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

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of **THE INDUSTRIAL DEVELOPMENT OF THE CITY OF PHOENIX, ARIZONA, FINANCE COMMITTEE OF THE BOARD OF DIRECTORS**, and to the general public, that **THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA, FINANCE COMMITTEE OF THE BOARD OF DIRECTORS** will hold a meeting open to the public on **Wednesday, November 28, 2018 at 1:00 p.m.**, located at the **Phoenix City Hall, 200 W. Washington Street, 20th Floor, Conference Room 20 West, Phoenix, Arizona**.

One or more Committee Members may participate via teleconference.

The agenda for the meeting is as follows:

Call to Order

1. Approval of Meeting Minutes.

a. October 25, 2017 – Regular Session

2. Draft Financial Audit for Period Ending June 30, 2018. Presentation, discussion and possible action to approve the Phoenix IDA's draft financial audit for the period ending June 30, 2018.

3. Financial Statements for Period Ending September 30, 2018. Presentation, discussion and possible action to approve the Phoenix IDA's financial statements for the period ending September 30, 2018.

4. Call to the Public

Adjournment

For reasonable accommodations, call Lydia Lee at Voice/602-534-9655, or TTY/602-534-5500, as early as possible to coordinate needed arrangements.

Date Posted:

Item 1

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

October 25, 2017

A public meeting of the Finance Committee of the Board of Directors of The Industrial Development Authority of the City of Phoenix, Arizona (the “Phoenix IDA”) was convened on Wednesday, October 25, 2017 at 1:00 p.m., at the Phoenix City Hall, 200 West Washington Street, 20th Floor, Conference Room 20 West, Phoenix, Arizona.

Committee Members present:

Ms. Nicole Ong Colyer
Mr. Lawrence Robinson (*telephonic*)

Committee Members absent:

Mr. David Lujan

Also present for all or portions of the meeting were:

Mr. James Barham, Phoenix IDA
Mr. Murray Boess, Phoenix IDA
Ms. Jean Dietrich, CliftonLarsonAllen LLP
Ms. Jennifer Demoney, Phoenix IDA
Ms. Lydia Lee, Phoenix IDA
Mr. Joseph Losada, Phoenix IDA
Mr. Juan Salgado, Phoenix IDA
Mr. Ronald Stearns, CliftonLarsonAllen LLP

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.

With the consent of the Committee, Mr. Salgado called the Finance Committee meeting to order at 1:02 p.m. A quorum was noted.

ITEM 1: Approval of Meeting Minutes

Meeting minutes for the August 17, 2017 Finance Committee regular session were presented for approval. Director Ong Colyer moved to approve the minutes. Director Robinson seconded the motion. **Motion carried unanimously.**

ITEM 2: Draft Financial Audit for Period Ending June 30, 2017.

Mr. Salgado introduced Ms. Jean Dietrich and Mr. Ronald Stearns of CliftonLarsonAllen LLP to brief the Committee members on the Draft Financial Audit for Period Ending June 30, 2017.

Ms. Dietrich shared highlights from the report and audit as reflected in the Phoenix IDA's records for this meeting, which are available upon request. The final audit will be complete and ready for presentation at the November board meeting.

Director Ong Colyer moved to approve the Draft Financial Audit for Period Ending June 30, 2017. Director Robinson seconded the motion. **Motion carried unanimously.**

ITEM 3: Financial Statements for Period Ending September 30, 2017.

Mr. Salgado introduced the item, and requested that Mr. Boess brief the Committee on the financial statements for the period ending September 30, 2017.

Mr. Boess provided a summary of the financial statements as reflected in the Phoenix IDA records for this meeting which are available upon request.

Director Ong Colyer moved to approve the Financial Statements for Period Ending September 30, 2017. Director Robinson seconded the motion. **Motion carried unanimously.**

ITEM 4: Call to the Public.

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

With no further business to come before the Finance Committee, being duly moved and seconded, the Finance Committee meeting was adjourned at 1:41 p.m.

Item 2

**THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF
THE CITY OF PHOENIX, ARIZONA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

DRAFT

**THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
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YEAR ENDED JUNE 30, 2018**

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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, a component unit of the City of Phoenix, Arizona as of June 30, 2018, 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 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.

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

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, a component unit of the City of Phoenix, Arizona, as of June 30, 2018, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 November 28, 2018, on our consideration of The Industrial Development Authority of the City of Phoenix, Arizona, a component unit of the City of Phoenix, Arizona'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of The Industrial Development Authority of the City of Phoenix, Arizona, a component unit of the City of Phoenix, Arizona's 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 Industrial Development Authority of the City of Phoenix, Arizona, a component unit of the City of Phoenix, Arizona's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 28, 2018

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

We, The Industrial Development Authority of the City of Phoenix, Arizona (Phoenix IDA), are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2018. The Management's Discussion and Analysis (MD&A) is intended to provide an objective and easy to read analysis of the Phoenix IDA's financial activities based on currently known facts, decisions, and conditions. This discussion addresses current operational activities, the sources, uses, and changes in resources, service levels, limitations, and significant economic factors. When referring to prior year data in this analysis that data is drawn from last year's audited financial report.

FINANCIAL HIGHLIGHTS

- ◆ The assets of the Phoenix IDA exceeded its liabilities at the close of the most recent fiscal year by \$30,735,496 (net position). All of this amount is unrestricted, of which \$2,975,496 may be used to meet the Phoenix IDA's ongoing obligations to citizens and creditors. The Phoenix IDA Board has designated \$27,760,000 for operating reserves, community development fund awards, and a fund for community investments where a return is expected on those investments.
- ◆ During the fiscal year, net position increased by \$2,465,398 compared to an increase in the previous year of \$3,713,988. As in previous years, sources of revenue include bond fees, which decreased by \$316,396 during the fiscal year, and other fees. The major revenue source is residential mortgage program income which decreased by \$2,023,482 during the fiscal year. The decreases are attributable to a one-time user assessment fee received in the previous year and a reduction in mortgages and fees earned from the Phoenix IDA's participation in the Home in Five Advantage mortgage origination program in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the financial statements for the Phoenix IDA consists of this discussion and analysis and the basic financial statements. The basic financial statements include the fund financial statements and notes to the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Like other state and local governments, the Phoenix IDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unlike most other governments, which have multiple funds, all of the Phoenix IDA's activities are business-type activities and are accounted for in a single proprietary fund.

Proprietary Fund

The Phoenix IDA maintains its accounting records in a single enterprise fund. Enterprise funds are used to report functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The Phoenix IDA uses an enterprise fund to account for its operations.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The statement of net position presents information on the Phoenix IDA's assets and liabilities, with the difference between the two reported as "net position." Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Phoenix IDA is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information on how the Phoenix IDA's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future fiscal periods.

The basic financial statements can be found on pages 8 - 10 of this report.

Notes to Financial Statements

The notes to basic financial statements (pages 11 - 20) provide additional information that is essential to a full understanding of the data provided in the basic financial statements and should be read with the basic financial statements.

Financial Analysis

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed statement of net position of the Phoenix IDA for June 30, 2018 and 2017 showing that assets exceeded liabilities by \$30,735,496 and \$28,270,098 respectively.

The Industrial Development Authority of the City of Phoenix, Arizona
Net Position

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| ASSETS | | |
| Current Assets | \$ 19,196,342 | \$ 20,309,728 |
| Other Assets | 11,763,920 | 8,563,157 |
| Total Assets | \$ 30,960,262 | \$ 28,872,885 |
| LIABILITIES | | |
| Current Liabilities | \$ 224,766 | \$ 602,787 |
| NET POSITION | | |
| Unrestricted | 30,735,496 | 28,270,098 |
| Total Liabilities and Net Position | \$ 30,960,262 | \$ 28,872,885 |

All of the Phoenix IDA's net position of \$30,735,496 is unrestricted at June 30, 2018. The \$27,760,000, as discussed above, is designated for operating reserves, community development fund awards, and a fund for community investments where a return is expected on those investments.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Overall, 2018 net position increased by \$2,465,398. Key elements of this increase are as follows:

The Industrial Development Authority of the City of Phoenix, Arizona
Changes in Net Position
Fiscal Years Ended June 30

| | 2018 | 2017 |
|--|---------------|---------------|
| OPERATING REVENUES | | |
| Early Bond Redemption | \$ 14,278 | \$ 63,692 |
| Bond Fees | 1,062,362 | 1,378,758 |
| Residential Mortgage Program Income | 1,827,697 | 3,851,179 |
| Fee and Other Income | 188,481 | 70,756 |
| Total Operating Revenue | 3,092,818 | 5,364,385 |
| OPERATING EXPENSES | | |
| General and Administration | 1,569,344 | 1,402,722 |
| Bond Administration | 1,500 | 1,702 |
| Other Programs | 42,121 | 42,750 |
| Community Investment | 120,000 | 1,138,000 |
| Bad Debt Expense | 36,975 | 83,656 |
| Program and Project Development | 181,049 | 144,634 |
| Loan Portfolio Administration | 3,605 | 1,072 |
| Total Operating Expenses | 1,954,594 | 2,814,536 |
| NONOPERATING REVENUE | | |
| Interest Income | 365,470 | 204,186 |
| Gain on Sale of Asset | - | - |
| Net Increase in Fair Value of Investments | 961,704 | 959,953 |
| Total Nonoperating Revenue | 1,327,174 | 1,164,139 |
| CHANGE IN NET POSITION | 2,465,398 | 3,713,988 |
| Net Position - Beginning of Year | 28,270,098 | 24,556,110 |
| NET POSITION - END OF YEAR | \$ 30,735,496 | \$ 28,270,098 |

The Phoenix IDA's major revenue source is residential mortgage program income which decreased by \$2,023,482 or 52.5% during the fiscal year. This decrease is attributable to fluctuating volume in the Home in Five Advantage mortgage origination program, affected by higher interest rates, in which the Phoenix IDA is a participant.

