



**NOTICE OF PUBLIC MEETING
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA
BOARD OF DIRECTORS**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, BOARD OF DIRECTORS**, and to the general public, that **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, BOARD OF DIRECTORS** will hold a meeting open to the public on **Thursday, November 20, 2014 at 3:30 PM** located at the **Phoenix City Hall, 200 West Washington Street, First Floor Atrium, Assembly Room B, Phoenix, Arizona.**

One or more board members may participate via teleconference.

The agenda for the meeting is as follows:

Call to Order

- 1. Approval of Meeting Minutes – October 16, 2014 Board of Directors Meeting**
- 2. Jerome E. Miller (J.E.M.) Summer Leadership Academy Report.** Presentation and report of the Phoenix Public Library Foundation’s J.E.M. Summer Leadership Academy.
- 3. Audited Financial Statements for June 30, 2014.** Presentation, discussion, and possible action to approve the Finance Committee’s recommendation regarding the audited financial statements for the fiscal year ending June 30, 2014.
- 4. Financial Statements for Period Ending September 30, 2014.** Presentation, discussion, and possible action to ratify the Finance Committee’s approval of the Phoenix IDA’s financial statements for the period ending September 30, 2014.
- 5. Espiritu Community Development Corporation Predevelopment Loan Request.** Presentation, discussion, and possible action to approve the Community Impact Fund Committee’s recommendation regarding Espiritu Community Development Corporation’s predevelopment loan request.
- 6. Community Impact Fund Committee Report**
- 7. Executive Committee Report**
- 8. President’s Report**

9. Call to the Public

Adjournment

For reasonable accommodations, please call Wendy Gutierrez at Voice/602-534-8679 or TTY/602-534-5500, as early as possible to coordinate needed arrangements.

Date Posted:



**MINUTES OF PUBLIC MEETING
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA
BOARD OF DIRECTORS**

October 16, 2014

A public meeting of the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”) was convened on Thursday, October 16, 2014 at 3:30 p.m., at Phoenix City Hall, 200 West Washington Street, First Floor Atrium, Assembly Room B, Phoenix, Arizona.

Directors present:

Ms. Judy Bernas
Mr. Tommy Espinoza (telephonically)
Mr. Don Keuth
Mr. Bruce Mosby (arrived telephonically at 3:35 p.m.)
Mr. Sal Rivera (telephonically)
Ms. Christa Severns (telephonically)
Ms. Barbara Ryan Thompson (telephonically)

Directors Absent:

Ms. Charlene Tarver
Ms. Marian Yim

Also present for all or portions of the meeting were:

Mr. Paul Blue, City of Phoenix
Ms. Monique Cordova, Phoenix IDA
Mr. Greg Cross, Zion’s Bank
Mr. C.W. Ross, Fennemore Craig, P.C.
Mr. Juan Salgado, Phoenix IDA’s Executive Director
Mr. Mike Santellanes, Phoenix IDA
Ms. Debbie Scherer, BNY Mellon

Any member of the public that was present during the meeting was able to hear all discussions and actions taken by board members that were present, in person and over the phone, via a teleconferencing phone system.

Mr. Keuth called the Board Meeting to order at 3:31 p.m. A quorum was noted.

ITEM 1: Approval of Meeting Minutes – September 18, 2014 Board of Directors Meeting

Meeting minutes for the September 18, 2014 Board of Directors meeting were presented for approval.

Ms. Bernas moved to approve the minutes for the September 18, 2014 Board of Directors meeting. Mr. Espinoza seconded the motion. **Motion carried unanimously.**

ITEM 2: Education Revenue Bonds (Arizona School for the Arts Project), Series 2008

(At 3:33 p.m., Director Keuth declared a conflict of interest, recused himself from discussing or voting on Item 2, and directed Ms. Bernas to preside.)

Mr. Salgado introduced the item, and requested Mr. Santellanes brief the Board. Mr. Santellanes provided background information on the Education Revenue Bonds (Arizona School for the Arts Project), Series 2008 (the “Bonds”), and briefed the Board on the Arizona School for the Arts (“ASA”) request to amend various provisions set forth in the 2008 bond documents, as reflected in Tab 2 of the Phoenix IDA’s records for this meeting, available upon request. Mr. Santellanes noted that the Bonds were sold at a fixed interest rate of 7.25% through October 31, 2018, at which time the rate would increase to a fixed interest rate of 8.25% through bond maturity in 2048.

(Mr. Mosby arrived telephonically at 3:35 p.m.)

Mr. Santellanes noted that ASA had requested supplementing and amending the interest rate and redemption provisions in the relevant bond document to maintain the current fixed interest rate of 7.25% through the life of the Bonds, and that the Bonds’ purchaser had agreed to the amendments. Mr. Santellanes and Mr. Salgado noted that according to legal counsel Kutak Rock LLP, the matter did not need to go before the Phoenix City Council for approval because ASA’s request did not involve the issuance of any new bonds.

Ms. Ryan Thompson moved to approve **Resolution 2014-13** as recommended by the Phoenix IDA’s legal counsel and executive director. Mr. Espinoza seconded the motion. **Motion carried unanimously.** A copy of Resolution 2014-13 is attached to these minutes as Exhibit A and made a part hereof.

(Board President Keuth returned as meeting presider at 3:37 p.m.)

