

SADDLE ROCK SOUTH AUTHORITY

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Saddle Rock South Authority
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Saddle Rock South Authority (the "Authority") as of and for the period ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Saddle Rock South Authority as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund for the period then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Lakewood, Colorado

September 9, 2021

SADDLE ROCK SOUTH AUTHORITY

BALANCE SHEET/STATEMENT OF NET POSITION

GOVERNMENTAL FUNDS

December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Net Position</u>
ASSETS					
Cash and investments	\$ 544,113	\$ -	\$ 544,113	\$ -	\$ 544,113
Cash and investments - restricted	38,632	406,145	444,777	-	444,777
Account receivable - assessments	12,901	-	12,901	-	12,901
Prepaid expenses	8,941	-	8,941	-	8,941
Due from District #2	8,010	-	8,010	-	8,010
Due from District #3	4,886	-	4,886	-	4,886
Due from District #4	14,521	-	14,521	-	14,521
Capital assets, net of accumulated depreciation	-	-	-	4,806,459	4,806,459
Total Assets	<u>\$ 632,004</u>	<u>\$ 406,145</u>	<u>\$ 1,038,149</u>	4,806,459	5,844,608
LIABILITIES					
Accounts payable	\$ 52,107	\$ 154,025	\$ 206,132	-	206,132
Prepaid assessments	5,022	-	5,022	-	5,022
Long-term liabilities:					
Due in more than one year	-	-	-	470,266	470,266
Total Liabilities	<u>57,129</u>	<u>154,025</u>	<u>211,154</u>	470,266	681,420
FUND BALANCES					
Nonspendable:					
Prepays	8,941	-	8,941	(8,941)	-
Restricted:					
Emergencies	38,632	-	38,632	(38,632)	-
Capital projects	-	252,120	252,120	(252,120)	-
Unassigned	<u>527,302</u>	<u>-</u>	<u>527,302</u>	<u>(527,302)</u>	<u>-</u>
Total Fund Balances	<u>574,875</u>	<u>252,120</u>	<u>826,995</u>	<u>(826,995)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 632,004</u>	<u>\$ 406,145</u>	<u>\$ 1,038,149</u>		
NET POSITION					
Net Investment in Capital Assets				4,806,459	4,806,459
Restricted for:					
Emergencies				38,632	38,632
Capital projects				252,120	252,120
Unrestricted				<u>65,977</u>	<u>65,977</u>
Total Net Position				<u>\$ 5,163,188</u>	<u>\$ 5,163,188</u>

The notes to the financial statements are an integral part of these statements.

SADDLE ROCK SOUTH AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES					
Legal	\$ 80,653	\$ -	\$ 80,653	\$ -	\$ 80,653
Collection expense	10,824	-	10,824	-	10,824
Accounting	30,056	-	30,056	-	30,056
Audit	8,249	-	8,249	-	8,249
Elections	2,883	-	2,883	-	2,883
Insurance	32,192	-	32,192	-	32,192
Utilities	166,529	-	166,529	-	166,529
Recreation amenities	146,912	-	146,912	-	146,912
Engineering	21,048	-	21,048	-	21,048
Security	77,469	-	77,469	-	77,469
Office supplies/postage	662	-	662	-	662
Miscellaneous	794	-	794	-	794
Repairs and maintenance	-	127,423	127,423	-	127,423
Clubhouse renovation	-	24,035	24,035	-	24,035
Property management	4,004	-	4,004	-	4,004
Administration/management	127,779	-	127,779	-	127,779
Director fees/payroll tax expense	9,796	-	9,796	-	9,796
Developer note interest	-	-	-	32,577	32,577
Obligation to developer	-	283,625	283,625	-	283,625
Grounds	318,267	-	318,267	-	318,267
Depreciation	-	-	-	266,868	266,868
Total Expenditures	<u>1,038,117</u>	<u>435,083</u>	<u>1,473,200</u>	<u>299,445</u>	<u>1,772,645</u>
GENERAL REVENUES					
Collections - late fee/legal	10,459	-	10,459	-	10,459
Clubhouse rental	1,715	-	1,715	-	1,715
Covid relief	16,955	-	16,955	-	16,955
Miscellaneous	3,176	-	3,176	-	3,176
Development fees	-	283,625	283,625	-	283,625
Transfers in - District #2	344,502	-	344,502	-	344,502
Transfers in - District #3	296,007	-	296,007	-	296,007
Transfers in - District #4	645,929	-	645,929	-	645,929
Interest income	-	3,981	3,981	-	3,981
Total General Revenues	<u>1,318,743</u>	<u>287,606</u>	<u>1,606,349</u>	<u>-</u>	<u>1,606,349</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	280,626	(147,477)	133,149	(299,445)	(166,296)
NET CHANGE IN FUND BALANCES	280,626	(147,477)	133,149	(133,149)	
CHANGES IN NET POSITION				(166,296)	(166,296)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	<u>294,249</u>	<u>399,597</u>	<u>693,846</u>	<u>4,635,638</u>	<u>5,329,484</u>
END OF YEAR	<u>\$ 574,875</u>	<u>\$ 252,120</u>	<u>\$ 826,995</u>	<u>\$ 4,336,193</u>	<u>\$ 5,163,188</u>

The notes to the financial statements are an integral part of these statements.