In 2018, the appraisal of a parcel of real property was the primary (major) factor in the \$961,704 gain recognized in the fair value of investments.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Early bond redemption income is the result of taking advantage of the marketability of outstanding single family bonds that can be redeemed and resold in the secondary markets. Over the past several years, the Phoenix IDA identified bond issues that would generate a positive return when redeemed. Consequently, the Phoenix IDA redeemed the last of the outstanding single family bonds in August 2016, ending the regular income on the decreasing balance of single family bonds. The residual income from early bond redemption in 2018 decreased by \$49,414 or 77.6% from income received in 2017 from these redemptions.

The operating expenses of the Phoenix IDA for 2018 decreased by \$859,942 or 30.6%. This decrease is mostly attributable to a \$1,018,000 decrease in community development fund awards made by the Phoenix IDA during the fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Economic growth in Arizona in the first quarter of 2018, as measured by personal income, grew faster than the national average, for the fifth fastest growth in the nation, with the Phoenix Metropolitan and Statistical Area (Phoenix MSA) remaining the primary engine. The Phoenix MSA outpaces the statewide figures in nearly every economic measure, including job growth, wage increases and the drop in unemployment figures. The state economy continues to expand and growth is likely to continue as long as the nation avoids recession. The forecast calls for state growth to pick up speed over the next five years, with gains across most indicators far exceeding national results (<https://www.azecconomy.org>).
- The United States Census Bureau reports that the City of Phoenix's population increased by 1.6% from July 2016 to July 2017, and 12.4% since the 2010 census (www.census.gov). The unemployment rate in the Phoenix MSA in July 2018 was 4.3%, which lies between the state and national averages of 5.0% and 4.0%, respectively (laborstats.az.gov).
- As reported by the U.S. Census Bureau, City of Phoenix's population increased 9.9% from 2000 to 2010, which is higher than the United States' overall population increase of 9.7% for the same time period (www.census.gov).

The Phoenix IDA will continue to generate revenue from the Home in Five Advantage mortgage origination program. The program has experienced great success and continues to be a successful tool for homebuyers in Maricopa County, including the city of Phoenix. The current program has provided down payment and closing cost assistance for low to moderate income homebuyers with government backed (FHA, VA and USDA-RH) as well as conventional loans. The program also provides an additional 1% assistance to qualified military homebuyers, first responders, income-qualifying households (below 50% AMI), and full-time teachers in pre-K-12.

The Phoenix IDA anticipates continued growth in bond financings, with a focus on health care, education, and manufacturing. This growth, offset by the regular redemption of bonds, should result in a little or no change in bond fees in Fiscal Year 2018-19. Application and other fees should be consistent with past years. Investment earnings are difficult to predict; however, we expect rates and earnings to be similar during the upcoming fiscal year. The final early single family bond redemptions took place early in Fiscal Year 2016-17, with some final residual income expected in Fiscal Year 2018-19.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT UNIT OF THE CITY OF PHOENIX, ARIZONA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

The operating expenses of the Phoenix IDA continue to be managed in a fiscally prudent manner. Expenses will increase in Fiscal Year 2018-19 due to general cost increases and the full year effect of two additional staff positions added early in Fiscal Year 2018-2019 to provide management oversight to another tax exempt organizations (offset by fees received), and continue a focus on increasing communications with constituents and others with interest in the Phoenix IDA. There will be additional community development fund dollars awarded by the Phoenix IDA in Fiscal Year 2018-19. These dollars are contingent on operating income of the Phoenix IDA during the fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Phoenix IDA's finances for all of those with an interest in the government's finances. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Phoenix IDA
251 W. Washington Street, 9th Floor
Phoenix, AZ 85003
(602) 262-7304

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|--------------|
| Cash and Cash Equivalents | \$ 3,783,032 |
| Certificates of Deposit | 14,968,324 |
| Accounts Receivable | 2,021 |
| Notes Receivable, Current Portion | 258,166 |
| Interest Receivable | 123,472 |
| Deposits | 30,000 |
| Prepaid Expenses | 31,327 |
| Total Current Assets | 19,196,342 |

NONCURRENT ASSETS

| | |
|---|------------|
| Community Development Fund, Net of Unrealized Gain/Loss | 2,490,430 |
| Investment in Land | 3,898,443 |
| Asset Held for Future Investment | 2,800,000 |
| Land Sale Receivable | 137,593 |
| Long Term Notes Receivable, Net | 2,437,454 |
| Total Noncurrent Assets | 11,763,920 |

| | |
|--------------|---------------|
| Total Assets | \$ 30,960,262 |
|--------------|---------------|

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

| | |
|------------------|------------|
| Accounts Payable | \$ 224,766 |
|------------------|------------|

NET POSITION - UNRESTRICTED

| | |
|------------------------------------|---------------|
| Total Liabilities and Net Position | \$ 30,960,262 |
|------------------------------------|---------------|

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

OPERATING REVENUE

| | |
|-------------------------------------|-----------|
| Early Bond Redemption | \$ 14,278 |
| Bond Fees | 1,062,362 |
| Residential Mortgage Program Income | 1,827,697 |
| Fee Income | 48,081 |
| Other Income | 140,400 |
| Total Operating Revenue | 3,092,818 |

OPERATING EXPENSES

| | |
|---------------------------------|-----------|
| General and Administration | 1,569,344 |
| Bond Administration | 1,500 |
| Other Programs | 42,121 |
| Community Investment | 120,000 |
| Bad Debt Expense | 36,975 |
| Program and Project Development | 181,049 |
| Loan Portfolio Administration | 3,605 |
| Total Operating Expenses | 1,954,594 |

Operating Income 1,138,224

NONOPERATING REVENUE

| | |
|------------------------------------|-----------|
| Interest Income | 365,470 |
| Net Unrealized Gain on Investments | 961,704 |
| Total Nonoperating Revenue | 1,327,174 |

CHANGE IN NET POSITION

2,465,398

Unrestricted Net Position - Beginning of Year

28,270,098

UNRESTRICTED NET POSITION - END OF YEAR

\$ 30,735,496

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------|
| Cash Received from Customers | \$ 1,244,321 |
| Net Cash Receipts from Down Payment Assistance Program | 1,827,697 |
| Cash Payments to Suppliers for Goods or Services | (1,071,126) |
| Cash Payments to Employees for Services | (1,259,822) |
| Net Cash Provided by Operating Activities | 741,070 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Principal Payments Received on Notes Receivable | 253,007 |
| Issuance of Notes Receivable | (981,127) |
| Interest Income Received | 292,435 |
| Purchases of Certificates of Deposit | (15,958,000) |
| Redemptions of Certificates of Deposit | 17,960,395 |
| Purchases of Investments in Land | (509,793) |
| Purchases of Investments | (1,432,312) |
| Sales of Investments | 423,000 |
| Net Cash Provided by Investing Activities | 47,605 |

NET INCREASE IN CASH AND CASH EQUIVALENTS

788,675

Cash and Cash Equivalents - Beginning of Year

2,994,357

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 3,783,032

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

| | |
|---|--------------|
| Operating Income | \$ 1,138,224 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Provision for Doubtful Accounts | 36,975 |
| Changes in Assets and Liabilities: | |
| Accounts Receivable | (20,800) |
| Deposits | (29,440) |
| Prepaid Expenses | (5,868) |
| Accounts Payable | (378,021) |
| Net Cash Provided by Operating Activities | \$ 741,070 |

SUPPLEMENTAL NONCASH INFORMATION

| | |
|------------------------------------|------------|
| Net Unrealized Gain on Investments | \$ 961,704 |
|------------------------------------|------------|

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 and is a component unit of the City of Phoenix, Arizona.

The Phoenix IDA has one single blended component unit, the Phoenix IDA Real Estate Holdings Corporation (Corporation). The Corporation is included as a blended component unit because the Corporation is organized for the exclusive purpose of acquiring, holding title to, and collecting income from real property, and remitting the entire amount of income from such property (less expenses) to the Phoenix IDA.

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
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

Certificates of Deposit

Certificates of deposit are valued at cost including accrued interest which approximates fair value. The Phoenix IDA intends on holding these certificates to maturity.

Investments

Investments are stated at fair value based upon quoted market prices. Limited marketability investments, such as private investments and investments in land, are valued based on the price for underlying marketable securities or an estimate of underlying asset fair values as determined in good faith. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in net position.

Assets Held for Future Investment

Real estate held for future investment, consisting primarily of land, is stated at fair value based upon appraisals obtained from third-party real property appraisers and consultants. Any change in fair value (including realized and unrealized gains and losses) is included in the change in net position.

Notes Receivable

Notes receivable consist of amounts advanced to projects financed in whole or in part by the Phoenix IDA and other 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 nonperforming. 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. Nonperforming 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 INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Notes Receivable (Continued)

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.

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, 2018.

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 \$24,225,000 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, 2018 follows:

| | |
|----------------------------------|-----------------------------|
| Cash | \$ 16,417 |
| Cash Equivalents, Money Markets | 3,766,615 |
| Certificates of Deposit | <u>14,968,324</u> |
| Cash and Cash Equivalents | <u>18,751,356</u> |
| Investments | 2,490,430 |
| Investment in Land | 3,898,443 |
| Asset Held for Future Investment | <u>2,800,000</u> |
| Total Investments | <u>9,188,873</u> |
| Total Cash and Investments | <u><u>\$ 27,940,229</u></u> |

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

The Phoenix IDA's investment policy, as approved by the board of directors, is to match investment maturities with cash requirements.