ITEM 3: Multifamily Housing Tax Regulatory Agreements Annual Report

Mr. Salgado introduced the item, and requested Ms. Cordova brief the Board. Ms. Cordova briefed the Board on the Phoenix IDA’s (i) obligation to provide an annual report to the Board on the compliance status of multifamily housing revenue bond projects (“Projects”) that have active Tax Regulatory Agreements (“Agreements”), and (ii) the compliance status of Projects that had active Agreements, as of June 30, 2014. Ms. Cordova noted that as of June 30, 2014, 13 of the 19 Projects were compliant with their reporting obligations, five were delinquent or untimely with their reporting obligations, and one was considered to be in default, as reflected in Tab 3 of the Phoenix IDA’s records for this meeting, available upon request. Ms. Cordova noted that Phoenix IDA staff would follow up with the noncompliant properties.

This report was for information only. No action was taken.

ITEM 4: Communications and Government Affairs Committee Report

Mr. Salgado introduced the item, and requested Communications and Government Affairs Committee Chair Ms. Bernas to brief the Board. Ms. Bernas briefed the Board on the items discussed during the Committee’s September 24, 2014 meeting, as reflected in Tab 4 of the Phoenix IDA’s records for this meeting, available upon request. Ms. Bernas discussed a presentation provided by Ms. Denise Resnik, DRA Strategic Communications and a report on legislative affairs given by Dr. Marc Osborn of Kutak Rock LLP.

This report was for information only. No action was taken.

ITEM 5: Board of Directors Election of 2015 Officers

Mr. Keuth noted that the Board needed to elect a President, Vice President, Treasurer, and Secretary, and that because all offices were uncontested, the Board could opt to elect the slate as presented by the Nominating Committee. He asked Nominating Committee Chair Mr. Mosby if he had any comments. Mr. Mosby noted the Nominating Committee had followed the nominating process in accordance with the Phoenix IDA's bylaws. Mr. Keuth announced the candidates by name, as noted below, and as reflected in Tab 5 of the Phoenix IDA's records for this meeting, available upon request.

- Mr. Tommy Espinoza, President
- Ms. Christa Severns, Vice President
- Ms. Judy Bernas, Treasurer
- Mr. Sal Rivera, Secretary

Mr. Mosby moved to approve the candidate slate as presented. Ms. Ryan Thompson seconded the motion. **Motion carried unanimously.**

ITEM 6: Board of Directors 2015 Committee Assignments

Mr. Keuth introduced the item, and requested that the Board approve the Board's 2015 Committee assignments, as reflected in Tab 6 of the Phoenix IDA's records for this meeting, available upon request.

Ms. Bernas moved to approve the Board of Directors 2015 Committee assignments. Mr. Espinoza seconded the motion. **Motion carried unanimously.**

ITEM 7: President's Report

Mr. Keuth presented the President's report, and made announcements about the Phoenix IDA's involvement in the following:

- Valle del Sol's annual Profiles of Success luncheon and awards ceremony in September
- Arizona Forward's award to Fresh Express mobile market in September
- Presentation made to the Phoenix City Council's Parks, Arts, Transparency and Education Subcommittee in September
- Sponsorship of Keogh Health Connections' upcoming gala event to be held November 7

This report was for information only. No action was taken.

ITEM 8: Call to the Public

Mr. Keuth made a call to the public. There were no comments.

With no further business to come before the Phoenix IDA, being duly moved and seconded, the Board Meeting was adjourned at 3:45 p.m.

EXHIBIT A

RESOLUTION NO. 2014-13

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE OF TRUST RELATED TO ITS OUTSTANDING EDUCATION REVENUE BONDS (ARIZONA SCHOOL FOR THE ARTS PROJECT), SERIES 2008; APPROVING THE TERMS OF SUCH SUPPLEMENTAL INDENTURE AND RELATED DOCUMENTS TO BE EXECUTED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN IN CONNECTION WITH THE EXECUTION AND DELIVERY OF SUCH DOCUMENTS; AND AUTHORIZING OTHER ACTIONS NECESSARY IN CONNECTION WITH THE EXECUTION AND DELIVERY OF SUCH DOCUMENTS.

WHEREAS, The Industrial Development Authority of the City of Phoenix, Arizona (the “Authority”), is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona (the “State”), empowered under the Industrial Development Financing Act, A.R.S. §§ 35-701 through 761 inclusive, as amended (the “Act”), to issue revenue bonds for the purposes set forth in the Act, including the making of secured and unsecured loans to finance or refinance the acquisition, construction, improvement or equipping of a “project” (as defined in the Act), whenever the Board of Directors of the Authority (the “Board of Directors”) finds such loans to be in furtherance of the purposes of the Authority or in the public interest; and

WHEREAS, in furtherance of the purposes and interests of the Authority under the Act, the Authority previously issued \$10,500,000 aggregate principal amount of its Education Revenue Bonds (Arizona School for the Arts Project), Series 2008 (the “Series 2008 Bonds”) pursuant to an Indenture of Trust, dated as of October 1, 2008, as previously supplemented and amended by a Series 2011 Supplemental Indenture of Trust, dated as of May 1, 2011 (together, the “Indenture”), both between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), and loaned the proceeds thereof to Arizona School for the Arts (the “Borrower”), a duly organized and validly existing Arizona nonprofit corporation operated exclusively for charitable and educational purposes as a charter school under Arizona Revised Statutes Title 15, Chapter 1, Article 8, as amended, pursuant to that certain Loan Agreement, dated as of October 1, 2008, as supplemented and amended by a First Amendment to Loan Agreement, dated as of May 1, 2011, between the Authority and the Borrower, to assist the Borrower in financing the costs of acquiring, constructing, improving, renovating and equipping, as applicable, land and buildings used by the Borrower in connection with its charter school operations; and

