McDowell Mountain Ranch Community Facilities District

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

Annual Financial Report

Fiscal Year Ended June 30, 2026

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Independent Auditor's Report

Board of Directors
McDowell Mountain Ranch Community Facilities District

Report on Audit of Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities and the major fund of McDowell Mountain Ranch Community Facilities District, (District), a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2026, 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 the major fund of the McDowell Mountain Ranch Community Facilities District, as of June 30, 2026, 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 McDowell Mountain 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.

Emphasis of Matter
As discussed in Note 1, the financial statements of the McDowell Mountain Ranch Community Facilities District are intended to present the net position and changes in net position that are attributable to the District, a component unit of the City of Scottsdale, Arizona report. They do not purport to, and do not, present fairly the financial position of the City of Scottsdale, Arizona as of June 30, 2026 and the changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle
As described in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements* for the year ended June 30, 2026. Our opinions are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our October 14, 2026, on our consideration of McDowell Mountain 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 McDowell Mountain 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 McDowell Mountain Ranch Community Facilities District's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
October 14, 2026

The purpose of management's discussion and analysis (MD&A) is to help readers understand what the financial statements and notes in this financial report say about the McDowell Mountain Community Facilities District (District) financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by management's knowledge of the District's finances. The District is one of the City of Scottsdale, Arizona's component units for financial reporting purposes for the fiscal year ended June 30, 2026.

OVERVIEW OF THE FINANCIAL STATEMENTS

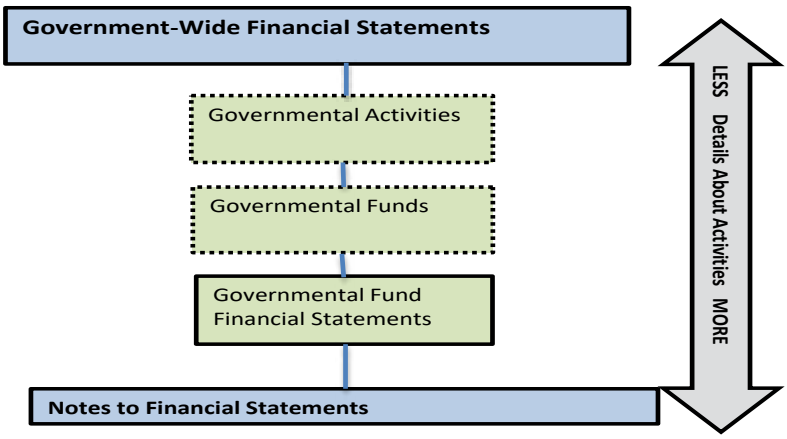
The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The *government-wide financial statements* cover the District's governmental activities (the *primary government*) (See Figure 1).

- **Governmental activities** comprise the District's most basic functions, the general government. Governmental activities primarily are financed from property taxes levied from the District.

The remaining basic financial statements present the District's finances in greater detail. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports on only one group of funds:

- *Governmental fund financial statements* report all of the governmental activities except those that involved providing services to other departments within the District. In addition to the District's main operating fund – the general fund– those financial statements report special revenue funds to track the District's restricted revenues, if applicable, and a debt service fund to record the repayment of outstanding bonds. The District's basic governmental fund financial statements are presented on pages 10-11 of this report.

Figure 1. Contents of the District's Basic Financial Statements



The next section of this financial report contains *notes to the financial statements*, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the financial statement can be found on pages 12-19 of this report.

All of the District's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus* and *accrual basis of accounting* (See Figure 2). In other words, they comprehensively report all types of financial statement elements:

- *Assets* – resources the District controls, from short-term assets like cash to long-term assets like buildings and equipment.
- *Liabilities* – amounts the District owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt.
- *Deferred outflows of resources and deferred inflows of resources* – flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses* – inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus* and *modified accrual basis of accounting* to report on the sources, uses and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a building.

Figure 2. Types of Information Reported in the District's Financial Statements

	Financial Statements	
	Government-wide	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term	Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received	Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid	Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year	Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and basis of accounting can be found in the first note to the financial statements, the summary of significant accounting policies beginning on page 12.