As of June 30, 2018, the Phoenix IDA had certificates of deposit with the following maturities:

| | Credit Quality Rating | Less Than 1 Year | 1-5 Years |
|-------------------------|--------------------------|------------------|------------|
| Certificates of Deposit | Nonrated | \$ 14,719,324 | \$ 249,000 |

The above certificates of deposit have original maturities of six months or greater, which are not rated, and 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 \$180,667 realized gains on investments during 2018 and is reflected in interest income on the statement of revenues, expenses, and changes in net position.

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, 2018, 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
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 three types of accounts, the Insured Cash Sweep (ICS), the Certificate of Deposit Account Registry Service (CDARS), and a managed CD account.

The ICS and CDARS services are comprised of a network of member financial institutions that each issue either money market accounts or 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 through a wide array of banks by making deposits through ICS and/or CDARS member banks that place the funds through ICS and/or 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.

Investments through the custodians (KS Bank and Mutual of Omaha Bank) in the ICS, CDARS or managed CD account programs 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.

Assets 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 for \$157,000. The Phoenix IDA received \$-0- and \$19,407 of the land receivable balance for the years ended June 30, 2018 and June 30, 2017, respectively. The land receivable balance remaining as of June 30, 2018 and 2017 was \$137,593.

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 for \$370,433. In January 2015, the Phoenix IDA entered into a third separate development agreement with the City of Phoenix to purchase a 90% stake in the proceeds of the future, mutually agreed upon the development or disposition of another parcel of land also owned by the City of Phoenix for \$2,667,073. In November 2017, the Phoenix IDA purchased a parcel of land owned by Maricopa County for a total cost of \$492,434. The investment in land is currently held for sale and reported at fair value as of June 30, 2018 for \$3,898,443.

On August 31, 2015, the Phoenix IDA purchased a parcel of land and improvements thereon from the Arizona Department of Economic Security. The Phoenix IDA then transferred title to such land and improvements to its component unit by general warranty deed effective November 30, 2015, to be held for future investment or development and is reported at the total fair value as of June 30, 2018 for \$2,800,000.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
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JUNE 30, 2018

NOTE 3 FAIR VALUE

In determining fair value, the Phoenix IDA uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The Phoenix IDA investments at June 30, 2018, categorized within the fair value hierarchy detailed above were as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|---|---------------------|----------|----------|---------------------|
| Investment in Land | \$ 3,898,443 | \$ - | \$ - | \$ 3,898,443 |
| Asset Held for Future Investment | 2,800,000 | - | - | 2,800,000 |
| Total Investments | 6,698,443 | <u>-</u> | <u>-</u> | <u>\$ 6,698,443</u> |
| External Investments Measured at Net Asset Value: | | | | |
| Arizona Community Foundation | 2,490,430 | | | |
| Total Investments Measured at Fair Value | <u>\$ 9,188,873</u> | | | |

NOTE 4 NOTES RECEIVABLE

| Borrower, Terms and Maturity | Purpose | Original Principal | Outstanding Principal Balance |
|--|---|--------------------|-------------------------------|
| 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 at 4%. All principal and interest is due July 2026. | 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
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JUNE 30, 2018

NOTE 4 NOTES RECEIVABLE (CONTINUED)

| Borrower, Terms and Maturity | Purpose | Original Principal | Outstanding Principal Balance |
|--|---|-----------------------|-------------------------------------|
| Loan commencing July 1, 2002, bearing interest at 4%, interest only payments. Interest and any unpaid principal is due December 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 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 added to principal of \$250,000 and the due date extended to 2021. Interest bearing loan at 4%. Principal and interest due June 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 |
| Loan commencing December 16, 2014 bearing interest at 5.5%. With principal payment of \$50,000 due in one year and the remaining principal and interest due July 2019. | Funds used to assist in the predevelopment costs associated with construction, improvement, operation and/or equipping of charter school facilities. | 100,000 | 100,000 |
| Loan commencing April 1, 2016 bearing interest at 12%. Principal and interest due May 2021. | Funds used to finance the cost of acquiring the facilities for continued use in connection with operation of the school and pay certain costs related to the issuance of the bonds. | 600,000 | 600,000 |
| Loan commencing July 8, 2016 bearing interest at 5%. With principal payment of \$89,911 due in one year and the remaining principal and interest due July 2021. | Funds used to assist in financing the costs of tenant improvements for a high-tech educational campus. | 942,500 | 942,500 |

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 NOTES RECEIVABLE (CONTINUED)

| Borrower, Terms and Maturity | Purpose | Original Principal | Outstanding Principal Balance |
|--|--|-----------------------|-------------------------------------|
| Loan commencing April 17, 2017 bearing interest at 4%. With principal payment of \$36,874 due within one year and the remaining principal and interest due May 2020. | Funds used to assist in financing the costs of working capital for a program to encourage local sourcing for purchases | \$ 75,000 | \$ 71,993 |
| Loan commencing September 25, 2017 bearing interest at 3.5%. With principal payment of \$69,415 due within one year and the remaining principal and interest due September 2024. | Funds used to assist in financing to purchase equipment and furniture in connection with the build of a health center. | 500,000 | 483,075 |
| Loan commencing February 1, 2018 bearing interest at 3.5%. With principal payment of \$11,966 due within one year and the remaining principal and interest due January 2023. | Funds used to assist in financing the construction and renovation costs for a transition housing facility for homeless veterans. | 500,000 | 498,052 |
| Total Notes Receivable | | | 3,876,644 |
| Less Reserve for Uncollectible Accounts | | | (1,181,024) |
| Notes Receivable, Net | | | <u>\$ 2,695,620</u> |

As of June 30, 2018, current and noncurrent notes receivable, after applying the reserve for uncollectible accounts, consisted of the following:

| | |
|-----------------|---------------------|
| Current Portion | \$ 258,166 |
| Long Term | 2,437,454 |
| Total | <u>\$ 2,695,620</u> |

NOTE 5 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, 2018 was \$2,114,905,908. The Phoenix IDA has no obligation for the repayment by the borrower.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 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, 2018, the Phoenix IDA had reimbursed the City of Phoenix approximately \$50,194 for administrative expenses. Management believes that the transactions between the Phoenix IDA and the City of Phoenix, Arizona are arm's length transactions.

NOTE 7 PHOENIX IDA REAL ESTATE HOLDINGS CORPORATION

The Phoenix IDA has invested in and is the sole and managing member of the Phoenix IDA Real Estate Holdings Corporation (Corporation). The Corporation was organized for the exclusive purpose of acquiring, holding title to, and collecting income from real property, and remitting the entire amount of income from such property (less expenses) to the Phoenix IDA. The Phoenix IDA has consolidated the Corporation's financial statement amounts as a blended component unit. The condensed component unit information for the Phoenix IDA Real Estate Holdings Corporation for the year ended June 30, 2018 and combining financial statements are as follows:

| Condensed Combining Statement of Net Position | Phoenix IDA | Corporation | Eliminations | Total |
|--|----------------------|---------------------|---------------------|----------------------|
| Current Assets | \$ 19,184,677 | \$ 11,665 | \$ - | \$ 19,196,342 |
| Amounts Due From Related Party | 70,000 | - | (70,000) | - |
| Other Assets | 8,963,920 | 2,800,000 | - | 11,763,920 |
| Total Assets | \$ 28,218,597 | \$ 2,811,665 | \$ (70,000) | \$ 30,960,262 |
| Current Liabilities | \$ 224,601 | \$ 165 | \$ - | \$ 224,766 |
| Amounts Due To Related Party | - | 70,000 | (70,000) | - |
| Total Liabilities | 224,601 | 70,165 | (70,000) | 224,766 |
| Unrestricted Net Position | 27,993,996 | 2,741,500 | - | 30,735,496 |
| Total Liabilities and Net Position | \$ 28,218,597 | \$ 2,811,665 | \$ (70,000) | \$ 30,960,262 |
| Condensed Combining Statement of Activities | Phoenix IDA | Corporation | Eliminations | Total |
| Operating Revenues | \$ 3,087,418 | \$ 5,400 | \$ - | \$ 3,092,818 |
| Operating Expenses | 1,928,509 | 26,085 | - | 1,954,594 |
| Operating Loss | 1,158,909 | (20,685) | - | 1,138,224 |
| Nonoperating Income | 527,174 | 800,000 | - | 1,327,174 |
| Change in Net Position | 1,686,083 | 779,315 | - | 2,465,398 |
| Unrestricted Net Position - Beginning of Year | 26,307,913 | 1,962,185 | - | 28,270,098 |
| Unrestricted Net Position - End of Year | \$ 27,993,996 | \$ 2,741,500 | \$ - | \$ 30,735,496 |

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF PHOENIX, ARIZONA
(A COMPONENT OF THE CITY OF PHOENIX, ARIZONA)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 PHOENIX IDA REAL ESTATE HOLDINGS CORPORATION (CONTINUED)

| | | | |
|--|-------------------------|----------------------|-------------------------|
| Cash Flows Provided (Used) by Operating Activities | \$ 761,764 | \$ (20,694) | \$ 741,070 |
| Inter Entity Transfers | <u>(30,000)</u> | <u>30,000</u> | <u>-</u> |
| Net Cash Provided (Used) by Operating Activities | 731,764 | 9,306 | 741,070 |
| Net Cash Used by Investing Activities | <u>47,605</u> | <u>-</u> | <u>47,605</u> |
| Net Decrease in Cash and Cash Equivalent | 779,369 | 9,306 | 788,675 |
| Cash and Cash Equivalents - Beginning of Year | <u>2,991,998</u> | <u>2,359</u> | <u>2,994,357</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,771,367</u> | <u>\$ 11,665</u> | <u>\$ 3,783,032</u> |
| SUPPLEMENTAL NONCASH INFORMATION | | | |
| Net Unrealized Gain on Investments | <u>\$ 182,389</u> | <u>\$ 779,315</u> | <u>\$ 961,704</u> |

NOTE 8 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 9 SUBSEQUENT EVENTS

On March 12, 2018, the Phoenix IDA entered into a Purchase Agreement with a third party for the acquisition of a building for approximately \$2,200,000 for which the payment was made subsequent to year end.