WHEREAS, the Borrower has requested that the interest rate and redemption provisions in the Indenture relating to the Series 2008 Bonds be supplemented and amended pursuant to a 2014 Supplemental Indenture of Trust (the “2014 Supplemental Indenture”), between the Authority and the Trustee; and

WHEREAS, the Authority and the Trustee, as applicable, are authorized to execute the 2014 Supplemental Indenture if certain conditions set forth in the Indenture are met, including receipt of the written consent and approval of the Beneficial Owners (or their Bondholder Representative) (both as defined in the Indenture) of not less than 66 2/3 percent of the aggregate principal amount of the Series 2008 Bonds at the time outstanding; and

WHEREAS, there has been prepared and presented to the Executive Director of the Authority the proposed and substantially final form of the 2014 Supplemental Indenture.

WHEREAS, it appears that the 2014 Supplemental Indenture above referred to as now before this meeting is in appropriate form to be approved for the purposes intended or approved,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona as follows:

Section 1. Ratification of Actions. All actions (not inconsistent with the provisions of this Resolution) heretofore taken by or at the direction of the Authority and its directors, officers, counsel, advisors, agents or Executive Director directed toward the execution and delivery of the 2014 Supplemental Indenture are hereby approved and ratified.

Section 2. Conditions. The 2014 Supplemental Indenture shall not be executed and delivered unless and until: (a) the Trustee mailed notice of the proposed execution and delivery of the 2014 Supplemental Indenture to the Registered Owners (as defined in the Indenture) of the Series 2008 Bonds, in accordance with the requirements of the Indenture, (b) the Trustee receives written consent and approval of the Beneficial Owners (or their Bondholder Representative) of at least 66 2/3 percent of the aggregate principal amount of the Series 2008 Bonds currently outstanding to such execution and delivery; and (c) the other conditions of the Indenture required to be satisfied in connection with the execution of supplements to the Indenture, including the delivery of an opinion of Bond Counsel (as defined in the Indenture), are met. The execution and delivery of the 2014 Supplemental Indenture is expressly conditioned upon the understanding that the Authority will not execute any document or consent to the execution of any document until the form of such documents and the forms of the opinions required to be delivered in connection with the execution thereof are acceptable to the Authority and its counsel.

Section 3. Execution of Documents; Authority's Signatures. The form, terms and provisions of the 2014 Supplement Indenture, in the form of such document presented to this meeting, is hereby approved, with such insertions, deletions and changes as are approved by the officers authorized to execute the documents (which approval will be conclusively established by their execution and/or delivery thereof). Upon satisfaction of the conditions set forth in Section 2 hereof, the Authority's President, Vice President, Secretary or Treasurer (each an "Authorized Officer") are each hereby authorized to execute and deliver the 2014 Supplemental Indenture. From and after the execution and delivery of the 2014 Supplemental Indenture, the officers, agents, employees and Executive Director of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents, certificates and assignments as may be necessary to carry out and comply with the provisions of the 2014 Supplemental Indenture (as executed and delivered).

Section 4. Further Actions. The officers, the agents and the Executive Director of the Authority, upon satisfaction of the conditions set forth in Section 2 hereof, shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated hereby, including, without limitation, the execution and delivery of the closing and other documents required to be delivered in connection with the execution and delivery of the 2014 Supplemental Indenture.

Section 5. Open Meeting Laws. It is found and determined that all formal actions of the Authority and its Board of Directors concerning and relating to the adoption of this Resolution were adopted in an open meeting and that all deliberations that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements of the State and the Authority.

Section 6. Advice of Counsel. In the execution, delivery and performance of any documents or instruments authorized hereby, the President, the Vice President, the Secretary and any other officer of the Board are hereby authorized to rely on advice of counsel, to make modifications therein and to execute and deliver such additional documents or instruments as may be reasonably required in the opinion of such counsel.

Section 7. No Personal Liability. The Executive Director of the Authority, the members of the Board of Directors of the Authority and any director, officer, official, employee or agent of the Authority shall not be subject to any personal liability or accountability by reason of the execution and delivery of the 2014 Supplemental Indenture. The liability of the Authority with respect to the 2014 Supplemental Indenture, or any other document executed in connection with the transactions contemplated hereby, shall be limited as provided in the Act and such documents.

Section 8. Severability. If any section, paragraph, clause or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 9. Waiver. Any provisions of the Authority's Bylaws, Procedural Pamphlet, as amended through March 18, 2014 (the "Pamphlet"), or prior resolutions inconsistent herewith are waived to the extent only of such inconsistency. This waiver shall not be construed as repealing such Bylaws, Pamphlet or any such resolution or any part thereof.

Section 10. Headings. Subject headings included in this Resolution are included for purpose of convenience only and shall not affect the construction or interpretation of any of its provisions.

Section 11. Effectiveness. This Resolution shall be effective immediately.

Section 12. Notice. Notice of Arizona Revised Statutes Section 38-511 is hereby given. The provisions of that statute by this reference are incorporated herein to the extent of applicability to matters contained herein under the laws of the State.