SADDLE ROCK SOUTH AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Transfers in - District #2	\$ 339,037	\$ 344,502	\$ 5,465
Transfers in - District #3	292,504	296,007	3,503
Transfers in - District #4	646,415	645,929	(486)
Collections - late fee/legal	20,000	10,459	(9,541)
Assessments	4,000	-	(4,000)
Clubhouse rental	4,000	1,715	(2,285)
Covid relief	-	16,955	16,955
Interest income	4,000	-	(4,000)
Miscellaneous	1,300	3,176	1,876
	<u>1,311,256</u>	<u>1,318,743</u>	<u>7,487</u>
Total Revenues			
EXPENDITURES			
Legal	70,000	80,653	(10,653)
Collection expense	20,000	10,824	9,176
Accounting	20,000	30,056	(10,056)
Audit	8,000	8,249	(249)
Elections	15,000	2,883	12,117
Insurance	45,000	32,192	12,808
Utilities	125,000	166,529	(41,529)
Office supplies/postage	4,000	662	3,338
Recreation amenities	165,000	146,912	18,088
Engineering	20,000	21,048	(1,048)
Security	80,000	77,469	2,531
Property management	23,000	4,004	18,996
Administration/management	105,000	127,779	(22,779)
Director fees/payroll tax expense	10,000	9,796	204
Grounds	345,000	318,267	26,733
Contingency	209,288	-	209,288
Miscellaneous	10,000	794	9,206
Emergency reserve	38,339	-	38,339
	<u>1,312,627</u>	<u>1,038,117</u>	<u>274,510</u>
Total Expenditures			
EXCESS OF REVENUES OVER EXPENDITURES			
	(1,371)	280,626	281,997
OTHER FINANCING USES			
Transfer to other funds	(255,100)	-	255,100
	<u>(255,100)</u>	<u>-</u>	<u>255,100</u>
Total Other Financing Uses			
NET CHANGE IN FUND BALANCES			
	(256,471)	280,626	537,097
FUND BALANCE - BEGINNING OF YEAR			
	<u>256,471</u>	<u>294,249</u>	<u>37,778</u>
FUND BALANCE - END OF YEAR			
	<u>\$ -</u>	<u>\$ 574,875</u>	<u>\$ 574,875</u>

The notes to the financial statements are an integral part of these statements.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Saddle Rock South Authority (the “Authority”), located in the City of Aurora (“Aurora”) in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The Authority, a political subdivision and public corporation of the State of Colorado, was established on July 11, 2019, pursuant to the Saddle Rock South Authority Establishment Agreement (the “Establishment Agreement”) entered into among the Saddle Rock South Metropolitan District No. 2 (“District No. 2”), Saddle Rock South Metropolitan District No. 3 (“District No. 3”) and Saddle Rock South Metropolitan District No. 4 (“District No. 4”), and with, District No. 2 and District No. 3, (collectively, the “Saddle Rock South Districts”) whereby the Saddle Rock South Districts determined it was in their best interests to form the Authority pursuant to Sections 29-1-203, C.R.S., and 29-1-203.5, C.R.S. The Authority was organized for the purpose of carrying out the operations, maintenance, and administrative responsibilities for the Saddle Rock South Districts, previously carried out by Saddle Rock South Metropolitan District No. 1 (“District No. 1”).

District No. 1 was organized on February 3, 1996, as a quasi-municipal corporation and political subdivision of the State of Colorado established under the State of Colorado Special District Act. District No. 1 was established to manage the financing, construction, operation and maintenance of the facilities located within the District and Saddle Rock South Metropolitan District Nos. 2, 3 and 4 (“Saddle Rock South Districts”, together with District No. 1, the “Districts”). District No. 1 was organized concurrently with District Nos. 2 and 3. District No. 4 was organized in 1998. District No. 1 was given the power to provide water, sanitation, streets, traffic and safety controls, television relay and translator services, transportation and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts’ boundaries. The Consolidated Service Plan requires District No. 1 to convey the streets, water, sanitation and storm drainage improvements to Aurora for ownership and maintenance. District No. 1 was to own and maintain the parks and recreation improvements, including landscaping, entry features, parks and trails, as well as television relay and translator facilities.

