

Saddler Ridge Metropolitan District

Annual Financial Report

December 31, 2019

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Independent Auditor's Report

Members of the Board of Directors
Saddler Ridge Metropolitan District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of Saddler Ridge Metropolitan District as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the major funds of Saddle Ridge Metropolitan District, as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

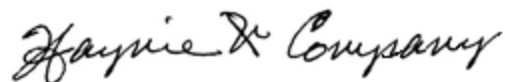
Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Saddle Ridge Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
July 8, 2020

Basic Financial Statements

Saddler Ridge Metropolitan District
Statement of Net Position
December 31, 2019

	Governmental Activities	Business- Type Activities	Total
Assets			
Cash and Investments	\$ 68,508	\$ -	\$ 68,508
Cash and Investments - Restricted	74,277	-	74,277
Receivable from County Treasurer	392	-	392
Accounts Receivable	1,267	1,130	2,397
Due from other funds	6,124	-	6,124
Property Taxes Receivable	111,588	-	111,588
Capital Assets, Not Being Depreciated	2,632,282	-	2,632,282
Capital Assets, Net of Accumulated Depreciation	<u>3,301,459</u>	<u>-</u>	<u>3,301,459</u>
Total Assets	<u>6,195,897</u>	<u>1,130</u>	<u>6,197,027</u>
Liabilities			
Accounts Payable	73,438	-	73,438
Director Fees Payable	100	-	100
Due to other funds	-	6,124	6,124
Noncurrent Liabilities			
Due In More Than One Year	<u>11,020,687</u>	<u>300,384</u>	<u>11,321,071</u>
Total Liabilities	<u>11,094,225</u>	<u>306,508</u>	<u>11,400,733</u>
Deferred Inflows of Resources			
Deferred Property Tax Revenue	111,588	-	111,588
Unearned Revenue	<u>852</u>	<u>392</u>	<u>1,244</u>
Total Deferred Inflows of Resources	<u>112,440</u>	<u>392</u>	<u>112,832</u>
Net Position			
Net Investment in Capital Assets	(3,936,725)	-	(3,936,725)
Restricted For:			
Emergency Reserves	6,040	-	6,040
Debt Service	73,932	-	73,932
Unrestricted	<u>(1,154,015)</u>	<u>(305,770)</u>	<u>(1,459,785)</u>
Total Net Position	<u>(5,010,768)</u>	<u>(305,770)</u>	<u>(5,316,538)</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 6,195,897</u>	<u>\$ 1,130</u>	<u>\$ 6,197,027</u>

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 412,381	\$ 40,826	\$ -	\$ 82,272	\$ (289,283)	\$ -	\$ (289,283)
Interest and Related Costs on Long-Term Debt	106,205	-	-	-	(106,205)	-	(106,205)
	<u>\$ 518,586</u>	<u>\$ 40,826</u>	<u>\$ -</u>	<u>\$ 82,272</u>	<u>\$ (395,488)</u>	<u>\$ -</u>	<u>\$ (395,488)</u>
Business-Type Activities							
Sewer Enterprise	146,703	33,376	-	18,000	-	(95,327)	(95,327)
	<u>146,703</u>	<u>33,376</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>(95,327)</u>	<u>(95,327)</u>
General revenues:							
Property Taxes					69,146	-	69,146
Specific Ownership Taxes					4,628	-	4,628
Interest Income					1,861	2	1,863
Total general Revenues and Transfers					<u>75,635</u>	<u>2</u>	<u>75,637</u>
Change in Net Position					(319,853)	(95,325)	(415,178)
Net Position - Beginning of Year					<u>(4,690,915)</u>	<u>(210,445)</u>	<u>(4,901,360)</u>
Net position - End of Year					<u><u>\$(5,010,768)</u></u>	<u><u>\$(305,770)</u></u>	<u><u>\$(5,316,538)</u></u>

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Balance Sheet and Reconciliation of Fund Balances to Net Position
Governmental Funds
December 31, 2019

Assets	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 68,508	\$ -	\$ -	\$ 68,508
Cash and Investments - Restricted	-	73,736	541	74,277
Receivable from County Treasurer	196	196	-	392
Accounts Receivable	1,267	-	-	1,267
Due from Other Funds	10,872	-	-	10,872
Property Taxes Receivable	65,093	46,495	-	111,588
Total Assets	145,936	120,427	541	266,904
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts Payable	73,438	-	-	73,438
Director Fees Payable	100	-	-	100
Due to General Fund	-	-	4,748	4,748
Total Liabilities	73,538	-	4,748	78,286
Deferred Inflows of Resources				
Deferred Property Tax Revenue	65,093	46,495	-	111,588
Unearned Revenues	852	-	-	852
Total Deferred Inflows of Resources	65,945	46,495	-	112,440
Fund Balances				
Restricted For:				
Emergency Reserves	6,040	-	-	6,040
Debt Service	-	73,932	-	73,932
Unassigned	413	-	(4,207)	(3,794)
Total Fund Balances	6,453	73,932	(4,207)	76,178
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
	\$ 145,936	\$ 120,427	\$ 541	\$ 266,904

Total Governmental Fund Balance Per Above \$ 76,178

Amounts reported for governmental activities in the statement of net position excluded from the governmental fund balance because:

Capital assets are reported as assets in the statement of net position but are recorded as expenditures in the funds.

