DC Ranch Community Facilities District

(A Component Unit of the City of Scottsdale, Arizona)



Annual Financial Report

Fiscal Year Ended June 30, 2021

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Table of Contents

Independent Auditor's Report 1

Management's Discussion and Analysis 4

BASIC FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet 10

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances 11

Notes to the Basic Financial Statements 12

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 21

SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund 23

Report on Internal Control and on Compliance
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 24

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Independent Auditor's Report

Board of Directors
DC Ranch Community Facilities District

Report on Audit of Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities and each major fund of DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of DC Ranch Community Facilities District as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DC Ranch Community Facilities District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle
As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Budget information for the Debt Service Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Budget information for the Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Budget information for the Debt Service Fund information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2021, on our consideration of DC Ranch Community Facilities District'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 results of that testing, and not to provide an opinion on the effectiveness of the DC Ranch Community Facilities District'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 DC Ranch Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 21, 2021

As management of the DC Ranch Community Facilities District (District), we offer readers a narrative overview and analysis of the financial activities for the District. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2021.

Formed in 1997, the District is a special purpose taxing district and separate political subdivision under Arizona statutes. As such, the District can levy taxes and issue bonds, independent of the City of Scottsdale, Arizona (City). Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. City staff administers the District and the costs of their services are reimbursed by District funds. The Scottsdale City Council also serves as the District Board of Directors.

FINANCIAL HIGHLIGHTS

For the year ending 2020/21, the District's:

- Tax collections and beginning fund balances were sufficient to pay debt service.
- Tax rate continued to comply with the City-imposed assessment limit of $3.00 per $100 assessed valuation; the tax rate was $0.38 per $100 assessed valuation.
- Governmental funds reported a combined ending fund balance of $211,521. Of this amount, $44,157 was in the General Fund and $167,364 was in the Debt Service Fund.
- Governmental fund revenues were more than expenditures by $12,155, the tax rate decreased from $0.41 in fiscal year 2019/20 to $0.38.
- Total long-term debt decreased by $1,015,000 due to scheduled principal payments.
- Significant bond indentures were in compliance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis introduces the District's basic financial statements. Because of its limited purpose, the District's basic financial statements are comprised of two components: (1) Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance and (2) Notes to the Basic Financial Statements.

Because the District has only one governmental program, the government-wide and fund financial statements are combined.

Government-wide Financial Statements

The *Statement of Net Position* is designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether or not the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses related to accrued interest.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like the City, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Debt Service funds are restricted as to use, and the General funds are unassigned.

The District maintains two governmental funds, general and debt service. Information is presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund.

The District adopts an annual budget for its General Fund and Debt Service Fund. Supplementary budgetary schedules have been provided to demonstrate compliance with these budgets.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to acquire a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a comparison between budgeted and actual amounts within the General Fund.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The liabilities of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by approximately $6.6 million (net position). The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and a separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes to pay the debt service over the life of the bonds. The City Council serves as the Board of Directors. However, the City has no liability for the District's debt. For financial reporting purposes, transactions of the District are combined together and included as if they were part of the City's operations and the assets financed through the District are combined with the infrastructure of the City. Because the capital assets are recorded in the City's basic financial statements, the Statement of Net Position for the District reflects a large liability without an offsetting asset.

Net Position
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
ASSETS		
Current Assets	$ 100,401	$ 97,527
Noncurrent Assets	1,278,239	1,265,867
Total Assets	1,378,640	1,363,394
Deferred Outflows of Resources	239,955	279,947
Total Assets and Deferred Outflows of Resources	1,618,595	1,643,341
LIABILITIES		
Current Liabilities	1,149,525	1,131,234
Noncurrent Liabilities	7,111,163	8,165,523
Total Liabilities	8,260,688	9,296,757
NET POSITION		
Restricted	184,958	185,746
Unrestricted	(6,827,051)	(7,839,162)
Total Net Position	$ (6,642,093)	$ (7,653,416)

During the fiscal year, the District's total net position increased by $1,011,323.

Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
REVENUES		
Taxes	$ 1,352,012	$ 1,356,166
Interest	120	2,191
Total Revenues	1,352,132	1,358,357
EXPENSES		
General Government	70,678	71,228
Debt Service	270,131	304,548
Total Expenses	340,809	375,776
Change in Net Position	1,011,323	982,581
Net Position, Beginning of Year	(7,653,416)	(8,635,997)
Net Position, End of Year	$ (6,642,093)	$ (7,653,416)

Revenues decreased in fiscal 2020/21 due to an decrease in the taxes levied and interest earnings and expenses decreased due to the reduction in interest on long-term debt, increasing the District's net position.

