taylor	-	-	-	320,000	-	-	-	-	-
Town of Camp Verde	-	-	-	1,310,000	-	-	-	-	-
Town of Buckeye	-	-	-	6,980,000	-	13,435,000	-	-	1,625,000
Central Yavapai Fire District	-	-	-	7,215,000	-	-	-	-	-
Golden Ranch Fire District	-	-	-	5,740,000	-	-	-	-	3,425,000
Maricopa Fire District	-	-	-	-	-	-	1,750,000	-	-
Northwest Fire District	-	-	-	8,925,000	-	-	-	-	10,075,000
Lake Havasu City	-	-	-	-	58,070,000	-	-	-	-
Town of Superior	-	-	-	-	60,000	-	-	-	-
City of Safford	-	-	-	-	-	6,710,000	-	-	-
Town of Sahuarita	-	-	-	-	-	10,445,000	-	-	-
City of Show Low	-	-	-	-	-	-	5,700,000	-	-
City of Somerton	-	-	-	-	-	-	4,835,000	-	-
Town of Quartzsite	-	-	-	-	-	-	6,120,000	-	-
Apache Junction Fire District	-	-	-	-	-	-	7,095,000	-	-
Town of Chino Valley	-	-	-	-	-	-	-	-	3,620,000
Town of Eager	-	-	-	-	-	-	-	-	2,515,000
Town of Parker	-	-	-	-	-	-	-	-	475,000
Town of Snowflake	-	-	-	-	-	-	-	-	770,000
Chino Valley Fire District	-	-	-	-	-	-	-	-	3,990,000
Mayer Fire District	-	-	-	-	-	-	-	-	610,000
Apache County	-	-	-	-	-	-	-	-	-
City of Douglas	-	-	-	-	-	-	-	-	-
Santa Cruz Court	-	-	-	-	-	-	-	-	-
Pinal County	-	-	-	-	-	-	-	43,240,000	-
Rio Rico Fire District	-	-	-	-	-	-	-	-	-
City of San Luis	-	-	-	-	-	-	-	-	-
Town of Thatcher	-	-	-	-	-	-	-	-	-
Total	\$ 110,000	\$ 105,000	\$ 5,900,000	\$ 30,490,000	\$ 61,120,000	\$ 40,400,000	\$ 25,820,000	\$ 43,240,000	\$ 30,030,000

GREATER ARIZONA DEVELOPMENT AUTHORITY OF ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 LONG-TERM DEBT (Continued)

	2007B Bonds	2008A Bonds	2008-1 Bonds	2008-2 Bonds	2009A Bonds	2009B Bonds	2010A Bonds	2014 Refunding Bond	Total
City of Winslow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,000
City of Cottonwood	14,860,000	-	-	-	-	-	-	-	14,860,000
City of Flagstaff	-	-	-	-	-	-	2,840,000	-	2,840,000
City of Maricopa	-	-	-	-	-	-	18,945,000	-	18,945,000
Town of Clarkdale	-	-	-	-	-	-	-	-	105,000
City of Coolidge	-	-	-	-	-	-	-	1,875,000	1,875,000
Town of Guadalupe	-	-	-	-	-	-	-	1,925,000	1,925,000
Town of Queen Creek	-	1,280,000	-	-	-	-	-	3,845,000	22,355,000
City of Williams	-	2,370,000	-	-	-	-	-	2,495,000	5,830,000
Diesel Heights Fire District	-	-	-	-	-	-	-	-	445,000
City of Apache Junction	-	-	-	-	-	-	-	-	-
Town of Pinetop-Lakeside	-	-	-	-	-	-	-	-	-
City of El Mirage	850,000	-	-	-	-	7,910,000	-	-	8,760,000
City of Wilcox	235,000	-	-	-	-	-	-	-	585,000
Town of Taylor	-	-	-	-	-	-	-	-	520,000
Town of Camp Verde	-	-	-	-	-	-	-	-	1,310,000
Town of Buckeye	-	-	-	-	-	-	-	-	20,415,000
Central Yavapai Fire District	-	-	-	-	-	-	-	-	7,215,000
Goldier Ranch Fire District	-	-	-	-	-	-	-	-	5,740,000
Maricopa Fire District	-	-	-	-	-	-	-	-	1,750,000
Northwest Fire District	-	-	-	-	-	-	-	-	8,825,000
Lake Havasu City	-	1,780,000	-	-	-	-	-	-	58,850,000
Town of Superior	-	-	-	-	-	-	-	-	80,000
City of Safford	-	2,445,000	-	-	-	-	-	-	9,155,000
Town of Sahuarita	-	-	-	-	-	5,685,000	-	-	18,130,000
City of Show Low	-	1,445,000	-	-	-	-	-	-	7,145,000
City of Somerton	-	-	-	-	-	-	-	-	4,835,000
Town of Quartzsite	-	-	-	-	-	-	-	-	8,120,000
Apache Junction Fire District	-	-	-	-	-	-	-	-	7,095,000
Town of Chino Valley	-	-	-	-	-	-	-	-	-
Town of Eagar	-	-	-	-	-	-	-	-	-
Town of Parker	-	-	-	-	-	-	-	-	-
Town of Snowflake	-	-	-	-	-	-	-	-	-
Chino Valley Fire District	-	-	-	-	-	-	-	-	-
Meyer Fire District	-	-	-	-	155,000	-	-	-	155,000
Apache County	3,580,000	-	-	-	-	-	-	-	3,580,000
City of Douglas	-	2,375,000	-	-	-	-	-	-	2,375,000
Santa Cruz Court	-	-	13,585,000	36,685,000	-	-	-	-	50,250,000
Pinal County	-	2,035,000	-	-	5,840,000	-	-	-	51,115,000
Rio Rico Fire District	-	3,430,000	-	-	-	-	-	-	3,430,000
City of San Luis	-	-	-	-	13,545,000	-	-	-	13,545,000
Town of Thatcher	-	1,975,000	-	-	-	-	-	-	1,975,000
Total	\$ 19,525,000	\$ 19,113,000	\$ 13,585,000	\$ 36,685,000	\$ 19,540,000	\$ 13,595,000	\$ 19,785,000	\$ 10,140,000	\$ 389,165,000



SUPPLEMENTARY INFORMATION

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HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' 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
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and its major fund of the Greater Arizona Development Authority (the "Authority"), as of and for the year ended June 30, 2015, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Horne LLP

Casa Grande, Arizona
September 28, 2015