Analysis of the District's Finances

Table 1
District's Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2026-2025
Current assets	$ 43,928	$ 57,199	-23.2%
Total assets	**43,928**	**57,199**	**-23.2%**
Current liabilities	-	-	
Total liabilities	**-**	**-**	0.0%
Unrestricted	43,928	57,199	-23.2%
Total net position	**$ 43,928**	**$ 57,199**	-23.2%

Table 1 shows that as of June 30, 2026, the District's net position – assets minus liabilities was $43,928, a decrease of $13,271 or 23.2 percent compared with 2025. The decrease in net position is due to utilizing the existing cash balances for the District's administrative expenses, as it approaches dissolution.

Governmental Activities

Table 2 shows that expenses exceeded revenues in the current year, resulting in a decrease in net position. The total net position of the District was $43,928, a decrease of $13,271 or 23.2% from 2025.

Table 2
Revenues, Expenditures, and Changes in Fund Balances
Changes in District's Net Position

	Governmental Activities		Total Percentage Change
	2026	2025	2026-2025
Revenues			
Property Taxes	$ -	$ (5,772)	-100.0%
Interest	-	326	-100.0%
Contributions from city	-	206,570	-100.0%
Total revenues	**-**	**201,124**	**-100.0%**
Expenses			
General Government	13,271	12,867	3.1%
Total expenses	**13,271**	**12,867**	**3.1%**
Change in net position	(13,271)	188,257	-107.0%
Net Position, July 1	57,199	(131,058)	-143.6%
Net Position, June 30	**$ 43,928**	**$ 57,199**	**-23.2%**

District Revenues

The District will no longer have any revenues as the net position is sufficient for final closing costs.

District Expenses

The District debt has been paid off, only administrative fees from the City of Scottsdale's City Treasurer's Office have been incurred in fiscal year 2026 (See Figure 3).

Figure 3. Governmental Activities Expenses by Function



Governmental Funds

The District maintains one major fund in the governmental fund financial statements and no nonmajor funds. The District's major governmental fund is General Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of the major governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements. The changes to the major fund as shown in Table 3 below.

Table 3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund	
	2026	**2025**
Total Revenues	**$ -**	**$ 202,182**
Total Expenditures	**13,271**	**12,867**
Excess (deficiency) of revenues over (under) expenditures	(13,271)	189,315
Net changes in fund balances	(13,271)	189,315
Fund balances, July 1	57,199	(132,118)
Fund balances, June 30	$ 43,928	$ 57,197

Fund balance represents the financial standing of a government fund as of the end of the fiscal year from a short-term perspective.

General Fund

The District had no inflows as the District is pending closure. The administrative expense increased slightly, and the fund balance decreased by $13,271.

Significant Capital Asset and Long-Term Financing Activity

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 for the completion of Thompson Peak Parkway and other infrastructure, such as water and sewer lines necessary for the McDowell Mountain Ranch development.

The District has issued $18,860,000 of the $20,000,000 authorized bonds. In fiscal years 1998/99 and 2012/2013, the City Council and the District Board approved the issuance of refunding bonds to consolidate and reduce the costs of the District debt. Refunding bonds totaling $11,555,000 were issued. All outstanding bonds were paid in full as of June 30, 2022.

Currently Known Facts, Decisions, or Conditions

The District has no further long-term obligations; as of fiscal year ending June 30, 2022, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

The District will not levy taxes since all debt has been satisfied. The fiscal year 2026/27 budget includes estimated ongoing operating expenses until the District is dissolved.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all of those with an interest. 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, 2026

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Assets			
Current Assets			
Cash	$ 43,926	$ -	$ 43,926
Taxes Receivable	2	-	2
Total Assets	$ 43,928	$ -	$ 43,928
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES/NET POSITION			
Liabilities			
Total Liabilities	$ -	$ -	$ -
Deferred Inflows of Resources			
Unavailable Revenues	2	(2)	-
Total Liabilities and Deferred Inflows of Resources	2	(2)	-
Fund Balances/Net Position			
Fund Balances			
Unassigned	43,926	(43,926)	-
Total Fund Balances	43,926	(43,926)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 43,928		
Net Position			
Unrestricted		43,928	43,928
Total Net Position		$ 43,928	$ 43,928

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
For the Fiscal Year Ended June 30, 2026