**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
The Industrial Development Authority
of the City of Phoenix, Arizona

We have audited, in accordance with the 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, the financial statements of the business-type activities of The Industrial Development Authority of the City of Phoenix, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise The Industrial Development Authority of the City of Phoenix, Arizona's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we consider The Industrial Development Authority of the City of Phoenix, Arizona'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Authority of the City of Phoenix, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of The Industrial Development Authority of the City of Phoenix, Arizona'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Development Authority of the City of Phoenix, Arizona’s financial statements are free from 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 result 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.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 28, 2018



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, 2018, and have issued our report thereon dated November 28, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards, 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 2018.

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.

- Management's estimate of the fair value of investments was based on quoted market prices provided by a third party. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining the reasonableness in relation to the financial statements taken as a whole.

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 considered 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 November 28, 2018.

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.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

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

Phoenix, Arizona
November 28, 2018

Item 3

MEMORANDUM

DATE: November 28, 2018
TO: Members, Finance Committee
FROM: Juan Salgado, Chief Executive Officer
SUBJECT: Financial Statements for Period Ending September 30, 2018

Attached are the draft financials for September 2018 for your review. The notes below are provided to supplement the information contained in the financial statements, with new notes highlighted below in **yellow**. Other notations on the draft financials, shown in **blue**, cross-reference the summary amount to the page number where additional detail is provided.

- I. Page 3 – Fair Value of Investments, final settlement from the City of Phoenix was received in August on the land receivable for North First Avenue, with a small realized gain. See page 12 also showing the asset balance at zero.

Total operating expenses through September 2018 were below budgeted expense levels. Revenues for the year to date slightly exceeded budgeted revenues.

**The Industrial Development Authority of the City of Phoenix, Arizona
Monthly Financials Table of Contents
September 30, 2018**

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The Industrial Development Authority of the City of Phoenix, Arizona
Statement of Net Position
September 30, 2018

Assets

| | | | |
|-----------------------------------|----|------------|-----|
| Current Assets | | | |
| Cash and cash equivalents | \$ | 1,286,745 | 6A |
| Certificates of Deposit | | 15,145,481 | 6B |
| Receivables, net | | | |
| Accounts receivable, net | | 50,000 | 7 |
| Notes receivable, current portion | | 163,000 | 9A |
| Prepaid expenses | | 29,286 | 8 |
| Total Current Assets | | 16,674,512 | |
| Noncurrent Assets | | | |
| Investments | | 2,485,430 | 6C |
| Long term notes receivable, net | | 2,437,455 | 9B |
| Fixed Assets | | 5,446,988 | 12A |
| Due from Related Company | | 70,000 | |
| Related Company Stock | | 3,292,434 | 12B |
| Total Noncurrent Assets | | 13,732,306 | |
| Total Assets | \$ | 30,406,818 | |

Liabilities and Net Position

| | | | |
|----------------------------------|----|------------|-----|
| Current Liabilities | | | |
| Accounts payable | \$ | 31,272 | 13A |
| Accrued expenses | | 322,938 | 13B |
| Deferred Loan Fees | | 22,980 | 13C |
| Total Current Liabilities | | 377,191 | |
| Allocated Funds | | 27,050,000 | 14 |
| Net Assets - Unrestricted | | 2,979,627 | 2 |
| Total Liabilities and Net Assets | \$ | 30,406,818 | |

**The Industrial Development Authority of the City of Phoenix, Arizona
Statement of Revenues, Expenses and Changes in Net Position
For the Month and Year to Date as of September 30, 2018**

| | September-18 Current | Actual | Year to Date Budget | Variiances | Annual Budget |
|---|-------------------------|---------------------|------------------------|-------------------|-----------------------|
| Operating Revenue | | | | | |
| Bond Redemption | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 17,000 |
| User Assessment Fees | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 970,000 |
| Lender Fees | 1,000 | 3,000 | 0 | 3,000 | 0 |
| Home in Five DPA Fees | 5,952 | 28,643 | 30,000 | (1,357) | 900,000 |
| HFA Preferred DPA Fees | 13,356 | 35,242 | 32,000 | 3,242 | 140,000 |
| Residential Mortgage Program Fees | \$ 20,308 | \$ 66,885 | \$ 62,000 | \$ 4,885 | \$ 1,040,000 |
| Application fees | 0 | 0 | 0 | 0 | 15,000 |
| Loan fees | 0 | 0 | 0 | 0 | 0 |
| Closing fees | 0 | 0 | 0 | 0 | 26,000 |
| Other fees | 50,000 | 150,000 | 150,000 | 0 | 600,000 |
| Fee Income | \$ 50,000 | \$ 150,000 | \$ 150,000 | \$ 0 | \$ 641,000 |
| Total Operating Revenue | \$ 70,308 | \$ 216,885 | \$ 212,000 | \$ 4,885 | \$ 2,668,000 |
| Operating Expenses | | | | | |
| Accounting Services | \$ 292 | \$ 978 | \$ 1,125 | \$ 148 | \$ 4,500 |
| Administration | 235 | 1,234 | 31,000 | 29,766 | 88,000 |
| Audit | 9,000 | 9,000 | 12,500 | 3,500 | 19,500 |
| Corporate - Legal and Governance | 3,500 | 10,518 | 13,750 | 3,232 | 52,500 |
| Director and Officer Insurance | 1,950 | 5,850 | 5,850 | 0 | 26,200 |
| General Expenses | 5,822 | 16,930 | 72,935 | 56,005 | 137,840 |
| Legislative Affairs | 2,500 | 7,500 | 7,500 | 0 | 30,000 |
| Building - 3352 E Camelback Rd | 2,285 | 10,675 | 28,500 | 17,825 | 141,000 |
| Salaries and Wages | 77,247 | 196,183 | 304,500 | 108,317 | 1,218,000 |
| Staff Development | 0 | 0 | 4,000 | 4,000 | 16,000 |
| Technology | 2,024 | 7,899 | 11,540 | 3,641 | 45,000 |
| General and Administration | \$ 104,856 | \$ 266,767 | \$ 493,200 | \$ 226,433 | \$ 1,778,540 |
| Bond Administration | 0 | 1,820 | 6,400 | 4,580 | 14,500 |
| Bond Administration - Single Family | 0 | 0 | 2,950 | 2,950 | 5,000 |
| Bond Administration | \$ 0 | \$ 1,820 | \$ 9,350 | \$ 7,530 | \$ 19,500 |
| Residential Mortgage Programs | 0 | 500 | 26,000 | 25,500 | 60,250 |
| Lend a Hand Program | 0 | 2,972 | 5,100 | 2,128 | 29,300 |
| Program Management | 36,000 | 108,605 | 120,600 | 11,995 | 562,400 |
| Other Programs | \$ 36,000 | \$ 112,076 | \$ 151,700 | \$ 39,624 | \$ 651,950 |
| Community Development Fund | \$ 710,000 | \$ 710,000 | \$ 1,250,000 | \$ 540,000 | \$ 2,505,000 |
| Program Development | 4,028 | 11,361 | 15,000 | 3,639 | 60,000 |
| Project Development | 0 | 27 | 12,000 | 11,973 | 45,000 |
| Business Development | 113 | 315 | 51,600 | 51,285 | 147,700 |
| Program and Project Development | \$ 4,141 | \$ 11,703 | \$ 78,600 | \$ 66,897 | \$ 252,700 |
| Loan Portfolio Administration | \$ 0 | \$ 0 | \$ 3,900 | \$ 3,900 | \$ 14,500 |
| Total Operating Expenses | \$ 854,997 | \$ 1,102,366 | \$ 1,986,750 | \$ 884,384 | \$ 5,222,190 |
| Operating Income | \$ (784,688) | \$ (885,481) | \$ (1,774,750) | \$ 889,269 | \$ (2,554,190) |
| Non-Operating Revenue | | | | | |
| Interest income | \$ 31,513 | \$ 104,955 | \$ 95,200 | \$ 9,755 | \$ 436,000 |
| Net increase in the fair value of investments | 0 | 16,157 | 0 | 16,157 | 0 |
| Total Non-Operating Revenue | \$ 31,513 | \$ 121,112 | \$ 95,200 | \$ 25,912 | \$ 436,000 |
| Other Expenses | | | | | |
| Bad Debt Expense | 0 | 0 | 0 | 0 | 0 |
| Change in Net Position | \$ (753,175) | \$ (764,369) | \$ (1,679,550) | \$ 915,181 | \$ (2,118,190) |
| Revenues Moved to Restricted Assets | 710,000 | (945,000) | | | |
| Unrestricted Net Position, beginning | 3,022,802 | 4,688,996 | | | |
| Unrestricted Net Position, end | <u>\$ 2,979,627</u> | <u>\$ 2,979,627</u> | | | |