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with legal requirements related to special purpose districts and general obligation bonds.

Financial Analysis of the District's Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the District's ability to pay the debt service on the general obligation bonds it issues to fund construction or acquisition of public infrastructure.

As of the end of fiscal year 2021, the District's governmental funds reported revenues more than expenditures by $12,155 and an ending fund balance of $211,521. Of the total ending fund balance, $44,157 is in the General Fund and $167,364 is in the Debt Service Fund.

Revenues totaled $1,367,332 for the fiscal year ended June 30, 2021, of which $1,367,212 was property tax collected and $120 was from interest earnings.

Capital Assets and Debt Administration

The District was formed to finance and acquire or construct amenities that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Since formation, District bonds have been issued, and the proceeds used to acquire or construct parks, paths, trails, roads, athletic fields and related athletic field infrastructure.

The District has issued all of the authorized $20,000,000 in District general obligation bonds.

In the event that the District Board decides at a future time to dissolve the District, State statute provides that all taxable property in the District will remain subject to the lien for the payment of the bonds until all bonds have been defeased.

The District is not engaged in any significant activities other than providing for the levy of secondary property taxes to pay debt service and administrative fees.

Outstanding Debt
June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
General Obligation Bonds	$ 6,875,000	$ 7,890,000

The District's total long-term debt decreased by $1,015,000 during the current fiscal year due to payment of principal on the refunding bonds.

Next Year's Budget and Rates

The fiscal year 2021/22 District budget includes a $0.37 tax rate per $100 of assessed value. This is a $0.01 decrease from the rate used for the fiscal year 2020/21 budget. The District's long-term financial plan considers the impacts of COVID-19 and the uncertain timing of the recovery.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the Scottsdale City Treasurer's Office at 7447 E. Indian School Road, Suite 210, Scottsdale, AZ 85251.

Basic Financial Statements

Statement of Net Position and Governmental Funds Balance Sheet
June 30, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets					
Current Assets					
Cash	$ 42,123	$ -	$ 42,123	$ -	$ 42,123
Taxes Receivable	2,034	56,244	58,278	-	58,278
Total Curent Assets	44,157	56,244	100,401	-	100,401
NonCurrent Assets					
Restricted Cash	-	1,278,239	1,278,239	-	1,278,239
Total Assets	$ 44,157	$ 1,334,483	$ 1,378,640	$ -	$ 1,378,640
Deferred Outflows of Resources					
Deferred Amounts on Refunding				239,955	239,955
Total Assets and Deferred Outflows of Resources				$ 239,955	$ 1,618,595
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION					
Liabilities					
Current Liabilities					
Matured Bonds Payable	$ -	$ 1,015,000	$ 1,015,000	$ -	$ 1,015,000
Interest Payable	-	134,525	134,525	-	134,525
Total Current Liabilities	-	1,149,525	1,149,525	-	1,149,525
Noncurrent Liabilities					
Due Within One Year	-	-	-	1,050,000	1,050,000
Due After One Year	-	-	-	6,061,163	6,061,163
Total Noncurrent Liabilities	-	-	-	7,111,163	7,111,163
Total Liabilities	-	1,149,525	1,149,525	7,111,163	8,260,688
Deferred Inflows of Resources					
Unavailable Revenues	-	17,594	17,594	(17,594)	-
Total Liabilities and Deferred Inflows of Resources	-	1,167,119	1,167,119	7,093,569	8,260,688
Fund Balances/Net Position					
Fund Balances					
Restricted	-	167,364	167,364	(167,364)	-
Unassigned	44,157	-	44,157	(44,157)	-
Total Fund Balances	44,157	167,364	211,521	(211,521)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 44,157	$ 1,334,483	$ 1,378,640		
Net Position					
Restricted for Debt Service				184,958	184,958
Unrestricted				(6,827,051)	(6,827,051)
Total Net Position				$ (6,642,093)	$ (6,642,093)

The accompanying notes to the basic financial statements are an integral part of this statement.