Capital Assets, Not Being Depreciated	2,632,282
Capital Assets, Net of Accumulated Depreciation	3,301,459

Long term liabilities not payable in the current year are excluded as liabilities in the governmental funds. Interest on long-term debt is recognized as an expenditure in governmental funds when due. These liabilities consist of:

Bonds Payable	(9,044,000)
Developer Advances Payable	(1,771,933)
Accrued Interest	(204,754)

Net Position of Governmental Activities	\$ (5,010,768)
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The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues:				
Property taxes	\$ 34,573	\$ 34,573	\$ -	\$ 69,146
Specific ownership taxes	2,314	2,314	-	4,628
Net investment income	433	1,415	13	1,861
O&M fee	18,950	-	-	18,950
Supplemental Operations Fees	17,325	-	-	17,325
Transfer Fees	750	-	-	750
System Development Fees	82,272	-	-	82,272
Architecture Review Fee Income	900	-	-	900
Other	2,901	-	-	2,901
Total Revenues	<u>\$ 160,418</u>	<u>\$ 38,302</u>	<u>\$ 13</u>	<u>\$ 198,733</u>
Expenditures:				
General and Administrative				
Accounting	27,267	-	21,379	48,646
Audit	5,300	-	-	5,300
County Treasurer's Fee	522	521	-	1,043
Director's Fees	700	-	-	700
Dues	552	-	-	552
Insurance	7,617	-	-	7,617
District Management	50,529	-	287	50,816
Legal	19,874	-	20,605	40,479
Miscellaneous	-	-	181	181
Payroll Taxes	46	-	-	46
Landscaping	52,319	-	-	52,319
Utilities	23,506	-	-	23,506
Website	245	-	-	245
Architectural Review	125	-	-	125
Paying Agent Fees	-	1,500	-	1,500
Capital				
Engineering	8,718	-	16,648	25,366
Road Grading	4,000	-	-	4,000
Construction Management	-	-	6,679	6,679
Storm System	-	-	13,048	13,048
Sewer	-	-	37,678	37,678
Capital Outlay	-	-	7,150	7,150
Certified Infrastructure Costs	-	-	81,425	81,425
Debt Service				
Principal payments - Developer Advances	64,036	-	-	64,036
Interest payments	23,236	-	-	23,236
Total Expenditures	<u>288,592</u>	<u>2,021</u>	<u>205,080</u>	<u>495,693</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(128,174)</u>	<u>36,281</u>	<u>(205,067)</u>	<u>(296,960)</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	-	109,000	109,000
Developer Advances	134,000	-	117,926	251,926
Total Other Financing Sources (Uses)	<u>134,000</u>	<u>-</u>	<u>226,926</u>	<u>360,926</u>
Net Change in Fund Balance	5,826	36,281	21,859	63,966
Fund balances:				
Beginning of the year	627	37,651	(26,066)	12,212
End of the year	<u>\$ 6,453</u>	<u>\$ 73,932</u>	<u>\$ (4,207)</u>	<u>\$ 76,178</u>

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Years Ended December 31, 2019

	2019
Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balances - Governmental Funds	\$ 63,966
<p>Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure; however, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. In addition, in the Statement of Activities, conveyance of assets to the Water and Sewer Fund or other governmental entities is reported as an expense.</p>	
Capital Outlay	145,980
Depreciation	(149,941)
<p>Long-term debt (e.g., bonds, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>	
Developer Advances	(251,926)
Repay Developer Advances - Principal	64,036
Bond Proceeds - Series 2017B	(109,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Accrued Interest on Developer Advances - Change in Liability	(82,968)
Change in Net Position of Governmental Activities	\$ (319,853)

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Budget and Actual—General Fund
For the Year Ended December 31, 2019

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:			
Property Taxes	\$ 34,342	\$ 34,573	\$ 231
Specific Ownership Taxes	2,061	2,314	253
Net Investment Income	400	433	33
O&M Fee	25,393	18,950	(6,443)
Supplemental Operations Fees	21,375	17,325	(4,050)
Transfer Fees	600	750	150
System Development Fees	185,000	82,272	(102,728)
Architecture Review Fee Income	10,450	900	(9,550)
Other	-	2,901	2,901
Total Revenue	<u>279,621</u>	<u>160,418</u>	<u>(119,203)</u>
Expenditures:			
General and Administrative			
Accounting	24,597	27,267	(2,670)
Audit	5,500	5,300	200
County Treasurer's Fee	515	522	(7)
Director's Fees	2,400	700	1,700
Dues	1,169	552	617
Insurance	9,460	7,617	1,843
District Management	32,442	50,529	(18,087)
Legal	3,325	19,874	(16,549)
Miscellaneous	1,000	-	1,000
Payroll Taxes	200	46	154
Website	1,000	245	755
Debt Service			
Developer advances repayment	185,000	87,272	97,728
Operations and Maintenance			
Landscaping	41,225	52,319	(11,094)
Utilities	25,887	23,506	2,381
Architectural Review	10,450	125	10,325
Engineering	-	8,718	(8,718)
Road Grading	12,000	4,000	8,000
Total Expenditures	<u>356,170</u>	<u>288,592</u>	<u>67,578</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>(76,549)</u>	<u>(128,174)</u>	<u>(51,625)</u>
Other Financing Sources (Uses):			
Developer Advances	<u>84,949</u>	<u>134,000</u>	<u>49,051</u>
Total Other Financing Sources (Uses)	<u>84,949</u>	<u>134,000</u>	<u>49,051</u>
Excess (Deficiency) of Revenues and Other			
Financing Sources Over Expenditures			
and Other Uses	8,400	5,826	(2,574)
Fund Balance—Beginning of Year	<u>-</u>	<u>627</u>	<u>627</u>
Fund Balance—End of Year	<u>\$ 8,400</u>	<u>\$ 6,453</u>	<u>\$ (1,947)</u>