¹ Reflects changes to budget and CDF allocation approved by Board on October 17, 2018

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Revenue
For the Month and Year to Date as of September 30, 2018**

| | Current Month Actual | Year to Date Actual | Year to Date Budget | Annual Budget |
|---|-------------------------|------------------------|------------------------|---------------------|
| Operating Revenue | | | | |
| Bond Redemption | \$ 0 | \$ 0 | \$ 0 | \$ 17,000 |
| User Assessment Fees | 0 | 0 | 0 | 970,000 |
| Residential Mortgage Program Fees | | | | |
| Lender Fees | 1,000 | 3,000 | 0 | 0 |
| Home in Five DPA Fees | 5,952 | 28,643 | 30,000 | 900,000 |
| HFA Preferred DPA Fees | 13,356 | 35,242 | 32,000 | 140,000 |
| Residential Mortgage Program Fees | <u>20,308</u> | <u>66,885</u> | <u>62,000</u> | 1,040,000 |
| Fee Income | | | | |
| Application fees | 0 | 0 | 0 | 15,000 |
| Loan fees | 0 | 0 | 0 | 0 |
| Closing fees | 0 | 0 | 0 | 26,000 |
| Other fee | 50,000 | 150,000 | 150,000 | 600,000 |
| Site Review fee | 0 | 0 | 0 | 0 |
| Community Development Fund | 0 | 0 | 0 | 0 |
| Fee Income | <u>50,000</u> | <u>150,000</u> | <u>150,000</u> | <u>641,000</u> |
| Total Operating Revenue | \$ 70,308 | \$ 216,885 | \$ 212,000 | \$ 2,668,000 |
| Non-Operating Revenue | | | | |
| Interest Income | | | | |
| Loans | \$ 7,624 | 11B 29,264 | \$ 28,200 | \$ 112,000 |
| Banks | 23,890 | 75,691 | 67,000 | 324,000 |
| Interest Income | <u>31,513</u> | <u>104,955</u> | <u>95,200</u> | <u>436,000</u> |
| Fair Value of Investments Increase/(Decrease) | I 0 | 16,157 | 0 | 0 |
| Total Non-Operating Revenue | <u>\$ 31,513</u> | <u>\$ 121,112</u> | <u>\$ 95,200</u> | <u>\$ 436,000</u> |
| Total Revenue | <u>\$ 101,822</u> | <u>\$ 337,997</u> | <u>\$ 307,200</u> | <u>\$ 3,104,000</u> |

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Operating Expenses - Page 1
For the Month and Year to Date as of September 30, 2018**

| | Current Month Actual | Year to Date Actual | Year to Date Budget | Annual Budget |
|------------------------------------|-------------------------|------------------------|------------------------|---------------------|
| General and Administration | | | | |
| Accounting Services | \$ 292 | \$ 978 | \$ 1,125 | \$ 4,500 |
| Administration | | | | |
| Application Forms | 0 | 0 | 500 | 1,000 |
| Contract Administration & Policies | 0 | 0 | 500 | 2,000 |
| Other Miscellaneous Service Cost | 235 | 1,024 | 18,000 | 45,000 |
| Human Resources | 0 | 210 | 12,000 | 40,000 |
| | <u>235</u> | <u>1,234</u> | <u>31,000</u> | <u>88,000</u> |
| Audit | | | | |
| Audit Fee | 9,000 | 9,000 | 10,000 | 16,000 |
| Accounting & Legal Fees | 0 | 0 | 2,500 | 3,500 |
| | <u>9,000</u> | <u>9,000</u> | <u>12,500</u> | <u>19,500</u> |
| Corporate - Legal and Governance | | | | |
| Legal Fees | 3,500 | 10,500 | 10,500 | 43,500 |
| Seminars/Education | 0 | 0 | 2,000 | 4,000 |
| Other | 0 | 18 | 1,250 | 5,000 |
| | <u>3,500</u> | <u>10,518</u> | <u>13,750</u> | <u>52,500</u> |
| Director and Officer Insurance | 1,950 | 5,850 | 5,850 | 26,200 |
| General Expenses | | | | |
| Bank Charges | 0 | 90 | 105 | 400 |
| Copier | 217 | 217 | 600 | 1,440 |
| Dues and Subscriptions | 142 | 142 | 280 | 1,000 |
| Mileage and Parking | 0 | 0 | 100 | 400 |
| Equipment | 0 | 1,289 | 49,500 | 76,500 |
| Office Supplies and Postage | 1,065 | 1,666 | 2,800 | 10,000 |
| General Administrative Services | 3,333 | 10,000 | 10,150 | 13,500 |
| Telephone | 95 | 320 | 600 | 2,400 |
| Records Storage | 0 | 0 | 300 | 1,200 |
| Property Expense | 863 | 2,432 | 7,000 | 25,000 |
| Other | 108 | 776 | 1,500 | 6,000 |
| | <u>5,822</u> | <u>16,930</u> | <u>72,935</u> | <u>137,840</u> |
| Legislative Affairs | | | | |
| Professional Services | 2,500 | 7,500 | 7,500 | 30,000 |
| | <u>2,500</u> | <u>7,500</u> | <u>7,500</u> | <u>30,000</u> |
| Building - 3352 E Camelback Rd | | | | |
| General Services | 181 | 431 | 4,500 | 18,000 |
| Insurance | 0 | 5,098 | 6,000 | 6,000 |
| Utilities | 1,913 | 4,955 | 9,000 | 36,000 |
| Repair & Maintenance | 190 | 190 | 7,500 | 30,000 |
| Depreciation | 0 | 0 | 0 | 45,000 |
| Other | 0 | 0 | 1,500 | 6,000 |
| | <u>2,285</u> | <u>10,675</u> | <u>28,500</u> | <u>141,000</u> |
| Salaries and Wages | | | | |
| Administration | 77,247 | 196,183 | 304,500 | 1,218,000 |
| | <u>77,247</u> | <u>196,183</u> | <u>304,500</u> | <u>1,218,000</u> |
| Staff Development | 0 | 0 | 4,000 | 16,000 |
| Technology | | | | |
| Maintenance | 0 | 0 | 140 | 500 |
| Upgrades and other service | 2,024 | 7,899 | 9,000 | 35,000 |
| Other | 0 | 0 | 2,400 | 9,500 |
| | <u>2,024</u> | <u>7,899</u> | <u>11,540</u> | <u>45,000</u> |
| General and Administration | \$ 104,856 | \$ 266,767 | \$ 493,200 | \$ 1,778,540 |
| Bond Administration | | | | |
| Bond Administration | | | | |
| Legal Fees | 0 | 0 | 3,200 | 5,000 |
| Regulatory Compliance | 0 | 1,820 | 1,500 | 6,000 |

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Operating Expenses - Page 2
For the Month and Year to Date as of September 30, 2018**

| | Current Month Actual | Year to Date Actual | Year to Date Budget | Annual Budget |
|---|-------------------------|------------------------|------------------------|---------------------|
| Other | 0 | 0 | 1,700 | 3,500 |
| | 0 | 1,820 | 6,400 | 14,500 |
| Bond Administration: Single Family | | | | |
| Legal Fees | 0 | 0 | 2,500 | 2,500 |
| MCC Administration | 0 | 0 | 250 | 500 |
| Other | 0 | 0 | 200 | 2,000 |
| | 0 | 0 | 2,950 | 5,000 |
| Bond Administration | \$ 0 | \$ 1,820 | \$ 9,350 | \$ 19,500 |
| Other Programs | | | | |
| Residential Mortgage Programs | | | | |
| Professional Services | 0 | 0 | 16,000 | 27,750 |
| Legal Services | 0 | 0 | 9,000 | 30,000 |
| Other | 0 | 500 | 1,000 | 2,500 |
| | 0 | 500 | 26,000 | 60,250 |
| Lend a Hand Program | | | | |
| Credit Counseling | 0 | 100 | 3,600 | 14,300 |
| Loan Loss Reserve | 0 | 2,849 | 1,000 | 10,000 |
| Other | 0 | 22 | 500 | 5,000 |
| | 0 | 2,972 | 5,100 | 29,300 |
| Program Management | | | | |
| Professional Services | 0 | 0 | 0 | 80,000 |
| Legal Services | 0 | 0 | 600 | 2,400 |
| Salaries & Benefits | 36,000 | 108,000 | 108,000 | 432,000 |
| Other | 0 | 605 | 12,000 | 48,000 |
| | 36,000 | 108,605 | 120,600 | 562,400 |
| Other Programs | \$ 36,000 | \$ 112,076 | \$ 151,700 | \$ 651,950 |
| Community Development Fund | | | | |
| Community Development Fund | | | | |
| CDF Awards | 520,000 | 520,000 | 1,000,000 | 1,625,000 |
| Other CDF Awards | 190,000 | 190,000 | 250,000 | 880,000 |
| Community Development Fund | \$ 710,000 | \$ 710,000 | \$ 1,250,000 | \$ 2,505,000 |
| Program and Project Development | | | | |
| Program Development | | | | |
| Other | 4,028 | 11,361 | 15,000 | 60,000 |
| | 4,028 | 11,361 | 15,000 | 60,000 |
| Project Development | 0 | 27 | 12,000 | 45,000 |
| Business Development | | | | |
| Professional Services | 50 | 150 | 11,000 | 30,000 |
| Tables and Events | 0 | 0 | 36,000 | 100,000 |
| Memberships | 0 | 0 | 2,000 | 8,000 |
| Project Signage | 0 | 0 | 400 | 1,200 |
| Other | 63 | 165 | 2,200 | 8,500 |
| | 113 | 315 | 51,600 | 147,700 |
| Program and Project Development | \$ 4,141 | \$ 11,703 | \$ 78,600 | \$ 252,700 |
| Loan Portfolio Administration | | | | |
| Loan Portfolio Administration | | | | |
| Legal Fees | 0 | 0 | 1,300 | 5,000 |
| Professional Services | 0 | 0 | 2,000 | 8,000 |
| Other | 0 | 0 | 600 | 1,500 |
| Loan Portfolio Administration | \$ 0 | \$ 0 | \$ 3,900 | \$ 14,500 |
| Total Operating Expenses | \$ 854,997 | \$ 1,102,366 | \$ 1,986,750 | \$ 5,222,190 |