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2021

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
REVENUES					
Taxes	$ 68,360	$ 1,298,852	$ 1,367,212	$ (15,200)	$ 1,352,012
Interest	61	59	120	-	120
Total Revenues	68,421	1,298,911	1,367,332	(15,200)	1,352,132
EXPENDITURES/EXPENSES					
Current					
General Government					
City Treasurer - Finance and Accounting	$ 70,678	$ -	$ 70,678	$ -	$ 70,678
Debt Service					
Principal Retirement	-	1,015,000	1,015,000	(1,015,000)	-
Interest and Fiscal Charges	-	269,499	269,499	632	270,131
Total Expenditures/Expenses	70,678	1,284,499	1,355,177	(1,014,368)	340,809
Change in Fund Balances/Net Position	(2,257)	14,412	12,155	999,168	1,011,323
Fund Balances/Net Position, Beginning of Year	46,414	152,952	199,366	(7,852,782)	(7,653,416)
Fund Balances/Net Position, End of Year	$ 44,157	$ 167,364	$ 211,521	$ (6,853,614)	$ (6,642,093)

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the DC Ranch Community Facilities District (District), a component unit of the City of Scottsdale, Arizona (City), conform to accounting principles generally accepted in the United States of America applicable to governmental units as promulgated by the Governmental Accounting Standards Board. A summary of the more significant accounting policies of the District follows.

During the year ended June 30, 2021, the District evaluated Governmental Accounting Standards Board Statements No. 93, *Replacement of Interbank Offered Rates* and No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) and determined that they did not impact the preparation of these financial statements.

A. Reporting Entity

The DC Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in March 1997. The District's purpose is to acquire and improve public infrastructure in specified land areas. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the costs of operating the District. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For financial reporting purposes, transactions of the DC Ranch Community Facilities District are included as if the District were part of the City's operations.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and miscellaneous revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

Financial statements are provided for major governmental funds, with an adjustments column to arrive at government-wide statement amounts.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both earned and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 31 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of governmental long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Fund.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Interest is accrued in the current fiscal period when the revenue is earned. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* accounts for resources accumulated and used for the payment of other operating expenses for the District, which may include insurance, legal fees and administration costs.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of governmental long-term debt including principal, interest and related costs.

The spending order for the District is to use restricted funds and then unassigned funds as they are needed. Currently the District has unassigned funds and does not have any nonspendable, committed or assigned funds.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Arizona Revised Statutes authorize the District to invest public monies in the State or County Treasurers' investment pools, interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; or bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit, and repurchase agreements at 100 percent of all deposits not covered by federal depository insurance.

A portion of cash and investments held by trustee at June 30, 2021, plus accrued interest, are restricted as to usage.

2. Restricted Assets

Cash and investments held by the District's trustee are classified as restricted on the statement of net position because their use is limited by applicable bond covenants.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Capital Assets

Capital assets acquired or construction of infrastructure assets by the District are dedicated to the City of Scottsdale, Arizona to maintain and operate. As a result, the District owns no capital assets.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item, deferred amount on refunding, that qualifies for reporting in this category. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the balance sheet.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Net Position/Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Directors. The Board of Directors passed a resolution authorizing the City of Scottsdale City Treasurer to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

In the government-wide financial statements, net position is reported in two categories: restricted and unrestricted. Restricted accounts for the portion of net position restricted by bond covenant. Unrestricted is the remaining net position not included in the previous category.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the Unites States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Amounts reported in the statement of net position are different because:

Tax revenues not available to pay current-period expenditures are deferred inflows in the funds.	$	17,594
Long-term liabilities, including bonds payable, are not due and payable in the current period; therefore, are not reported in the funds.		(7,111,163)
Deferred amounts on refunding are long-term in nature and not reported in the funds.		239,955
Net adjustment to reduce total fund balance to arrive at net position.		(6,853,614)
Total Fund Balance		211,521
Total Net Position	$	(6,642,093)

B. Amounts reported in the statement of activities are different because:

Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	$	(15,200)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; however, it has no effect on net position.		1,015,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		(632)
Net adjustments to reconcile net changes in fund balances to change in net position.		999,168
Net change in Fund Balance		12,155
Change in Net Position	$	1,011,323

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General Fund and Debt Service Fund on essentially the same modified accrual basis of accounting used to record actual expenditures. Budgetary control over expenditures is exercised at the fund level.

B. Deficit Net Position

As described in Note 1, the District was formed to finance and acquire or construct infrastructure assets that are subsequently dedicated to the City for operation. The District does not own or operate infrastructure. Therefore, the Statement of Net Position reflects a large liability without an offsetting asset.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2021, the carrying amount of the District's deposits and bank balance were $1,320,362.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Districts deposits may not be returned to it. As of June 30, 2021, 1,278,239 of the District's deposits were uninsured and collateralized by securities held by the pledging bank's trust department not in the District's name, and therefore exposed to custodial credit risk.