As of July 25, 2019, District No. 1 assigned all of its assets, liabilities, rights and obligations to the Authority and District No. 1 was then dissolved during December 2019. The Authority is governed by a Board of Directors comprised of one elected representative from each of the Saddle Rock South Districts.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

The Districts and Aurora entered into an Intergovernmental Agreement as required by the Aurora City Code and the Districts' Consolidated Service Plan. Under this agreement, the Districts must obtain the approval of the Aurora City Council prior to: (i) any inclusion of property in or exclusion of property from the boundaries of the Districts, (ii) any refunding of bonds of the Districts which could shorten or extend the maturity of such bonds or increase the total debt service thereon (subject to certain exception), or (iii) any consolidation with any other special districts. The Intergovernmental Agreement was partially terminated with respect to District No. 1 upon dissolution of District No. 1. The Authority is intended to serve as the "operating district", while District Nos. 2, 3 and 4 are intended to service as the "taxing districts". The Authority's main source of revenue is the annual revenue received from District Nos. 2, 3 and 4 as reimbursement for actual service costs and construction costs. These revenues are based on funding through property tax and assessment revenue under the Establishment Agreement.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The Authority is not financially accountable for any other organization. The Authority has no component units as defined by the GASB.

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

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect 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. Items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental 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 the related cash flows.

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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

The Authority reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the Local Government Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall of each year to adopt the budget and appropriate the funds for the ensuing year. The Authority'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 on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The Authority 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 minimum number of bank accounts. 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.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Estimates

The preparation of these financial statements in conformity with GAAP requires the Authority management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting under this category.

In addition to liabilities, the statement of financial position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualifies for reporting in this category.

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.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method.

Depreciation on property that will remain assets of the Authority is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Parks and recreation are depreciated using the straight-line method over the following estimated useful lives:

Parks and recreation	30 years
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Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$8,941 represents prepaid insurance expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$38,632 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Capital Projects Fund in the amount of \$252,120 is restricted for the payment of the costs for capital improvements within the Authority. All of this amount is restricted as a capital reserve for future capital expenditures as determined by the board and not available for any repayment of developer costs.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Assigned Fund Balance

Assigned fund balance includes amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Authority's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund. All funds can report negative amounts.

For the classification of Governmental Fund balances, the Authority considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 544,113
Cash and investments - Restricted	<u>444,777</u>
Total	<u>\$ 988,890</u>

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Cash and investments as of December 31, 2020, consist of the following:

Deposits with financial institutions	\$ 292,291
Investments - COLOTRUST	<u>696,599</u>
Total	<u>\$ 988,890</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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. The Authority does not have a formal policy for deposits. As of December 31, 2020, none of the Authority's deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investments are not required to be categorized within the fair value hierarchy. The Authority's investment's value is calculated using the net asset value method per share.

Credit Risk

The Authority has not adopted a formal investment policy; however, the Authority follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

As of December 31, 2020, the Authority had the following investment:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the Authority records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the Authority had \$696,599 invested in COLOTRUST.

Custodial and Concentration of Credit Risk

None of the Authority’s investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020
<u>Governmental Type Activities:</u>				
<u>Capital assets being depreciated:</u>				
Parks and recreation facilities	\$ 8,006,037	\$ -	\$ -	\$ 8,006,037
Total capital assets being depreciated	<u>8,006,037</u>	<u>-</u>	<u>-</u>	<u>8,006,037</u>
<u>Accumulated depreciation:</u>				
Parks and recreation facilities	<u>(2,932,710)</u>	<u>(266,868)</u>	<u>-</u>	<u>(3,199,578)</u>
Total accumulated depreciation	<u>(2,932,710)</u>	<u>(266,868)</u>	<u>-</u>	<u>(3,199,578)</u>
Government type assets, net	<u>\$ 5,073,327</u>	<u>\$ (266,868)</u>	<u>\$ -</u>	<u>\$ 4,806,459</u>

It is the policy of Aurora to accept the maintenance responsibility for the streets, water, sanitation and storm drainage facilities within Aurora only after a probationary period following completion of construction. Upon final acceptance by Aurora, the costs of transferred improvements will be removed. Prior to the establishment of the Authority \$15,955,072 of improvements had been transferred by District No. 1 to Aurora.

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2020:

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020	Current Portion
Developer advances:					
Capital - principal	\$ 406,092	\$ -	\$ -	\$ 406,092	\$ -
Capital - interest	<u>31,597</u>	<u>32,577</u>	<u>-</u>	<u>64,174</u>	<u>-</u>
	<u>\$ 437,689</u>	<u>\$ 32,577</u>	<u>\$ -</u>	<u>\$ 470,266</u>	<u>\$ -</u>

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

A description of the long-term obligations as of December 31, 2020, is as follows:

Infrastructure Acquisition and Reimbursement Agreement

On September 8, 2016, District No. 1 entered into an Infrastructure Acquisition and Reimbursement Agreement with Arapahoe Greens Limited Liability Company (“Developer”). Per this agreement, District No. 1 agrees to reimburse the Developer for all District costs, whether by construction of public infrastructure or by advancement of funds to the District No. 1 for the purpose of providing public infrastructure including all related costs. The advances do not constitute multiple fiscal year financial obligations of District No. 1 and are not subject to annual appropriation by District No. 1. The advances bear interest at a rate of 8% per annum from the date of the advance. The advances are to be repaid using bond proceeds or any other legally available revenues.