**The Industrial Development Authority of the City of Phoenix, Arizona
Cash Equivalents & Investments as of 09/30/2018**

| <u>Cash Equivalents</u> | | | <u>Comments</u> |
|--|---------------------|---|---|
| <u>Mutual of Omaha</u> | | | |
| Checking Account | Acct. #9300035746 | \$ 4,638.14 | Reconciled balance through 09/30/2018 |
| Money Market Fund | Acct. #9300189808 | 89,089.32 | Account yielding 1.14% |
| Collateralized Sweep | Acct. #1583 | 459.53 | Account yielding 0.50% |
| Sub-Total -- Mutual of Omaha | | <u>\$ 94,186.99</u> | |
| <u>AZ Bank & Trust</u> | | | |
| Money Market Fund | Acct. #9361047185 | \$ 2,491.64 | Account yielding 0.03% |
| <u>KS State Bank</u> | | | |
| ICS - Savings | Acct. #8010547662 | \$ 1,158,537.53 | Account yielding 1.24% |
| <u>Marisol Credit Union</u> | | | |
| Loan Loss Reserve | Acct. #362928 | \$ 17,228.76 | Lend a Hand program - account yielding 0.20% |
| Credit Counseling | Acct. #362928 | \$ 14,200.00 | Lend a Hand program |
| <u>Petty Cash Account</u> | | <u>\$ 100.00</u> | Used for general business expenses |
| Total Cash Equivalents | | <u>\$ 1,286,744.92</u> A | |
| <hr/> | | | |
| <u>Certificates of Deposit (original maturities up to 2 years)</u> | | | |
| Mutual of Omaha | Managed CDs | \$ 496,000.00 | ** various terms, maturities Nov-18 thru Mar-19 |
| KS State Bank | Acct. # 34266 | 250,000.00 | 12-month term yielding 1.70%. Matures 11/25/18 |
| KS State Bank | CDARS | 6,067,592.25 | ** 12-month term yielding 1.74%. Matures 02/07/19 |
| KS State Bank | CDARS | 6,109,889.24 | ** 6-month term yielding 2.06%. Matures 02/07/19 |
| Multi-Bank Securities | Direct Purchase CDs | 2,222,000.00 | ** various terms, maturities Dec-18 thru Jun-22 |
| Sub-Total -- Certificates of Deposit | | <u>\$ 15,145,481.49</u> B | |
| <u>Other Investments</u> | | | |
| | | Market Value | |
| Arizona Community Foundation - Socially Responsible Pool | | \$ 2,485,429.60 | C Varying yields, posted quarterly, funds available next day |
| Total Non-Cash Equivalents | | <u>\$ 17,630,911.09</u> | ** Detailed schedule available |
| <hr/> | | | |
| Total Cash Equivalents and Investments | | <u>\$18,917,656.01</u> | Maturity ≤ 30 days Maturity ≤ 60 days |

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Accounts Receivable
As of September 30, 2018**

| | Amount Due |
|--------------|-------------------------|
| PCDIC | \$ 50,000 ¹ |
| TOTAL | <u>\$ 50,000</u> |

¹ *Management Fee*

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Prepaid Expenses
As of September 30, 2018**

| | Amortizable Amt per Mo | Prepaid Bal Remaining |
|---|---------------------------|--------------------------|
| Prepaid Insurance Expense (4/18-4/19) (Original Amount: \$23,392.35) | 1,950 | \$ 11,700 |
| Prepaid Administrator Health Insurance | | \$ 17,586 |
| TOTAL | | \$ 29,286 |

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Notes Receivable
As of September 30, 2018**

| | Current | Noncurrent | Accrued Interest | Total |
|--------------------------------|-------------------|--------------------|-----------------------------|--------------------|
| Direct Loans | | | | |
| Capitol Mews | \$ 0 | \$ 250,000 | \$ 25,406 | \$ 275,406 |
| Paradise Palms | 0 | 338,984 | 111,865 | 450,849 |
| Phoenix Broadway Associates | 0 | 315,000 | 103,950 | 418,950 |
| Vineyard Estates | 0 | 277,040 | 91,424 | 368,464 |
| Espiritu Community Development | 0 | 50,000 | 0 | 50,000 |
| Ridgeline Academy | 0 | 600,000 | 0 | 600,000 |
| Galvanize, Inc. | 73,868 | 852,589 | 0 | 926,457 |
| Local First Arizona | 27,793 | 35,119 | 0 | 62,912 |
| Subtotal | 101,661 | 2,718,732 | 332,645 | 3,153,038 |
| Loan Participations | | | | |
| NOAH | \$ 52,319 | \$ 413,661 | \$ 0 | \$ 465,980 |
| MANA House | 9,019 | 486,086 | 0 | 495,105 |
| Subtotal | 61,338 | 899,747 | 0 | 961,085 |
| Less allowance for losses | | (1,181,024) | (332,645) | (1,513,669) |
| TOTAL | \$ 163,000 | \$2,437,455 | \$ 0 | \$2,600,454 |
| | A (p. 1) | B (p. 1) | | 11A |

LOAN PORTFOLIO - Page 1
September 30, 2018

| | NAME | Note Date | TERMS | ORIGINAL PRINCIPAL | PRINCIPAL BALANCE | ACCOUNT BALANCE | INTEREST/FEES CURRENT MONTH |
|---|--|------------|---|--------------------|-------------------|-----------------|-----------------------------|
| 1 | Capitol Mews Apartments ¹ | 1/23/2001 | 4% Interest Only on adjusted balance as of 7/28/11, due December 2040. CASH FLOW NOTE | \$250,000.00 | \$250,000.00 | \$275,405.99 | \$833.33 |
| 2 | Paradise Palms ¹ | 4/7/2000 | MODIFIED: 6/1/10; 4% Interest Only on adjusted balance as of 6/1/10. Default Interest = 6%. Maturity =- 4/7/2026 | \$250,000.00 | \$338,984.00 | \$450,849.05 | \$1,129.95 |
| 3 | Phoenix Broadway Associates, L.P. ¹ | 6/1/2001 | MODIFIED: 6/1/10; 4% Interest Only on adjusted balance as of 6/1/10. Default Interest = 6%. Maturity =- 6/1/2021 | \$250,000.00 | \$315,000.00 | \$418,950.00 | \$1,050.00 |
| 4 | Phoenix Vineyard, L.P. ¹ | 10/15/2001 | MODIFIED: 6/1/10; 4% Interest Only on adjusted balance as of 6/1/10. Default Interest = 6%. Maturity =- 10/15/2021 | \$250,000.00 | \$277,040.00 | \$368,463.53 | \$923.47 |
| 5 | Espiritu Community Development Corporation | 12/15/2014 | 5.5% Interest only through maturity (or permanent financing); due July 2019 | \$100,000.00 | \$50,000.00 | \$50,000.00 | \$229.17 |
| 6 | Ridgeline Academy" | 4/7/2016 | 4% interest only through April 2021 maturity date, when principal balance is due. First payment due 5/2/2016 | \$600,000.00 | \$600,000.00 | \$600,000.00 | \$0.00 |
| 7 | Galvanize, Inc. ² | 7/11/2016 | 5% interest (one-time adjustment Aug 2021), capitalized interest, no payment until May 2017, interest only payments through July 2018, then fully amortized through 7/1/2026 maturity | \$942,500.00 | \$926,456.87 | \$926,456.87 | \$4,352.25 |

| | | | | | | | |
|--|--|--|--|--|-------------|-------------|------------|
| Grand Total | | | | \$2,757,481 | \$3,090,125 | \$8,518.17 | |
| <i>All loans are Direct Loans, except as noted</i> | | | | Loans in "reserve" status (1, 2, 3 and 4) | \$1,181,024 | \$1,513,669 | \$3,936.75 |
| | | | | Surplus Cash Payment Received (1) | | | |
| | | | | Loans in "current" status (5, 6 and 7), plus Surplus Cash payments | \$1,576,457 | \$1,576,457 | \$4,581.42 |