2. Restricted Assets

Restricted cash at June 30, 2021, as follows:

	Debt Service Fund
Restricted Cash	$ 1,278,239

3. Property Taxes Receivable

The Maricopa County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 31 days subsequent to fiscal year-end. Property taxes not collected within 31 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2021, were as follows:

	General Fund	Debt Service Fund
Taxes Receivable	$ 2,034	$ 56,244

At the end of the current fiscal year, unavailable revenue reported in the governmental fund was as follows:

	Debt Service Fund
Delinquent Property Taxes Receivable (Unavailable)	$ 17,594

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds have been issued for governmental activities only. The bonds with interest are payable semiannually. Bonds payable at June 30, 2021, consisted of the outstanding general obligation bonds presented below:

Purpose	Interest Rates (%)	Amount
2012 DC Ranch Community Facilities District General Obligation Refunding Bonds due in annual installments of $555,000 to $1,245,000 beginning July 15, 2013 through July 15, 2027. Original issue amount $14,670,000.	3.41	$ 6,875,000

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community facilities districts (CFDs) are created only by petition to the City Council by property owners within the District areas. As board of directors for the District, the City Council has adopted a formal policy that CFD debt will be permitted only when the ratio of the full cash value of the District property (prior to improvements being installed), when compared to proposed District debt, is a minimum of 3 to 1 prior to issuance of debt and 5 to 1 or higher after construction of improvements. These ratios are verified by an appraisal paid for by the District and administered by the City. In addition, cumulative debt of all CFDs cannot exceed 5 percent of the City's full cash valuation.

The District's bond issuance contains the following provisions that would constitute an event of default by the District.

- Failure to pay the principal and interest when due and payable.

Changes in Long-term Liabilities

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Private Placement General Obligation Bonds	$ 7,890,000	$ -	$ (1,015,000)	$ 6,875,000	$ 1,050,000
Plus Issuance Premium	275,523	-	(39,360)	236,163	-
Total	$ 8,165,523	$ -	$ (1,054,360)	$ 7,111,163	$ 1,050,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2022	$ 1,050,000	$ 234,438
2023	1,085,000	198,633
2024	1,125,000	161,634
2025	1,165,000	123,272
2026	1,205,000	83,544
2027	1,245,000	42,454
Total	$ 6,875,000	$ 843,975

NOTE 5 – OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss. The District carries commercial insurance for $1,000,000 per occurrence and $3,000,000 aggregate covering general liability exposures. The District also carries public entity management liability insurance for $1,000,000 each wrongful act and $3,000,000 aggregate to cover damages resulting from the conduct of duties by or for a public entity or its boards. There have been no known losses in any of the past three fiscal years.

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

For the Fiscal Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	$ 67,639	$ 68,360	$ 721
Interest Income	-	61	
Total Revenues	67,639	68,421	721
EXPENDITURES			
Current			
General Government			
City Treasurer - Finance and Accounting	72,500	70,678	1,822
Total Expenditures	72,500	70,678	1,822
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,861)	(2,257)	2,543
Fund Balance, Beginning of Year	56,791	46,414	(10,377)
Fund Balance, End of Year	$ 51,930	$ 44,157	$ (7,834)

Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund

For the Fiscal Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	$ 1,287,606	$ 1,298,852	$ 11,246
Interest Income		59	59
Total Revenues	1,287,606	1,298,911	11,305
EXPENDITURES			
Debt Service			
Principal Retirement	1,015,000	1,015,000	-
Interest and Fiscal Charges	272,049	269,499	2,550
Total Expenditures	1,287,049	1,284,499	2,550
Excess of Revenues Over Expenditures	557	14,412	13,855
Fund Balance, Beginning of Year	155,175	152,952	(2,223)
Fund Balance, End of Year	$ 155,732	$ 167,364	$ 11,632

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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*

Independent Auditor's Report

Board of Directors
DC Ranch Community Facilities District

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 governmental activities and each major fund of DC Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise DC Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 21, 2021. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 93, *Replacement of Interbank Offered Rates*, and Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs).

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DC Ranch Community Facilities District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of DC Ranch Community Facilities District'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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Ranch Community Facilities District'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 21, 2021