Section 13. Resolution Not to be Construed as Providing Advice Concerning Municipal Securities. None of this Resolution, the 2014 Supplemental Indenture or any action taken by the Authority, any member of the Board of Directors or the Authority's counsel in connection with the execution of the 2014 Supplemental Indenture is intended to provide, and shall not be construed as providing, advice of any kind to the Borrower or to the Authority with respect to the Series 2008 Bonds for purposes of 15 U.S. C. Section 78o-4(e)(4)(A)(i). That Authority is a conduit issuer and none of the Authority, the Board of Directors or the Authority's counsel is acting or will act as a municipal advisor, financial advisor or fiduciary to any party involved in the execution of the 2014 Supplemental Indenture.

[Signature page follows.]

PASSED AND ADOPTED this 16th day of October, 2014.

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA

By:  _____
Juan Salgado, Executive Director



MEMORANDUM

DATE: November 20, 2014

TO: Members, Board of Directors

FROM: Juan Salgado, Executive Director

SUBJECT: Jerome E. Miller Summer Leadership Academy

BACKGROUND

Jerome E. Miller was a former Deputy City Manager in the City of Phoenix who worked in public service for more than 34 years. He was a trusted, dedicated and respected professional who was dearly loved by his City family, along with the many neighborhood leaders, housing advocates and senior service providers he closely worked with throughout his career.

In order to commemorate his leadership, service and legacy, the Jerome E. Miller (JEM) Summer Leadership Academy was established this past June. This week-long academy was designed to expose high school students to careers in public service, as well as fuel and diversify the pipeline for public service, and prepare students for college, career and life success.

Approximately 25 students in 10th thru 12th grades from local Phoenix high schools were invited to apply for a spot in the academy. Students were exposed to college planning and civic engagement through College Depot and also participated in a course on the campus of Phoenix College entitled 'Leadership for Citizenship' receiving one college credit at the end of the course. In addition, students were assigned a City of Phoenix leader as a mentor who they shadowed and met with during the course of the week.

At the end of the week, students were brought together with their mentors and other invited guests to share their feelings about the overall program. The sentiment from the students was that the program helped them begin to plan for their post-secondary education and consider a future career in public service.



MEMORANDUM

DATE: November 20, 2014
TO: Members, Board of Directors
FROM: Christa Severns, Treasurer
SUBJECT: Audited Financial Statements for June 30, 2014

Attached for your review, consideration and approval are the Phoenix IDA audited financial statements as of June 30, 2014. Detailed discussions were held with the Finance Committee on October 29, 2014 and the committee approved the draft.

The audit report from CliftonLarsonAllen LLP will be presented by Ronald Stearns, a partner in the firm.



CliftonLarsonAllen

CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, AZ 85012-3111
602-266-2248 | fax 602-266-2907
CLAconnect.com

October 29, 2014

Board of Directors
The Industrial Development Authority of The City of Phoenix, Arizona
Phoenix, Arizona

We have audited the financial statements of The Industrial Development Authority of The City of Phoenix, Arizona as of and for the year ended June 30, 2014, and have issued our report thereon dated October 29, 2014. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Industrial Development Authority of The City of Phoenix, Arizona are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year.

We noted no transactions entered into by the entity during the year for which there was a lack of authoritative guidance or consensus. All significant transactions were recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of allowance for doubtful notes receivable balances:

- Management determines the allowance for doubtful notes receivable by identifying troubled accounts as well as evaluating receivables and considering the entity's financial condition, credit history, and current economic conditions. Our conclusion regarding the reasonableness of the estimate for the allowance for doubtful accounts was based primarily on the entity's history of subsequent collections and current period write-offs.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that were clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated October 29, 2014.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * * *

This communication is intended solely for the information and use of the Board of Directors and management of The Industrial Development Authority of The City of Phoenix, Arizona and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Attachment

October 29, 2014

CliftonLarsonAllen LLP
20 East Thomas Road, Suite 2300
Phoenix, Arizona 85012-3111

This representation letter is provided in connection with your audit of the statements of assets, liabilities and net position of The Industrial Development Authority of The City of Phoenix, Arizona (Phoenix IDA) as of June 30, 2014 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 29, 2014 the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 12, 2014, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.
- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- We have not identified or been notified of any uncorrected financial statement misstatements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments through the date of this letter.
- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices.

- All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.
 - Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We believe that all material expenditures that have been deferred to future periods will be recoverable.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to The Industrial Development Authority of The City of Phoenix, Arizona, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$500,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements properly classify all funds and activities.
- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting information into a working trial balance based on management's chart of accounts.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Juan Salgado, Executive Director

Murray Boess, Administrator

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA
PHOENIX, ARIZONA**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Industrial Development Authority of The City of Phoenix, Arizona
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying statement of net position of The Industrial Development Authority of The City of Phoenix, Arizona as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

Board of Directors
The Industrial Development Authority of The City of Phoenix, Arizona

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Industrial Development Authority of The City of Phoenix, Arizona, as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Industrial Development Authority of The City of Phoenix, Arizona has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 29, 2014

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	933,006
Accounts receivable		3,000
Interest receivable		34,728
Program receivables		1,973,005
Notes receivable, current portion		64,513
Prepaid expenses		19,368
		19,368

Total current assets		3,027,620
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NONCURRENT ASSETS

Investments		14,573,920
Investment in land		527,933
Long term notes receivable, net		220,304
		220,304

Total noncurrent assets		15,322,157
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TOTAL ASSETS

	\$ 18,349,777
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$	192,690
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NET POSITION - UNRESTRICTED

	18,157,087
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TOTAL LIABILITIES AND NET POSITION