" August and September interest received in August

¹ Interest payments not currently made by Borrower

² Interest column includes capitalized interest amortized over life of loan

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Land Receivables, Fixed Assets & Other Assets
As of September 30, 2018**

| | | Acquisition Date | % Owned | Original Cost | Repaid | Cost Basis | Asset Balance |
|---|----------------|---------------------|------------|---------------------|-------------------|---------------------|---------------------|
| Land Receivables | | | | | | | |
| North First Avenue | ^{1,5} | 1/26/2012 | 50% | \$ 157,500 | \$ 157,500 | \$ 137,593 | \$ 0 |
| Ownership through Development Agreements with City of Phoenix or <i>Direct Ownership</i> | | | | | | | |
| Beeline | ^{1,3} | 9/10/2013 | 50% | \$ 370,433 | \$ 0 | \$ 370,433 | \$ 557,259 |
| West Fillmore | ^{1,3} | 1/31/2015 | 90% | 2,662,008 | 0 | 2,662,008 | 2,831,390 |
| 3352 E Camelback | ² | | 100% | 2,058,339 | 0 | 2,058,339 | 2,058,339 |
| | | | | <u>\$ 5,090,779</u> | <u>\$ 0</u> | <u>\$ 5,090,779</u> | <u>\$ 5,446,988</u> |
| Total | | | | | | | <i>A (p. 1)</i> |
| Ownership through Stock in Related Company⁴ | | | | | | | |
| 207 E McDowell Rd | ^{2,3} | 8/31/2015 | 100% | 1,173,729 | 0 | 1,173,729 | 2,800,000 |
| 1825 E Roosevelt St | ¹ | 11/21/2017 | 100% | 492,434 | 0 | 492,434 | 492,434 |
| | | | | <u>\$ 1,666,163</u> | <u>\$ 0</u> | <u>\$ 1,666,163</u> | <u>\$ 3,292,434</u> |
| | | | | | | | <i>B (p. 1)</i> |
| | | Grand Total | | <u>\$ 6,914,442</u> | <u>\$ 157,500</u> | <u>\$ 6,894,535</u> | <u>\$ 8,739,422</u> |

15

¹ Land

² Land and Building

³ Asset Balance increased from Cost Basis due to valuation at appraised value, as required by GASB 72

⁴ Includes property held by Phoenix IDA prior to transfer

⁵ Paid in full 8/15/2018

The Industrial Development Authority of the City of Phoenix, Arizona
Accounts Payable & Accrued Expenses
As of September 30, 2018

| | | <u>Totals</u> | |
|--|-----------------------------|-----------------------------|----------|
| Accounts Payable | | | |
| City of Phoenix | \$ 4,279.29 | | |
| CliftonLarsonAllen LLP | 9,000.00 | | |
| Cox Business | 168.00 | | |
| Fennemore Craig, P.C. | 3,500.00 | | |
| Hacienda Flooring | 633.04 | | |
| JD Naumann & Associates | 1,550.00 | | |
| Juan Salgado | 2,719.07 | | |
| Leverage Technology Group | 859.69 | | |
| Kutak Rock LLP | 2,500.00 | | |
| Magic Designs Creative Graphics, LLC | 50.00 | | |
| Maintenance Electric | 425.00 | | |
| Mario E Diaz & Associates | 3,500.00 | | |
| Sprinkler Doctors | 190.00 | | |
| TOTAL | <u> </u> | \$ 29,374.09 | |
| Monthly Credit Card Expenses | \$ 1,897.99 | <u>1,897.99</u> | |
| Total Accounts Payable | | \$ 31,272.08 | A (p. 1) |
| Accrued Expenses | | | |
| CodePHX | \$ 116,650.85 | | |
| CDF Award - other | 190,000.00 | | |
| Salaries, benefits and deferred compensation | 16,287.53 | | |
| TOTAL | <u> </u> | 322,938.38 | B (p. 1) |
| Deferred Loan Fees - Galvanize, Inc. | | <u>22,980.23</u> | C (p. 1) |
| Total Current Liabilities | | <u><u>\$ 377,190.69</u></u> | |

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Allocated Funds
As of September 30, 2018**

| | | |
|------------------------------------|----------------------|----|
| 3-Year Operating Expense | \$ 5,825,000 | |
| Camelback Building Capital Reserve | 430,000 | |
| Community Development Fund | 1,795,000 | |
| Community Impact Fund | 19,000,000 | 15 |
| | <hr/> | |
| TOTAL | \$ 27,050,000 | |
| | <hr/> <hr/> | |

3-Year Operating Expense & Camelback Building Capital reserves approved by Board with adoption of final budget.

Community Development Fund balance includes: \$2,505,000 from FY 2019 budget, plus fees charged during the current fiscal year on non-Arizona bond issues. The balance is decreased by awards to Phoenix agencies during the year.

Community Impact Fund commitment, \$5,000,000 approved 6/14/2012, plus \$5,000,000 approved 6/11/2015, plus \$4,000,000 approved 8/13/2015, plus \$3,500,000 approved on 9/8/2016, plus \$1,500,000 approved on 6/15/2017.

**The Industrial Development Authority of the City of Phoenix, Arizona
Supplemental Schedule of Community Impact Investments
As of September 30, 2018**

| | Asset Type | Allocation (max per program) | Funded within Phoenix | Funded Outside Phoenix | Total Funded |
|---|--------------------------------------|------------------------------------|-----------------------------|------------------------------|---------------------|
| Phoenix IDA Loan Fund | Loan ¹ | \$ 2,192,500 | \$ 1,639,369 ⁴ | | \$ 1,639,369 |
| Real Property | Multiple - see p.12 | 6,894,535 | 6,894,535 | | 6,894,535 |
| Loan Participation Program | Loan ^{1,2} Participation | 5,500,000 | 961,085 | | 961,085 |
| Lend a Hand Program | Loan Costs & ³ Reserve | 70,000 | 31,351 | | 31,351 |
| Total Community Impact Investments | | | \$ 9,526,340 | \$ 0 | \$ 9,526,340 |

Allocated to Community Impact Fund

\$ 19,000,000

Available for Community Impact Investments

\$ 9,473,660

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

² Loan Participations involve the Phoenix IDA purchase of interest in loans by others, including energy efficiency

³ Marisol Credit Union auto title loan program, certain borrower costs and loan reserve

⁴ Loans to:

- Espiritu Community Development Corporation
- Ridgeline Academy
- Galvanize, Inc.
- Local First

Phoenix IDA

Bank Account Reconciliation & Proof of Cash

MB
10/9/2018

Mutual of Omaha Bank Checking Acct #5746

For: September 2018

Per Books

Per Bank

Beginning Balance per Books 14,290.98

Balance per Bank Statement 15,673.14

Add: Bank Deposits per Books

Add: Deposits in Transit

Deposits - Checks 4,486.04

Deposits - ACH 71,457.46

Deposits - Wire 75,943.50

Cash Receipts Report

Transfers in 135,000.00 **16**

Other Credits - voided check

Less: Outstanding Checks

Less:

Checks Written (53,849.29)

Bank Deductions - Payroll (116,747.05)

Bank Deductions - Fees (170,596.34)

Cash Disbursements Report

Transfers out (50,000.00) **17**

Other Charges

3754 - Martin Miracles, Inc. (500.00)

3785 - SMC Remodeling Inc. (8,285.00)

3786 - Ricardo Cardenas (2,250.00)

Ending Balance per Books 4,638.14

Adjusted Bank Balance 4,638.14

| The Industrial Development Authority of the City of Phoenix, Arizona | | | | |
|--|------------|---------|-------------------------------------|----------------------|
| Cash Receipts Report | | | | |
| September 2018 | | | | |
| Acct | Date | Account | Name | Amount |
| 10000 Cash & Cash Equivalents | | | | |
| 10025 Mutual of Omaha-Checking | | | | |
| | 09/04/2018 | 40525 | PCDIC | 50,000.00 |
| | 09/04/2018 | 40411 | Gold Star Mortgage | 1,000.00 |
| | 09/10/2018 | Mult | Galvanize Inc. | 11,931.97 |
| | 09/14/2018 | Mult | Local First Arizona Foundation | 3,256.87 |
| | 09/19/2018 | Mult | MANA House | 2,432.48 |
| | 09/19/2018 | Mult | NOAH | 7,093.01 |
| | 09/20/2018 | 40302 | Espiritu Community Development 2006 | 229.17 |
| Total for 10025 Mutual of Omaha-Checking | | | 16 | \$ 75,943.50 |
| 10031 Mutual of Omaha MM (9808) | | | | |
| | 09/28/2018 | 40303 | Mutual of Omaha Bank | 101.83 |
| Total for 10031 Mutual of Omaha MM (9808) | | | | \$ 101.83 |
| 10040 Mutual Collateralized | | | | |
| | 09/05/2018 | 40303 | Mutual of Omaha Bank | 178.56 |
| | 09/05/2018 | 40303 | Mutual of Omaha Bank | 2,139.76 |
| | 09/17/2018 | 40303 | Mutual of Omaha Bank | 433.53 |
| Total for 10040 Mutual Collateralized | | | | \$ 2,751.85 |
| 10052 KS State Bank - ICS | | | | |
| | 09/04/2018 | 40303 | KS State Bank | 74.11 |
| | 09/12/2018 | Mult | Zions First Natl Bank | 11,471.10 |
| | 09/26/2018 | Mult | Zions First Natl Bank | 7,837.38 |
| | 09/28/2018 | 40303 | KS State Bank | 1,346.99 |
| Total for 10052 KS State Bank - ICS | | | | \$ 20,729.58 |
| 10055 Arizona Bank & Trust - Money Market | | | | |
| | 09/28/2018 | 40303 | Arizona Bank & Trust | 0.06 |
| Total for 10055 Arizona Bank & Trust - Money Market | | | | \$ 0.06 |
| 10065 Marisol Federal Credit Union | | | | |
| 10065.1 Marisol Loan Loss Reserve | | | | |
| | 09/30/2018 | 40303 | Marisol Federal CU | 5.17 |
| Total for 10065.1 Marisol Loan Loss Reserve | | | | \$ 5.17 |
| Total for 10065 Marisol Federal Credit Union | | | | \$ 5.17 |
| Total for 10000 Cash & Cash Equivalents | | | | \$ 99,531.99 |
| 10500 Certificates of Deposit | | | | |
| 10518 KS State Bank - CDARS | | | | |
| | 09/28/2018 | 40412/3 | KS State Bank | 19,006.78 |
| Total for 10518 KS State Bank - CDARS | | | | \$ 19,006.78 |
| Total for 10500 Certificates of Deposit | | | | \$ 19,006.78 |
| TOTAL | | | | \$ 118,538.77 |

