



# AUDIT OF COMMUNITY FACILITIES DISTRICTS PROJECTS

Engineering/Financial Services



## OBJECTIVES

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This audit was conducted to determine whether issued bonds for the City's Community Facilities Districts were used to only reimburse projects in compliance with applicable policies, statutes, and other requirements.

## BACKGROUND

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A Community Facility District (CFD) is a special taxing district created by a municipality to finance the cost of public infrastructure improvements within specified land areas. CFDs are authorized under the Arizona Community Facilities District Act of 1988, codified in Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes. This legislation allows local governments to establish CFDs through petitions from property owners as well as issue tax-exempt bonds and levy special assessments or property taxes to finance these public infrastructure projects.

Mesa currently has three CFDs: Eastmark No. 1, Eastmark No. 2, and Cadence. These CFDs were established at the request of private developers to obtain funding for property development, including the construction, maintenance and operation of community amenities, roadways, landscaping, and water and sewer facilities. To finance these projects, the CFDs have issued bonds, which are being repaid through assessments and taxes levied on the property owners of the districts. To date, approximately \$97.4 million in bonds have been issued for Eastmark CFD projects and \$19 million have been issued for Cadence CFD projects.

The Mesa City Council serves as the district board/governing body for the CFDs, while the City's Financial Services Department is responsible for financial oversight and bond administration. The Engineering Department is responsible for overseeing the CFD projects, which include certifying the projects when completed, reviewing developer project reimbursement requests, and ensuring that projects comply with state law.

## CONCLUSION

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In our opinion, issued bonds for the City's Community Facilities Districts were used to only reimburse projects in compliance with applicable policies, statutes, and other requirements.

## SCOPE

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The scope of the audit was all Eastmark and Cadence CFD projects as of June 18, 2024.

## METHODOLOGY

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To accomplish our objective, we performed the following:

- Interviewed City department staff.
- Reviewed Arizona Revised Statutes to gain an understanding of the statutes and other requirements applicable to CFD projects.
- Tested a sample of CFD projects by reviewing project documentation, City Council Resolutions, developer project reimbursement requests, and CFD Bond Official Statements.

## AUDIT STANDARDS

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We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



*The City Auditor's office provides audit, consulting, and investigative services to identify and minimize risk, maximize efficiencies, improve internal controls, and strengthen accountability to Mesa's citizens. We serve as an independent resource to City Management and the City Council, to provide them with timely, accurate, and objective information, assurances, and recommendations pertaining to City of Mesa programs and activities.*

#### **Audit Team**

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