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statement of Net Position
Sewer Enterprise Fund
December 31, 2019

Assets

Accounts Receivable	\$ 1,130
Total assets	<u>1,130</u>

Liabilities

Due to General Fund	6,124
Noncurrent Liabilities:	
Due In More Than One Year	<u>300,384</u>
Total liabilities	<u>306,508</u>

Deferred Inflows of Resources

Unearned Revenue	<u>392</u>
Total Deferred Inflows of Resources	<u>392</u>

Net Position

Unrestricted	<u>(305,770)</u>
Total net position	<u>(305,770)</u>

Total liabilities and net position	<u><u>\$ 1,130</u></u>
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The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statement of Revenue, Expenses and
Changes in Net Position—Sewer Enterprise Fund
For the Years Ended December 31, 2019

	2019
Operating Revenues	
Sewer Service Fees	\$ 30,925
Total Revenues	30,925
Operating Expenses	
Administrative and General	
Accounting	23,389
District Management	4,742
Legal	8,990
Sewer Operations	
Plant Equipment	884
Internet	1,928
Electricity	23,568
Supplies	618
Storm Repairs and Sewer Maintenance	1,230
Sewer Facility Maintenance (MBR)	3,061
Emergency and Additional Services	4,526
Lab Wastewater Testing	2,947
Pest Control	700
Trash	1,061
Waste Hauling	2,946
Sewer	51,605
Total Expenditures	132,195
Operating Income (Loss)	(101,270)
Nonoperating Revenues	
Plant Investment Fees	6,000
Sewer Tap Fees	12,000
Interest Income	2
Other Income	2,451
Total Nonoperating Revenues	20,453
Nonoperating Expenses	
Interest on Developer Advances	14,508
Total Nonoperating Expenses	14,508
Change in Net Position	(95,325)
Net Position—Beginning of Year	(210,445)
Net Position—End of Year	\$ (305,770)

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District
Statements of Cash Flows
Sewer Enterprise Fund
For the Years Ended December 31, 2019

	2019
Cash Flows from Operating Activities	
Cash Received From Customers	\$ 51,731
Cash Paid to Suppliers for Goods and Services	<u>(134,662)</u>
Net Cash from Operating Activities	<u>(82,931)</u>
Cash Flows from Non-Capital Financing Activities	
Miscellaneous revenues	2,451
Developer Advances	<u>41,500</u>
Net Cash from Noncapital Financing Activities	<u>43,951</u>
Cash Flows from Capital and Related Financing Activities	
Sewer Tap Fees	12,000
Plant Investment Fees	<u>6,000</u>
Net Cash from Capital and Related Financing Activities	<u>18,000</u>
Net Change in Cash and Cash Equivalents	(20,980)
Cash and Cash Equivalents—Beginning of Year	<u>20,980</u>
Cash and Cash Equivalents—End of Year	<u><u>\$ -</u></u>
Reconciliation of Net Operating Loss to	
Net Cash From Operating Activities:	
Net Operating Income	\$ (101,270)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Cash from operating activities:	
Changes in Assets and Liabilities:	
Change in Accounts Receivable	20,860
Change in Deferred Revenues	(56)
Change in Accounts Payable	<u>(2,465)</u>
Total Adjustments	<u>18,339</u>
Net Cash From Operating Activities	<u><u>\$ (82,931)</u></u>

The accompanying notes are an integral part of these financial statements.

Saddler Ridge Metropolitan District

Notes to Financial Statements

December 31, 2019

1. Definition of Reporting Entity

Saddler Ridge Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on August 6, 2003 in Weld County, Colorado, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under an Amended and Restated Service Plan Approved by the Town Council of the Town of Severance, Colorado on July 28, 2008. The District's service area is located in the Town of Severance, Weld County, Colorado.

The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water and sanitation service, street construction, installation of safety control devices, construction and maintenance of parks and recreation facilities, public transportation, fire protection, television relay and translation system, security services and mosquito control.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees and all operations and administrative functions are contracted.

2. Summary of Significant Accounting Policies

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements.

Saddler Ridge Metropolitan District

Notes to Financial Statements (continued)

December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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. Redemption of bonds are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable 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 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental fund.