Thursday, Oct 11, 2018 10:27:39 AM GMT-7 - Accrual Basis

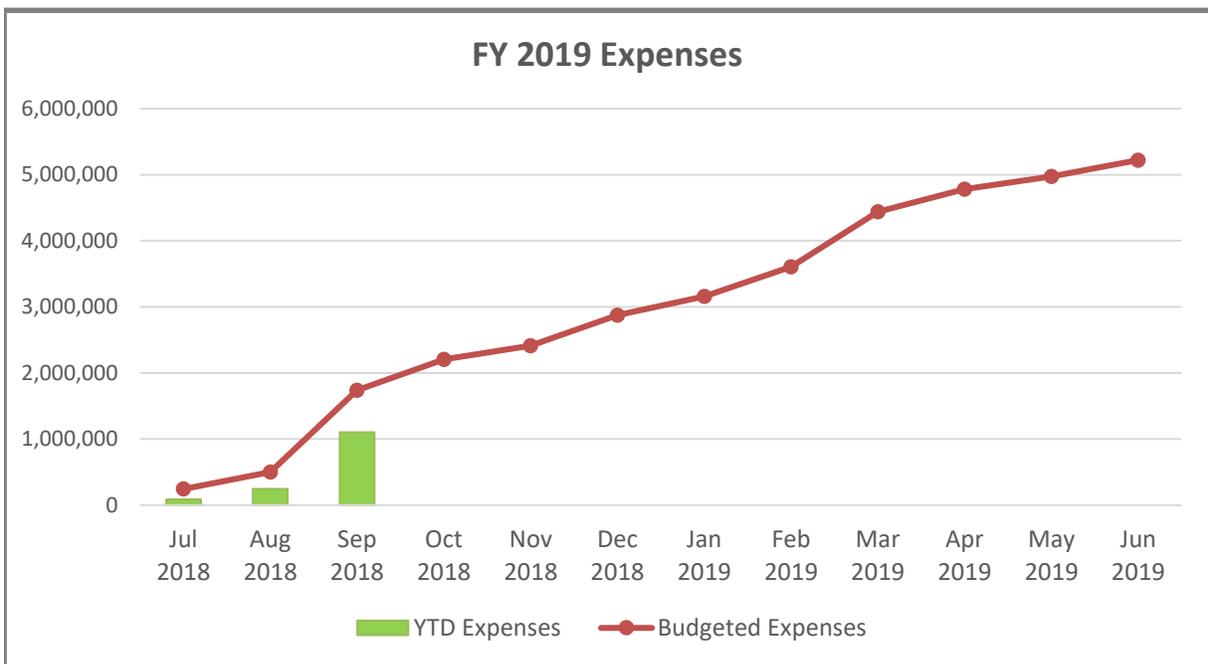
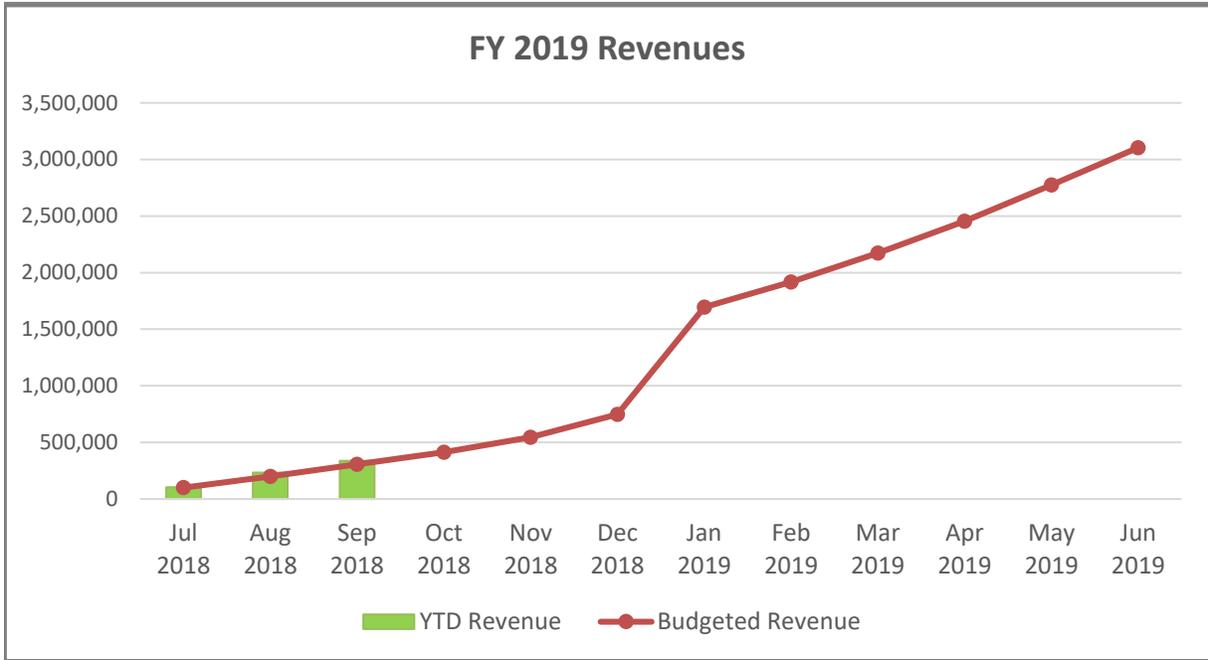
**The Industrial Development Authority of the City of Phoenix, Arizona
Cash Disbursements Report**

September 2018

| Acct | Date | Account | Name | Amount |
|--|-------------|----------------|--------------------------------------|---------------------------------|
| 10000 Cash & Cash Equivalents | | | | |
| 10025 Mutual of Omaha-Checking | | | | |
| | 09/04/2018 | 62002 | 457 Mutual Retirement Services | -4,271.55 |
| | 09/04/2018 | 60906 | Mario E Diaz & Associates | -3,500.00 |
| | 09/04/2018 | 62002 | Principal Financial | -2,015.73 |
| | 09/04/2018 | 64002 | JD Naumann & Associates, LTD | -1,550.00 |
| | 09/04/2018 | 62002 | Mutual of Omaha Bank - Boess | -575.00 |
| | 09/05/2018 | 61203 | SRP | -2,713.34 |
| | 09/05/2018 | 60727 | Carina Torres | -200.00 |
| | 09/06/2018 | Mult | James T Barham | -237.00 |
| | 09/06/2018 | 60906 | Mike A. Santellanes | -56.46 |
| | 09/06/2018 | 60715 | Metro Printing & Copying | -77.62 |
| | 09/06/2018 | 61201 | Chemical Services & Sales, Inc. | -125.00 |
| | 09/06/2018 | 61101 | Magic Designs Creative Graphics, LLC | -100.00 |
| | 09/07/2018 | 64002 | Cox Business | -69.00 |
| | 09/07/2018 | Mult | Juan Salgado | -355.70 |
| | 09/13/2018 | 62002 | Paychex | -29,899.64 |
| | 09/14/2018 | 62002 | Paychex TPS | -11,944.37 |
| | 09/14/2018 | 60000 | Paychex EIB | -121.17 |
| | 09/14/2018 | 60000 | Paychex HRS | -50.00 |
| | 09/17/2018 | 15010 | Advanced Technology Group LLC | -6,700.00 |
| | 09/17/2018 | 62002 | 457 Mutual Retirement Services | -4,563.86 |
| | 09/18/2018 | 10510 | Hacienda Flooring LLC | -9,750.00 |
| | 09/20/2018 | 61141 | Kutak Rock LLP | -2,500.00 |
| | 09/20/2018 | 10510 | Leverage Technology Group, LLC | -2,591.00 |
| | 09/20/2018 | 60301 | Fennemore Craig, P.C. | -3,500.00 |
| | 09/20/2018 | Mult | City of Phx | -4,046.58 |
| | 09/20/2018 | 60727 | Carina Torres | -200.00 |
| | 09/25/2018 | 61203 | SRP | -1,648.87 |
| | 09/26/2018 | 10510 | SMC Remodeling Inc. | -8,285.00 |
| | 09/27/2018 | 62002 | Paychex | -29,899.58 |
| | 09/27/2018 | 62002 | Blue Cross Blue Shield of Arizona | -21,395.10 |
| | 09/27/2018 | 20022 | Arizona Bank & Trust | -3,393.72 |
| | 09/28/2018 | 62002 | Paychex TPS | -11,889.88 |
| | 09/28/2018 | 10510 | Ricardo Cardenas | -2,250.00 |
| | 09/28/2018 | 60000 | Paychex EIB | -121.17 |
| Total for 10025 Mutual of Omaha-Checking | | | | 16 -\$ 170,596.34 |
| Total for 10000 Cash & Cash Equivalents | | | | -\$ 170,596.34 |
| TOTAL | | | | -\$ 170,596.34 |
| | | | | |
| | | | | |
| | | | | |

Thursday, Oct 11, 2018 10:27:54 AM GMT-7 - Accrual Basis

Phoenix IDA Budget vs. Actual Through September 30, 2018



Item 4

CALL TO THE PUBLIC