	\$ 18,349,777
--	---------------

See accompanying Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2014

OPERATING REVENUE

Early bond redemption	\$ 146,484
User assessments	972,698
Down payment assistance program fees	1,537,040
Fee income	<u>121,951</u>
Total operating revenue	<u>2,778,173</u>

OPERATING EXPENSES

General and administration	965,984
Bond administration	11,667
Other programs	27,760
Community investment	311,365
Program and project development	64,067
Loan portfolio administration	<u>2,815</u>
Total operating expenses	<u>1,383,658</u>
Operating income	<u>1,394,515</u>

NON-OPERATING REVENUE

Interest income	<u>118,413</u>
Total non-operating revenue	<u>118,413</u>

INCREASE IN NET POSITION

1,512,928

UNRESTRICTED NET POSITION, BEGINNING OF YEAR

16,644,159

UNRESTRICTED NET POSITION, END OF YEAR

\$ 18,157,087

See accompanying Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,226,769
Net cash receipts from down payment assistance program	401,598
Cash payments to suppliers for goods or services	(630,139)
Cash payments to employees for services	(654,731)
	<u>343,497</u>
Net cash provided by operating activities	<u>343,497</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from notes receivable	299,553
Issuance of notes receivable	(250,000)
Interest income	118,413
Proceeds from sale of investments	11,237,000
Purchase of investment in land	(370,433)
Purchases of investments	(13,819,920)
	<u>(2,785,387)</u>
Net cash used in investing activities	<u>(2,785,387)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

(2,441,890)

**CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR**

3,374,896

**CASH AND CASH EQUIVALENTS,
END OF YEAR**

\$ 933,006

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 1,394,515
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for allowance for doubtful accounts	-
Changes in assets and liabilities:	
Accounts receivable	(3,000)
Interest receivable	(11,364)
Program receivable	(1,135,442)
Deposits	10,000
Prepaid expenses	(1,476)
Accounts payable	90,264
	<u>90,264</u>
Net cash provided by operating activities	<u>\$ 343,497</u>

See accompanying Notes to Financial Statements.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Industrial Development Authority of the City of Phoenix, Arizona ("Phoenix IDA") is a nonprofit corporation designated a political subdivision of the State of Arizona. The Phoenix IDA was established on July 7, 1981 in order to exercise its broad statutory powers, including the power to issue conduit revenue bonds to finance "projects" as such term is defined by the Arizona Revised Statutes, §35-701(8). All bonds issued by the Phoenix IDA are special, limited obligations of the Phoenix IDA, payable solely from revenues generated by the project being financed, and do not constitute a debt of, a loan of, or credit by, the Phoenix IDA. The Phoenix IDA charges administration fees to bond applicants and uses such fees to cover its administration costs and to support its ongoing community and economic development programs in Arizona. The Phoenix IDA is a special-purpose governmental entity engaged in business type activities. The Phoenix IDA is the primary governmental entity but has no taxing power.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Such estimates and assumptions affect the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Phoenix IDA evaluates its estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that its estimates and assumptions are reasonable under the circumstances; however, actual results may differ from those estimates.

Fund Accounting

The Phoenix IDA reports in a manner consistent with proprietary funds for their ongoing operations and activities, which are similar to those often found in the private sector. Enterprise funds are the only type of proprietary funds used by the Phoenix IDA. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

A significant portion of the Phoenix IDA revenue is derived from issuer fees related to its bond issuances activity and includes assessment fees, program fees and application fees. Issuer fees are based on executed Trust Indenture/Loan Financing Agreements and are recognized as revenue when earned. Other significant revenue is derived from fees earned from a down payment assistance program through sales of mortgage backed securities.

Cash and Cash Equivalents

The Phoenix IDA considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist primarily of certificates of deposit and land. All such investments are stated at fair value based upon quoted market prices.

Notes Receivable

Notes receivable consist of amounts advanced to projects financed by the Phoenix IDA and other non-profit entities. Interest on notes receivable is recognized as revenue when earned. The Phoenix IDA does not recognize interest income on notes once they are deemed to be impaired or non-performing. A note is considered impaired when, based on current information and events, it is probable that the Phoenix IDA will be unable to ultimately collect all amounts due. Non-performing notes include all notes for which payment of principal and/or interest is more than 90 days past due. Cash receipts are first allocated to interest income, except when such payments are specifically designated by the terms of the note as principal reductions or payment of fees.

Allowance for Notes Receivable

The allowance for notes receivable is established as losses are estimated to have occurred through a provision for doubtful accounts charged to earnings on a monthly basis and is based on risk. Notes receivable losses are charged against the allowance when management believes the uncollectibility of a notes receivable balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for notes receivable is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the notes receivable in light of historical experience, adverse situations that may affect the borrower's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Receivables

Program receivables are stated at the amount management expects to collect under the terms of the contracts and agreements. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of the related receivables. Management considers all program receivables to be collectible at June 30, 2014.

Unrestricted Net Position

The Phoenix IDA's reported total net position is entirely comprised of unrestricted net position, of which the Board of Directors has designated \$8,720,000 of net position for specific uses.

Tax-Exempt Status

As a political subdivision of the State of Arizona, the Phoenix IDA is exempt from federal and state corporate income taxes. Consequently, no provision for corporate income taxes has been included in the accompanying financial statements.