	General Fund	Adjustments	Statement of Activities
REVENUES			
Taxes	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES/EXPENSES			
Current			
General Government			
City Treasurer's Office	$ 13,271	$ -	$ 13,271
Total Expenditures/Expenses	13,271	-	13,271
Change in Fund Balances/Net Position	(13,271)	-	(13,271)
Fund Balances/Net Position, Beginning of Year	57,197	2	57,199
Fund Balances/Net Position, End of Year	$ 43,926	$ 2	$ 43,928

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 McDowell Mountain 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, 2026, the District implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. It clarified information in the Management's Discussion and Analysis (MD&A), addressed budgetary comparison information, and where applicable, unusual or infrequent items, as well as proprietary fund and component unit presentation. There were no changes to beginning balances reported in the financial statements due to the implementation of this standard.

A. Reporting Entity

The McDowell Mountain Ranch Community Facilities District was formed by petition to the City of Scottsdale City Council in January 1994. 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 McDowell Mountain 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.

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 fund:

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

Cash and investments held at June 30, 2026, plus accrued interest, are unrestricted as to usage.

2. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. 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 has no items that qualify as a deferred outflow of resources.

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 on the balance sheet.

5. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide financial statements, net position is reported as unrestricted.

E. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United 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.	$ 2
Net adjustment to reduce total fund balance to arrive at net position.	2
Total Fund Balance	43,926
Total Net Position	$ 43,928

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.	$ -
Net adjustments to reconcile net changes in fund balances to change in net position.	-
Net change in Fund Balance	(13,271)
Change in Net Position	$ (13,271)

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for revenues and expenditures for the General 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits

Deposits – At June 30, 2026, the carrying amount of the District's cash balance was $43,926.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned. As of June 30, 2026, the District had no deposits that were exposed to custodial credit risk.

2. 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. A lien assessed against real property attaches on the first day of January preceding the assessment levy.

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2026, were as follows:

	General Fund
Taxes Receivable	$ 2

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

	General Fund
Unavailable Property Taxes Receivable	$ 2

B. Liabilities

Obligations Under Long-term Debt

General Obligation Bonds

The District issued general obligation bonds to provide funds to acquire and improve public infrastructure in specified areas. General obligation bonds were issued for governmental activities only. All bonds have been paid in full.

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.

Changes in Long-term Liabilities

Since all debt service obligations were satisfied on June 30, 2022, there were no changes in Long-term Liabilities.

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.

B. Future Discontinuance of District

The District has no further long-term obligations; as of fiscal year ending June 30, 2022, all debt was paid in full. Per Arizona Revised Statutes § 48-724 (Dissolution of District), unless qualified electors of the District vote to dissolve the District sooner, the District will remain open until the District Board determines the District has been inactive for at least five years and has no future purpose, and the District Board adopts and records a resolution dissolving the District.

Until the District is dissolved, the ongoing planned activities for the District will be administrative and may include payment of annual audit fees, annual tax preparation and filing fees, preparation of the resolution fees, insurance, publication/advertising costs, budget preparation costs, etc.

Required Supplementary Information

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

For the Fiscal Year Ended June 30, 2026

	Original and Final Budget	Actual	Variance
REVENUES			
Taxes	$ -	$ -	$ -
Total Revenues	-	-	-
EXPENDITURES			
Current			
General Government			
City Treasurer's Office	13,600	13,271	329
Total Expenditures	13,600	13,271	329
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,600)	(13,271)	329
Net Change in Fund Balance	$ (13,600)	$ (13,271)	$ 329

Required Supplementary Information
Note to Budgetary Comparison Schedules

	General Fund over (under)
BUDGETARY EXPENDITURES	
Differences - final budget to actual:	
The City Treasurer related administrative expenditures were under budget due to rounding of budget numbers and less than expected admin fees.	$ 329

Independent Auditor's 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
McDowell Mountain 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 the major fund of McDowell Mountain Ranch Community Facilities District, a component unit of the City of Scottsdale, Arizona, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise McDowell Mountain Ranch Community Facilities District's basic financial statements and have issued our report thereon dated October 14, 2026. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered McDowell Mountain 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 McDowell Mountain Ranch Community Facilities District's internal control. Accordingly, we do not express an opinion on the effectiveness of McDowell Mountain 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 McDowell Mountain 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 financial statements. 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 14, 2026