The Capital Projects Fund accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

The District reports the following major proprietary funds:

The Sewer Enterprise Fund accounts for the sewer operations that are financed and operated in a manner where the intent of the District is that the costs of providing goods and services to the general public on a continuing bases be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for enterprise funds [and internal service funds] include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund presented on the modified accrual basis of accounting unless otherwise indicated.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue is recorded as revenue in the year it is available or collected.

Operations and Maintenance Fee

The operations fee was implemented by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is set at \$75 per month per residential unit owned by an end-user.

Transfer Fee

The transfer fee was implemented by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is \$150 per transfer for each residential unit, lot or vacant lot.

System Development Fee

The system development fee was implemented by the Board of Directors by a resolution dated and effective May 16, 2018. The fee is set at \$5,000 per commercial unit, single-family unit, townhouse or condominium prior to the issuance of a building permit.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Plant Investment Fee

The plant investment fee was implemented by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is a one-time charge of \$1,000 per vacant lot prior to the issuance of a building permit.

Sewer Tap Fee

The sewer tap fee was implemented by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is a one-time charge of \$5,000 per vacant lot prior to the issuance of a building permit.

Sewer Service Fee

The sewer service fee was implemented by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is set at \$55/month per residential unit and \$220/quarter for each Commercial Unit owned by an end-user.

Architecture Review Fee

The architecture review fee was set by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is \$125 per residential unit, lot or vacant lot for residential improvements, and \$275 per lot or vacant lot for new home design.

Sewer Availability Fee

The sewer availability was set by the Board of Directors by a resolution dated August 15, 2018, effective October 1, 2018. The fee is \$379 annually for each lot or vacant lot.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and Recreation	30 years
Sewer and Storm	30 years
Streets/Roadways	30 years

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

Amortization

In the fund financial statements, governmental fund types recognize bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 one item that qualify for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred, and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

2. Summary of Significant Accounting Policies (continued)

- *Restricted fund balance* - The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* - The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the criteria described above. If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

3. Cash and Investments

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 68,508
Cash and Investments - Restricted	<u>74,277</u>
Total Cash and Investments	<u>\$ 142,785</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with Financial Institutions	\$ 62,723
Investments	<u>80,062</u>
Total Cash and Investments	<u>\$ 142,785</u>

Saddler Ridge Metropolitan District

Notes to Financial Statements (continued)

December 31, 2019

3. Cash and Investments (continued)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$62,723 and a carrying balance of \$62,723.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

3. Cash and Investments (continued)

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity Fair Value</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 79,521
Federated Treasury Money Market Fund	Weighted average under 60 days	<u>541</u>
		<u>\$ 80,062</u>

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

3. Cash and Investments (continued)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Federated Treasury Money Market Fund

The debt service money that is included in the trust accounts at Zions Bank is invested in the Federated Treasury Obligations Fund. This portfolio is a money market mutual fund which invests in U.S. Treasury obligations, which are fully guaranteed as to principal and interest by the United States, with maturities of 13 months or less and repurchase agreements collateralized by U.S. Treasury obligations. The Federated Treasury Obligation Fund is rated AAAM by Standard & Poor's.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

4. Capital Assets

An analysis of the changes in net capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 2,537,028	\$ 95,254	\$ -	\$ 2,632,282
Total Capital Assets, Not Being Depreciated	<u>2,537,028</u>	<u>95,254</u>	<u>-</u>	<u>2,632,282</u>
Capital Assets Being Depreciated:				
Parks and Recreation	688,937	-	-	688,937
Sewer and Storm	2,506,254	50,726	-	2,556,980
Streets/Roadways	1,277,664	-	-	1,277,664
Total Capital Assets, Being Depreciated	<u>4,472,855</u>	<u>50,726</u>	<u>-</u>	<u>4,523,581</u>
Less Accumulated Depreciation For:				
Parks and Recreation	(208,597)	(22,965)	-	(231,562)
Sewer and Storm	(476,735)	(84,387)	-	(561,122)
Streets/Roadways	(386,849)	(42,589)	-	(429,438)
Total Accumulated, Depreciation	<u>(1,072,181)</u>	<u>(149,941)</u>	<u>-</u>	<u>(1,222,122)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,400,674</u>	<u>(99,215)</u>	<u>-</u>	<u>3,301,459</u>
Capital Assets, Net	<u>\$ 5,937,702</u>	<u>\$ (3,961)</u>	<u>\$ -</u>	<u>\$ 5,933,741</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	<u>\$ 149,941</u>
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Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Obligations

The following is an analysis of changes in the District's long-term debt for the year ended December 31, 2019:

	Balance at December 31, 2018	Additions	Repayments Long-Term Debt	Balance at December 31, 2019
<u>Governmental Activities</u>				
GO Bonds - Series 2017A	\$ 6,350,000	\$ -	\$ -	\$ 6,350,000
Accrued Interest- 2017 A Bonds	-	5,292	-	5,292
GO Subordinate Bonds - Series 2017B	2,585,000	109,000	-	2,694,000
Accrued Interest- 2017 B Bonds	-	2,288	-	2,288
Developer Advances - Capital - Third Party Advances	738,671	117,926	64,036	792,561
Accrued Interest - Developer Advances - Capital Third Party Advances	4,301	45,260	23,236	26,325
Developer Advances - Operating - Third Party Advances	845,372	134,000	-	979,372
Accrued Interest - Developer Advances - Operating Third Party Advances	117,485	53,364	-	170,849
	<u>\$ 10,640,829</u>	<u>\$ 467,130</u>	<u>\$ 87,272</u>	<u>\$ 11,020,687</u>
<u>Business-Type Activities</u>				
Developer Advances - Capital - Third Party Advances	229,430	41,500	-	270,930
Accrued Interest - Developer Advances - Third Party Advances	14,946	14,508	-	29,454
	<u>\$ 244,376</u>	<u>\$ 56,008</u>	<u>\$ -</u>	<u>\$ 300,384</u>

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Obligations (continued)

\$6,350,000 Series 2017A General Obligation Bonds

On January 26, 2017, the District issued Series 2017 A General Obligation Limited Tax Bonds (Series 2017A Bonds) in the amount of \$6,350,000. The Series 2017A Bonds bear no interest from the Issue Date until November 30, 2019, they then begin accruing interest at a rate of 1.00% per annum from December 1, 2019 until November 30, 2022, and from December 1, 2022 onward they bear interest at a rate of 5.00% per annum. Interest payments begin June 1, 2020.

The Series 2017A Bonds are subject to redemption priority, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, on any date, upon payment of the principal amount so redeemed plus accrued interest on the date of redemption, without redemption premium.

The Series 2017A Bonds are secured by and payable from the Pledged Revenue, consisting of monies derived by the District from the following sources, after payment of any costs of collection: 1) the Required Mill Levy; 2) the Pledged Specific Ownership Taxes; 3) The Pledged Development Fees; and 4) any other legally available moneys that the Board determines in its sole discretion to credit to the Bond Fund. Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in the amount of the following mill levies, adjusted, provided the required mill levy does not result in tax revenue in excess of the maximum tax increases permitted by the 2007 Election debt authorization allocated to the bonds.

The maximum Required Mill Levy is subject to adjustment for changes in the ratio of actual value to assessed value of property within the District. As of December 31, 2019, the adjusted maximum mill levy is 26.480 for collection in 2020.

Levy Year	Tax Collection Year	Required Mill Levy (subject to Adjustment)
2018 through 2020	2019 through 2021	25.000 mills
2021	2022	45.000 mills
2022 and thereafter	2023 and thereafter	50.000 mills

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Obligations (continued)

\$4,650,000 Series 2017B General Obligation Bonds

On January 26, 2017, the District issued Series 2017B General Obligation Limited Tax Bonds (Series 2017B Bonds) with a final amount of \$4,650,000. As of December 31, 2019, the amount drawn on the Series 2017B Bonds was \$2,694,000.

The Series 2017B Bonds bear no interest from the Advance Date until November 30, 2019, they then begin accruing interest at a rate of 1.00% per annum from December 1, 2019 until November 30, 2022, and from December 1, 2022 onward they bear interest at a rate of 5.00% per annum. Interest payments begin June 1, 2020.

The Series 2017B Bonds were issued initially as a single Series 2017B Bond and registered in the name of the Liberty Savings Bank, F.S.B., a Federal Savings Bank (the Bank). The purchase price for the Series 2017B Bonds shall be paid by the Bank in the form of Advances made by the Bank up to the final par amount of \$4,650,000. The District's available voter-approved debt authorization shall be allocated to the Series 2017B Bonds upon receipt of each advance based upon the actual expenditure of the proceeds thereof.

The Series 2017B are subject to mandatory redemption prior to maturity, from and to the extent of excess amounts credited from the Project Fund to the Bond fund. The Series 2017B Bonds are also subject to redemption prior to the maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity, on any date, upon payment of the principal amount so redeemed plus accrued interest on the date of redemption, without redemption premium.

Funding and Reimbursement Agreement

On December 12, 2013 the District and the Bank (collectively, the Parties) entered into a Funding and Reimbursement Agreement (the Agreement). The Agreement provided for \$56,800 funding by the bank of certain District 2013-2014 Operating and Maintenance (O&M) expenses, plus \$540,000 specific capital improvements (CIP Advance) in exchange for the District issuing final acceptance of public infrastructure, as set forth in the Agreement.

On August 11, 2014 the Parties entered into the First Amendment to the Agreement, allowing the District to use up to \$100,000 of the CIP Advance of \$540,000 for administrative, operations and maintenance costs of the District.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Obligations (continued)

On January 6, 2015, the Parties entered into the Second Amendment to the Agreement, allowing the District to use an additional \$100,000 of the CIP Advance of \$540,000 for administrative, operations and maintenance costs of the District and extend the term of the Agreement until December 31, 2015.

On December 15, 2015, the Parties entered into the Third Amendment to the agreement, increasing the CIP O&M Advance for 2015, and allocating additional funds up to \$162,841 for O&M expenses in 2016, leaving a remaining balance of \$81,064 from the original CIP Advance of \$540,000.