NOTE 2 CASH AND INVESTMENTS

A summary of the Phoenix IDA's cash and investments at June 30, 2014 follows:

Cash	\$ 13,717
Cash equivalents, money markets	894,289
Cash held in escrow	<u>25,000</u>
Cash and cash equivalents	<u>933,006</u>
Certificates of deposit	14,573,920
Investment in land	<u>527,933</u>
Total investments	<u>15,101,853</u>
Total cash and investments	<u><u>\$ 16,034,859</u></u>

The Phoenix IDA held \$25,000 in an escrow account as of June 30, 2014, which proceeds are to be used for its down payment assistance program, which assists low-income applicants to purchase a residence.

The Phoenix IDA's investment policy, as approved by the Board of Directors, is to match investment maturities with cash requirements. The fair value of investment securities as of June 30, 2014, by contractual maturity, is shown on the following page.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2014, the Phoenix IDA had investment securities with the following maturities:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
Certificates of deposit	Non Rated	\$14,573,920	\$ 13,832,320	\$741,600

The above securities are certificates of deposit with original maturities of twelve months or greater which are not rated, that management intends to reinvest the monies as they mature.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The Phoenix IDA had no realized gains or losses on investments during 2014.

Custodial Risk – The Phoenix IDA places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit. At June 30, 2014, all of the Phoenix IDA's cash accounts were covered by FDIC insurance.

Interest Rate Risk – It is the Phoenix IDA's policy to hold investments to maturity and avoid any loss on investments resulting from an early sale or retirement of an investment.

Credit Risk – The Phoenix IDA's investment policies mandate the quality of investments allowable for purchase. Specifically, municipal bonds must be rated AAA or better by Moody's or Standard & Poor's, or an equivalent by a second major rating agency. In addition investments in U.S. Government Securities carry an implied AAA rating.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Phoenix IDA's Investment Policy limits unreasonable risks inherent in over-weighting in certain financial institutions. In order to comply with its Investment Policy, whereby maturing principal and interest on certificates of deposit (CDs) in any institution should not exceed the \$250,000 FDIC deposit insurance limit, the Phoenix IDA utilizes the Certificate of Deposit Account Registry Service (CDARS). This service is comprised of a network of member financial institutions that each issue CDs in increments below the FDIC insurance maximum, thus both principal and interest are FDIC insured. This allows the Phoenix IDA to invest its funds with a wide array of banks by making deposits with CDARS member banks that place the funds through CDARS, while ensuring all of its deposits are federally insured. As a result, the Phoenix IDA has a vastly diverse investment portfolio, and investments in any one banking institution do not exceed 5% of total investments. As of June 30, 2014, investments in certificates of deposit utilizing CDARS are as follows:

<u>Financial Institutions</u>	<u>Investment Type</u>	<u>Fair Value</u>
Alliance Bank	Certificate of deposit account registry service	\$ 8,350,324
Kansas State Bank	Certificate of deposit account registry service	4,010,821

Investments through the custodians in the certificate of deposit account registry service program are, in actuality, investments made in multiple financial institutions at a level covered by FDIC insurance and, as such, do not individually exceed 5% of total investments.

Investment in Land

In January 2012, the Phoenix IDA entered into an agreement with the City of Phoenix to purchase a 50% stake in the proceeds of the future, mutually agreed upon development or disposition of a parcel of land owned by the City of Phoenix. Similarly, in September 2013, the Phoenix IDA entered into a separate development agreement with the City of Phoenix to purchase a 50% stake in the proceeds of the future, mutually agreed upon development or disposition of a different parcel of land also owned by the City of Phoenix.

NOTE 3 NOTES RECEIVABLE

<u>Borrower, Terms and Maturity</u>	<u>Purpose</u>	<u>Original Principal</u>	<u>Outstanding Principal Balance</u>
Original loan was modified on June 30, 2010, in which \$88,984 of interest was added to principal of \$250,000 and the due date accelerated. Interest only loan at 4%. All principal and interest is due April 7, 2019.	Funds used to assist in the acquisition and construction of an affordable senior housing project, located in the Phoenix metropolitan area.	\$ 338,984	\$ 338,984

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 NOTES RECEIVABLE (CONTINUED)

<u>Borrower, Terms and Maturity</u>	<u>Purpose</u>	<u>Original Principal</u>	<u>Outstanding Principal Balance</u>
Loan commencing July 1, 2002, bearing interest at 4%, interest only payments. Interest and any unpaid principal is due December 20, 2040.	Funds used to assist in the acquisition and construction of an affordable housing project, located in the Phoenix metropolitan area.	250,000	250,000
Original loan was modified on June 30, 2010, in which \$27,040 of interest was added to principal of \$250,000. Interest only loan at 4%. The remaining interest and principal is due October 15, 2021.	Funds used to assist in the acquisition and construction of an affordable housing project, located in the Phoenix metropolitan area.	277,040	277,040
Original loan was modified at June 30, 2010, in which \$65,000 of interest was added to principal of \$250,000 and the due date extended to 2021. Interest bearing loan at 4%. Principal and interest due June 1, 2021.	Funds used to assist in the acquisition and rehabilitation of an affordable housing project, located in the Phoenix metropolitan area.	315,000	315,000
Participation loan with Kansas State Bank commencing July 31, 2012, bearing interest at 4%, due July 6, 2016.	Funds used to complete tenant improvements and furnish the classrooms for expansion of a south Phoenix charter school.	107,500	58,372
Participation loan with Raza Development Fund, Inc. commencing August 30, 2013, bearing interest at 6%, due October 19, 2019.	Funds used to construct and equip a new health care facility in Mesa.	250,000	<u>226,445</u>
Total notes receivable			1,465,841
Less: reserve for uncollectible accounts			<u>(1,181,024)</u>
Notes receivable, net			<u>\$ 284,817</u>

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 NOTES RECEIVABLE (CONTINUED)

As of June 30, 2014, current and non-current notes receivable, after applying the reserve for uncollectible accounts, consisted of the following:

Current portion	\$ 64,513
Long term	<u>220,304</u>
	<u>\$ 284,817</u>

NOTE 4 CONDUIT BALANCE

The Phoenix IDA issues Private Activity Revenue Bonds that provide capital financing for third parties that are not part of the Phoenix IDA's reporting entity. The aggregate amount of all conduit balance obligations outstanding at June 30, 2014, was \$1,526,544,850. The Phoenix IDA has no obligation for the repayment by the borrower.