During 2019, upon the dissolution of District No. 1, the Infrastructure Acquisition and Reimbursement Agreement was terminated and, on July 25, 2019, the Authority and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement whereby the outstanding obligations of District No. 1 under the original agreement were assumed by the Authority. (See Note 1) Pursuant to this new Agreement, the Authority agreed to repay Remaining Certified Costs approved by the Authority from any Development Fees received by the Authority as contemplated in the Establishment Agreement and by the Original Fees and received pursuant to the Authority Fee Resolution. The costs shall bear simple interest at a rate of 8% per annum from the effective date of the related acceptance of such costs. The Agreement is annually appropriated.

Assignment of Operations and Development Fees and Imposition of Authority Fee Resolution

Prior to the dissolution of District No. 1, on July 25, 2019 the Authority and District No. 1 adopted the Joint Resolution No. 2019-07-05 Concerning the Assignment of Operations and Development Fees and Imposition of Authority Fees recorded at the Arapahoe County Clerk and Recorder at Reception No. D9078003 (the “Assignment”), whereby, District No. 1 assigned any and all development fees and operational fees outstanding and due under and pursuant to the Joint Resolution Concerning the Imposition of an Operations Fee and Development Fee dated November 10, 2016 and recorded at the Arapahoe County Clerk and Recorder at Reception No. D6146387 (the “Original Fee Resolution”).

No operations fees are currently imposed pursuant to the Assignment. In 2017, the eligible electors of District Nos. 1-4 voted to change to a tax base system for the collection of operation and maintenance fees, thus, any operation fees collected pursuant to the Assignment are delinquent payments due from imposition of an operations fee before the election in 2017. Development Fees are currently imposed by the Assignment and are still being collected pursuant to the terms therein. During 2020, \$283,625 was collected accordance with this agreement with \$142,380 still due to the Developer as of December 31, 2020.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Prior to the dissolution of District No. 1, on July 11, 2019 District No. 1 adopted Resolution No. 2019-07-02 Rescinding the Resolution of Board of Directors of the District No. 1 Concerning the Imposition of an Operations Fee on Residential Property, whereby the District evidenced it will no longer be imposing an operations fee under the resolution as it no longer affects the property within the District Boundaries.

Debt Authorization

The Authority has no general obligation debt authorization under the Establishment Agreement. Any debt authorization of District No. 1 was extinguished upon dissolution of District No. 1 in December 2019.

Note 5: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

The Authority’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.

District No. 1 voters on November 7, 1995 authorized District No. 1 to maintain fiscal year spending not to exceed \$2,297,000 for 1995 and years thereafter to increase annually in accordance with TABOR.

SADDLE ROCK SOUTH AUTHORITY

Notes to Financial Statements December 31, 2020

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Authority has elected to participate in the Colorado Special Districts Property and Liability Pool (“the Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the Authority may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

Note 7: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds and advances payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

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Notes to Financial Statements December 31, 2020

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

SADDLE ROCK SOUTH AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Development fees	\$ 200,000	\$ 283,625	\$ 83,625
Interest income	<u>-</u>	<u>3,981</u>	<u>3,981</u>
 Total Revenues	 <u>200,000</u>	 <u>287,606</u>	 <u>87,606</u>
EXPENDITURES			
Repairs and maintenance	95,000	127,423	(32,423)
Clubhouse renovation	44,000	24,035	19,965
Obligation to developer	200,000	283,625	(83,625)
Parking repair	15,000	-	15,000
District reserve	<u>539,662</u>	<u>-</u>	<u>539,662</u>
 Total Expenditures	 <u>893,662</u>	 <u>435,083</u>	 <u>458,579</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(693,662)	(147,477)	546,185
OTHER FINANCING SOURCES			
Transfer from other funds	<u>255,100</u>	<u>-</u>	<u>(255,100)</u>
 Total Other Financing Sources	 <u>255,100</u>	 <u>-</u>	 <u>(255,100)</u>
NET CHANGE IN FUND BALANCE	(438,562)	(147,477)	291,085
FUND BALANCE - BEGINNING OF YEAR	<u>438,562</u>	<u>399,597</u>	<u>(38,965)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 252,120</u>	<u>\$ 252,120</u>

The notes to the financial statements are an integral part of these statements.