On September 21, 2016, the Parties entered into the Fourth Amendment to the Agreement, allocating the remaining balance of \$81,064 from the original CIP Advance and an additional \$442,103 through the end of 2016 as a CIP advance for authorized Infrastructure and Improvements necessary for the District's provision of: (i) up to \$241,000 for sanitary sewer plant/service; (ii) up to \$120,000 for O&M Expense; and (iii) up to \$120,000 for pond repair.

On January 1, 2017 the Parties entered into the Fifth Amendment to the Agreement, under the terms of which the Bank agreed to fund an additional maximum amount of \$210,000 for anticipated General Fund expenses and a maximum amount of \$110,000 for Cost of Issuance expenses incurred by the District. In 2018, the Bank agrees to fund an additional Maximum amount of \$200,000 for anticipate General Fund expenses.

On November 15, 2017, the Parties entered into the Sixth Amendment to the Agreement, stating that in no event shall the Bank assign, transfer or convey all or any portion of its rights to receive repayment from the District. Any purported assignment, transfer or conveyance shall be void.

On May 31 2019, the District entered into the Funding and Reimbursement Agreement (Operations and Maintenance), Funding and Reimbursement Agreement (Wastewater Enterprise) and Funding and Reimbursement Agreement (Capital Costs) with Liberty Savings Bank, F.S.B. (collectively, the "Funding and Reimbursement Agreements"). The Funding and Reimbursement Agreements established the terms and conditions pursuant to which Liberty Savings Bank would advance funds to the District for the various purposes covered by the respective Funding and Reimbursement Agreement and how such advances would be repaid by the District. The Funding and Reimbursement Agreements superseded and replaced in their entirety the prior funding agreements and their amendments. In addition to the Funding and Reimbursement Agreements, the District and Liberty Savings Bank entered into two fill-up promissory notes that would accompany the Funding and Reimbursement Agreement (Operations and Maintenance) and the Funding and Reimbursement Agreement (Wastewater Enterprise) (collectively, the "Promissory Notes"). The Promissory Notes

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Obligations (continued)

established advances in the amount of up to \$2,000,000 for operations and maintenance advances and up to \$1,000,000 for the wastewater enterprise advances as “debt” of the District that would be owed to Liberty Savings Bank. An accompanying promissory note was not put in place for the Funding and Reimbursement Agreement (Capital Costs) due to impacts it could have had on the outstanding 2017A and 2017B Bonds. The Promissory Notes are subordinate to the 2017A and 2017B Bonds.

As of December 31, 2019 the District owes a total of \$2,042,863 in principal and \$226,628 in accrued interest.

The District’s Series 2017A Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 63,500	\$ 63,500
2021	-	63,500	63,500
2022	-	63,500	63,500
2023	145,000	317,500	462,500
2024-2028	830,000	1,472,750	2,302,750
2029-2033	1,075,000	1,241,250	2,316,250
2034-2038	1,340,000	947,250	2,287,250
2039-2043	1,715,000	577,250	2,292,250
2044-2046	1,245,000	126,500	1,371,500
Total	<u>\$6,350,000</u>	<u>\$4,873,000</u>	<u>\$11,223,000</u>

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Liabilities (continued)

The District's Series 2017B Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 26,940	\$ 26,940
2021	-	26,940	26,940
2022	-	26,940	26,940
2023	61,154	134,700	195,854
2024-2028	352,106	624,833	976,939
2029-2033	456,364	526,650	983,014
2034-2038	568,434	401,931	970,365
2039-2043	727,649	244,938	972,588
2044-2046	528,293	53,678	581,971
Total	<u>\$2,694,000</u>	<u>\$2,067,551</u>	<u>\$ 4,761,551</u>

Debt Authorization

At December 31, 2019, the District had authorized but unissued general obligation indebtedness in the following amounts for the following purposes:

	<u>Authorized November 6, 2007 Election</u>	<u>Series 2017A Authorization Used</u>	<u>Series 2017B Authorization Used</u>	<u>Remaining at December 31, 2019</u>
Streets	\$ 9,900,000	\$ 1,710,706	\$ -	\$ 8,189,294
Traffic and Safety	750,000	-	-	\$ 750,000
Water	4,100,000	1,780,768	-	\$ 2,319,232
Sanitation	10,500,000	2,102,125	2,694,000	\$ 5,703,875
Parks and Recreation	6,100,000	756,401	-	\$ 5,343,599
Total	<u>\$ 31,350,000</u>	<u>\$ 6,350,000</u>	<u>\$ 2,694,000</u>	<u>\$ 22,306,000</u>

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

5. Long-Term Liabilities (continued)

Pursuant to the service plan, the total debt that the District shall be permitted to issue shall not exceed \$31,350,000, exclusive of refunding. Additionally, the maximum debt mill levy is 50.000 mills (as adjusted).