NOTE 5 RELATED PARTY TRANSACTIONS

The City of Phoenix City Council appoints the Board of Directors of the Phoenix IDA. The City of Phoenix also provides certain administrative functions on behalf of the Phoenix IDA. As of June 30, 2014, the Phoenix IDA had reimbursed the City of Phoenix approximately \$263,000 for administrative expenses.

Management believes that the transactions between the Phoenix IDA and the City of Phoenix, Arizona are arm's length transactions.

NOTE 6 CONTINGENCIES

The Phoenix IDA is periodically involved in various claims arising in the ordinary course of business, none of which, in the opinion of management, if determined adversely against the Phoenix IDA, will have a material adverse effect on the financial condition, results of operations, or liquidity of the Phoenix IDA.

NOTE 7 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 29, 2014, the date the financial statements were available to be issued.



MEMORANDUM

DATE: November 20, 2014

TO: Members, Board of Directors

FROM: Christa Severns, Treasurer

SUBJECT: Financial Statements for Period Ending September 30, 2014

Attached for your approval are the Phoenix IDA's financial statements dated September 30, 2014. Detailed discussions were held with the Finance Committee on October 29, 2014, and the committee approved the draft financial statements. Mr. Salgado is available to discuss the financial statements in detail prior to the Board of Directors meeting.

Highlights of the financial statements are:

Statement of Net Position

- Current Assets, Down Payment Assistance (DPA) Program Receivables, monthly variable amount, representing receivables for down payment assistance.
- Accrued Expenses, Community Development Fund allocations from the prior fiscal year not yet awarded.

Statement of Revenues, Expenses and Changes in Net Position

- Operating Revenues, DPA Fees, higher than expected loan volume in Home in Five Advantage Program resulting in increased revenues for the fiscal year.

Total operating expenses through September 2014 were below budgeted expense levels. Revenues for the year to date exceed budgeted revenues, primarily due to DPA fees.



**Statement of Net Position
September 30, 2014**

Assets

Current Assets	
Cash and cash equivalents	\$ 2,572,529
Receivables, net	
Accounts receivable, net	3,000
DPA Program Receivables	74,467
Notes receivable, current portion	48,742
Loans receivable	250,000
Prepaid expenses	14,363
Total Current Assets	<u>2,963,101</u>
Noncurrent Assets	
Investments	15,116,243
Long term notes receivable, net	220,304
Fixed Assets	527,933
Total Noncurrent Assets	<u>15,864,479</u>
Total Assets	<u><u>\$ 18,827,580</u></u>

Liabilities and Net Position

Current Liabilities	
Accounts payable	\$ 56,918
Accrued expenses	10,350
Total Current Liabilities	<u>67,268</u>
Allocated Funds	8,720,000
Net Assets - Unrestricted	<u>10,040,312</u>
Total Liabilities and Net Assets	<u><u>\$ 18,827,580</u></u>



**Statement of Revenues, Expenses and Changes in Net Position
For the Month and Year to Date as of September 30, 2014**

	September-14 Current	Actual	Year to Date Budget	Variances	Annual Budget
Operating Revenues					
Fee income-single family, application & other	\$ 5,550	\$ 14,409	\$ 17,280	\$ (2,871)	\$ 74,250
Down Payment Assistance Program Fees	208,997	802,856	228,000	574,856	910,000
User assessment fees	-	3,722	8,069	(4,347)	815,000
Interest income	8,087	25,194	24,750	444	114,000
Other income - non-recurring fees	0	-	-	-	-
Other income-bond redemption	1,201	1,201	-	1,201	-
Net increase in the fair value of investments	0	-	-	-	-
Total Operating Revenues	<u>223,835</u>	<u>847,382</u>	<u>278,099</u>	<u>569,283</u>	<u>1,913,250</u>
Operating Expenses					
Accounting Services	\$ 223	\$ 676	\$ 850	\$ 174	\$ 3,500
Administration	4,059	10,572	13,200	2,628	48,000
Audit	10,000	10,000	12,500	2,500	17,400
Board of Directors	4,481	12,215	25,840	13,625	65,000
Bond Administration	0	1,300	3,800	2,500	13,000
Bond Administration - Single Family	0	0	2,850	2,850	7,500
Director and Officer Insurance	1,553	4,658	4,680	23	19,300
General Expenses	5,010	17,315	22,593	5,278	117,475
Loan Portfolio Administration	0	638	1,900	1,263	6,500
Program Development	382	382	2,500	2,118	10,000
Project Development	72	1,081	2,000	919	8,000
Business Development	15,775	33,402	29,100	(4,302)	82,650
Home in Five Advantage Program	274	524	9,500	8,976	25,250
Legislative Affairs	2,500	7,500	7,500	0	22,500
Salaries and Wages	49,872	140,691	162,000	21,309	748,000
Staff Development	1,700	2,202	6,000	3,798	7,500
Technology	0	1,001	9,390	8,389	35,500
Community Development Fund	0	-	270,250	270,250	320,500
Total Operating Expenses	<u>95,901</u>	<u>244,156</u>	<u>586,453</u>	<u>342,297</u>	<u>1,557,575</u>
Other Expenses					
Community Impact Awards	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	127,934	603,226	(308,354)	911,580	355,675
Revenues Moved to Restricted Assets	-	-			
Unrestricted Net Position, beginning	<u>9,912,378</u>	<u>9,437,086</u>			
Unrestricted Net Position, end	<u>\$ 10,040,312</u>	<u>\$ 10,040,312</u>			