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

6. Net Position

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of liabilities that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had invested in capital assets, net of related debt calculated as follows:

Net investment in capital assets:	
Capital Assets, Net	\$ 5,933,741
Outstanding Long-Term Debt Applicable to Capital Assets	(9,044,000)
Outstanding Developer Advances Related to Capital Assets	<u>(826,466)</u>
Net investment in capital assets	<u>\$ (3,936,725)</u>

Restricted assets include the net position that is restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 as follows:

Restricted net position:	
Debt Service	\$ 73,932
Emergency Reserves	<u>6,040</u>
Total restricted net position	<u>\$ 79,972</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements, some of which will be conveyed to other governmental entities, and the repayment of Developer advances and related accrued interest.

Saddler Ridge Metropolitan District

Notes to Financial Statements (continued)

December 31, 2019

7. Related Party

The Developer of the property which constitutes the District is the Bank. Certain members of the Board of Directors are employees of, owners of, or otherwise associated with the Developers, and may have conflicts of interest in dealing with the District.

8. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

9. Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Saddler Ridge Metropolitan District
Notes to Financial Statements (continued)
December 31, 2019

9. Tax, Spending and Debt Limitations (continued)

On January 10, 2007, the District's voters approved for an annual increase in taxes of \$6,336,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

Supplementary Information

Saddler Ridge Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Budget and Actual—Debt Service Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Property Taxes	\$ 34,342	\$ 34,342	\$ 34,573	\$ 231
Specific Ownership Taxes	2,061	2,061	2,314	253
Net Investment Income	650	650	1,415	765
Total Revenue	<u>37,053</u>	<u>37,053</u>	<u>38,302</u>	<u>(1,249)</u>
Expenditures:				
County Treasurer's Fees	515	515	521	(6)
Paying Agent Fees	-	1,500	1,500	-
Contingency	-	485	-	485
Total Expenditures	<u>515</u>	<u>2,500</u>	<u>2,021</u>	<u>479</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>36,538</u>	<u>34,553</u>	<u>36,281</u>	<u>(1,728)</u>
Fund Balance—Beginning of Year	<u>37,931</u>	<u>37,651</u>	<u>37,651</u>	<u>-</u>
Fund Balance—End of Year	<u>\$ 74,469</u>	<u>\$ 72,204</u>	<u>\$ 73,932</u>	<u>\$ (1,728)</u>

Saddler Ridge Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Budget and Actual—Capital Projects Fund
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Net Investment Income	150	13	(137)
Total Revenue	150	13	(137)
Expenditures:			
General and Administrative			
Accounting	9,839	21,379	(11,540)
Legal	9,975	20,605	(10,630)
District Management	-	287	(287)
Miscellaneous	-	181	(181)
Capital			
Erosion Control - Earthworks	46,667	-	46,667
General Requirements - Earthworks	46,667	-	46,667
Earthwork	350,000	-	350,000
Roadway System	583,333	-	583,333
Water Main - Potable	513,333	-	513,333
Concrete	350,000	-	350,000
Engineering	-	16,648	(16,648)
Construction Management	-	6,679	(6,679)
Acel/Decel Lanes	583,333	-	583,333
Storm System - Earthworks	303,333	13,048	290,285
Water Main - Non-Potable	291,667	-	291,667
Sewer	431,667	37,678	393,989
Capital Outlay	-	7,150	(7,150)
Certified Capital Costs	-	81,425	(81,425)
Total Expenditures	3,519,814	205,080	3,314,734
Excess (Deficiency) of Revenues			
Over Expenditures	(3,519,664)	(205,067)	3,314,597
Other Financing Sources (Uses):			
Bond Proceeds	2,065,000	109,000	1,956,000
Developer Advance	1,435,000	117,926	1,317,074
Total Other Financing Sources (Uses)	3,500,000	226,926	3,273,074
Excess (Deficiency) of Revenues and Other			
Financing Sources Over Expenditures			
and Other Uses	(19,664)	21,859	41,523
Fund Balance—Beginning of Year	32,076	(26,066)	(58,142)
Fund Balance—End of Year	\$ 12,412	\$ (4,207)	\$ (16,619)