MEMORANDUM

DATE: November 20, 2014

TO: Members, Board of Directors

FROM: Juan Salgado, Executive Director

SUBJECT: Espiritu Community Development Corporation Predevelopment Loan Request

BACKGROUND

On November 10, 2014 Community Impact Fund Committee (“Committee”) heard a presentation and report from Espiritu Community Development Corporation (“Espiritu CDC”) regarding a predevelopment loan request for its charter schools. In late 2006, the Phoenix IDA issued more than \$7.8 million in bonds to Espiritu for its schools. Recently, a related entity acquired property at 222 East Olympic Drive, Phoenix, Arizona for Espiritu CDC to develop for its schools’ future use. The site is the former location of the South Mountain YMCA.

Espiritu has requested a loan of up to \$100,000 to assist with predevelopment costs, with a term up to 36 months. The requested loan term is longer than the allowable loan term in the Phoenix IDA’s existing predevelopment loan program policy. Espiritu has requested a longer term because the outstanding bonds from the 2006 bond issuance are not eligible for redemption until July 2017. When it is eligible to do so, Espiritu plans to refinance the existing bonds and fund the construction of a new school.

At its November 10, 2014 meeting, the Committee approved recommending for Board approval (i) an exception to the current policy regarding the loan term, (ii) the use of Education Loan funds for this loan, and (iii) authorization of the Executive Director to approve the loan and execute all necessary documents following evaluation of credit and recommendation by the underwriter of the bonds and financial advisor to the Phoenix IDA.

The Committee voted 2:0 to recommend Board approval of the loan. Chairman Tommy Espinoza abstained from the discussion and vote.

RECOMMENDATION

I request that the Board of Directors approve as recommended by the Community Impact Fund Committee, a predevelopment loan for Espiritu Community Development Corporation in accordance with the conditions approved by the Committee.



MEMORANDUM

DATE: November 20, 2014
TO: Members, Board of Directors
FROM: Tommy Espinoza, Chairman
SUBJECT: Community Impact Fund Committee Report

Below is the report of the November 10, 2014 Community Impact Fund Committee (“Committee”) meeting.

The Committee heard presentations on (i) a proposal from representatives of Balsz School District’s Brunson-Lee Elementary School to provide financial support to renovate a baseball field near the school for students, their families, and community members’ use, and (ii) an update from a Downtown Phoenix Partnership director Dan Klocke regarding an urban development concept plan for the area south of Fillmore Avenue where the Phoenix IDA and City of Phoenix own vacant land parcels.

For your review and information, the Committee also received the attached report on the Community Impact Investment Fund for the period ending September 30, 2014.

These reports are for information only, and no approval is required by the Board.

**Community Impact Investments
As of September 30, 2014**

	Asset Type	Allocation	Funded within Phoenix	Funded Outside Phoenix	Balance
Education Loan Fund	Loan ¹	\$ 1,000,000	\$ 250,000	\$ 0	\$ 750,000
Land	Fixed Asset ⁴	527,933	527,933		0
Loan Participation Program	Loan ^{1,2,} Participation ³	1,750,000	51,679	217,367	1,480,954
Total Community Impact Investments		\$ 3,277,933	\$ 829,612	\$ 217,367	\$ 2,230,954
Allocated to Community Impact Investments		\$ 5,000,000			
Available for Community Impact Investments		\$ 1,722,067			

¹ Programs approved for loans both within and outside the City of Phoenix

² Loan Participation programs involve the Phoenix IDA purchase of interest in loans by others

³ Funded collateral reserves are restricted cash in the Mutual of Omaha money market account

⁴ North First Avenue and Beeline properties



MEMORANDUM

DATE: November 20, 2014
TO: Members, Board of Directors
FROM: Don Keuth, President
SUBJECT: Executive Committee Report – November 12, 2014

Below is a report of the November 12, 2014 Executive Committee (“Committee”) meeting. This report is information-only. No Board action is required.

A. Great Hearts Academies, Inclusion Excellence Plan

The Executive Committee approved a recommendation to direct \$10,000 of the Phoenix IDA’s Community Development Fund monies to support the development of Great Hearts Academies Inclusion Excellence Plan. Great Hearts Academies has retained the services of B.T. & Associates to provide training on valuing workplace diversity and inclusion. Mr. Brian Taylor is the founder and Executive Director.

B.T. & Associates has expertise in increasing diversity in both private and public school systems in Los Angeles, California. Mr. Taylor has 25 years of experience in education and is experienced in improving school culture. His pool of experts will ensure that Great Hearts Academies develops a comprehensive strategy to improve the climate and culture of its schools.

The Executive Committee looks forward to hearing more about Great Hearts Academies and B.T. & Associates implementation of the Inclusion Excellence Plan, and will keep the Board of Directors informed.