Saddler Ridge Metropolitan District
Statement of Revenue, Expenditures and Changes
in Fund Balance—Budget and Actual—Sewer Enterprise Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Plant Investment Fees	\$ 14,000	\$ 14,000	\$ 6,000	\$ (8,000)
Sewer Tap Fees	185,000	185,000	12,000	(173,000)
Sewer Service Fees	16,555	16,555	30,925	14,370
Interest Income	-	-	2	2
Other Income	-	-	2,451	2,451
Total Revenues	<u>215,555</u>	<u>215,555</u>	<u>51,378</u>	<u>(164,177)</u>
Expenditures:				
General and operations				
Accounting	14,758	14,758	23,389	(8,631)
District Management	9,690	9,690	4,742	4,948
Legal	-	-	8,990	(8,990)
Plant Equipment	15,000	15,000	884	14,116
Automated Sampler (Refrigerated)	4,200	4,200	-	4,200
Lamps	1,360	1,360	-	1,360
Ballasts	820	820	-	820
Internet	1,200	1,200	1,928	(728)
Electricity	10,712	25,000	23,568	1,432
Supplies	350	350	618	(268)
Storm Repairs and Sewer Maintenance	9,900	9,900	1,230	8,670
Sewer Facility Maintenance (MBR)	-	-	3,061	(3,061)
Bearing Grease	45	45	-	45
Blower Filters	700	700	-	700
Blower Oil	420	420	-	420
Chemical Cleaning Supplies	375	375	-	375
Chemicals - Wastewater (Carbon Candy)	2,400	2,400	-	2,400
Emergency and Additional Services	3,000	3,000	4,526	(1,526)
Lab Wastewater Testing	7,260	7,260	2,947	4,313
Pest Control	785	785	700	85
Trash	720	720	1,061	(341)
Waste Hauling	900	900	2,946	(2,046)
Sewer	25,200	50,000	51,605	(1,605)
Contingency	-	1,117	-	1,117
Total Expenditures	<u>109,795</u>	<u>150,000</u>	<u>132,195</u>	<u>16,688</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>105,760</u>	<u>65,555</u>	<u>(80,817)</u>	<u>146,372</u>
Other Financing Sources (Uses)				
Developer advances	-	-	41,500	41,500
Total Other Financing Sources (Uses)	-	-	41,500	41,500
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	105,760	65,555	(39,317)	(104,872)
Fund Balance—Beginning of Year	21,144	33,931	33,931	-
Fund Balance—End of Year	<u>\$ 126,904</u>	<u>\$ 99,486</u>	<u>\$ (5,386)</u>	<u>\$ (104,872)</u>
Reconciliation to GAAP-Basis Financial Statements				
Developer advances payable			\$ (270,930)	
Accrued interest			(29,454)	
Net Position—End of Year (GAAP-Basis)			<u>\$ (305,770)</u>	

Saddler Ridge Metropolitan District
Schedule of Debt Service Requirements to Maturity
Series 2017 A Bonds
For the Year Ended December 31, 2019

Year Ending December 31,	Principal	Total Interest	Total
2020	\$ -	\$ 63,500	\$ 63,500
2021	-	63,500	63,500
2022	-	63,500	63,500
2023	145,000	317,500	462,500
2024	150,000	310,250	460,250
2025	155,000	302,750	457,750
2026	165,000	295,000	460,000
2027	175,000	286,750	461,750
2028	185,000	278,000	463,000
2029	195,000	268,750	463,750
2030	205,000	259,000	464,000
2031	215,000	248,750	463,750
2032	225,000	238,000	463,000
2033	235,000	226,750	461,750
2034	245,000	215,000	460,000
2035	255,000	202,750	457,750
2036	265,000	190,000	455,000
2037	280,000	176,750	456,750
2038	295,000	162,750	457,750
2039	310,000	148,000	458,000
2040	325,000	132,500	457,500
2041	340,000	116,250	456,250
2042	360,000	99,250	459,250
2043	380,000	81,250	461,250
2044	395,000	62,250	457,250
2045	415,000	42,500	457,500
2046	435,000	21,750	456,750
	<u>\$ 6,350,000</u>	<u>\$ 4,873,000</u>	<u>\$ 11,223,000</u>

Saddler Ridge Metropolitan District
Schedule of Debt Service Requirements to Maturity
Series 2017 B Bonds
For the Year Ended December 31, 2019

Year Ending December 31,	Principal	Total Interest	Total
2020	\$ -	\$ 26,940	\$ 26,940
2021	-	26,940	26,940
2022	-	26,940	26,940
2023	61,154	134,700	195,854
2024	63,848	131,642	195,490
2025	66,003	128,450	194,453
2026	70,044	125,150	195,194
2027	74,085	121,648	195,733
2028	78,126	117,943	196,069
2029	82,975	114,037	197,012
2030	87,016	109,888	196,904
2031	91,057	105,537	196,595
2032	95,637	100,985	196,622
2033	99,678	96,203	195,881
2034	103,719	91,219	194,938
2035	108,299	86,033	194,332
2036	112,340	80,618	192,958
2037	118,805	75,001	193,806
2038	125,271	69,061	194,332
2039	131,467	62,797	194,264
2040	137,933	56,224	194,157
2041	144,129	49,327	193,456
2042	153,019	42,121	195,140
2043	161,101	34,470	195,571
2044	167,567	26,415	193,981
2045	176,188	18,036	194,224
2046	184,539	9,227	193,766
	<u>\$ 2,694,000</u>	<u>\$ 2,067,551</u>	<u>\$ 4,761,551</u>

Saddler Ridge Metropolitan District
Schedule of Assessed Valuation, Mill Levy, and
Property Taxes Collected
For the Year Ended December 31, 2019

<u>Year Ended</u> <u>December 31,</u>	<u>Prior Year</u> <u>Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2015	\$ 748,710	50.000	-	\$ 37,436	\$ 37,436	100.00%
2016	823,550	50.000	-	41,178	41,178	100.00%
2017	743,250	20.000	20.000	29,729	24,284	81.68%
2018	995,410	21.111	21.111	42,028	41,444	98.61%
2019	1,242,580	27.638	27.638	68,684	69,146	100.67%

Estimated for the year
 ending 12/31/2020 \$ 1,755,860 37.072 26.480 \$ 111,588

Note:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.