

SADDLE ROCK METROPOLITAN DISTRICT

Financial Statements

Year Ended December 31, 2021

with

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saddle Rock Metropolitan District
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Saddle Rock Metropolitan District (the "District"), Arapahoe County, Colorado, as of and for the year ended December 31, 2021, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Saddle Rock Metropolitan District, as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Special Revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Saddle Rock Metropolitan District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Saddle Rock Metropolitan District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saddle Rock Metropolitan District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Saddle Rock Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saddle Rock Metropolitan District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 basis financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Saddle Rock Metropolitan District's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund are fairly stated in all material respects in relation to the financial statements as a whole.

The schedules of Summary of Assessed Valuation, Mill Levy and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on them.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
September 13, 2022
Centennial, Colorado

SADDLE ROCK METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 566,657	\$ -	\$ -	\$ 566,657	\$ -	\$ 566,657
Cash and investments - Restricted	2,973	202,804	134,516	340,293	-	340,293
Receivable county treasurer	3,055	3,905	-	6,960	-	6,960
Property taxes receivable	640,933	608,885	-	1,249,818	-	1,249,818
Accounts receivable - assessments	-	-	35,878	35,878	-	35,878
Prepaid expenses	250	-	-	250	-	250
Prepaid bond insurance	-	-	-	-	19,681	19,681
Capital assets, net of depreciation	-	-	-	-	1,621,406	1,621,406
Total Assets	<u>1,213,868</u>	<u>815,594</u>	<u>170,394</u>	<u>2,199,856</u>	<u>1,641,087</u>	<u>3,840,943</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on refunding	-	-	-	-	274,951	274,951
Total Deferred Outflows of Resources	-	-	-	-	274,951	274,951
Total Assets and Deferred Outflows of Resources	<u>\$ 1,213,868</u>	<u>\$ 815,594</u>	<u>170,394</u>	<u>\$ 2,199,856</u>		
LIABILITIES						
Accounts payable	\$ 2,248	\$ 121,414	16,735	\$ 140,397	-	140,397
Prepaid assessments	-	-	60,632	60,632	-	60,632
Accrued interest on bonds	-	-	-	-	13,969	13,969
Long-term liabilities						
Due within one year	-	-	-	-	495,000	495,000
Due in more than one year	-	-	-	-	5,883,219	5,883,219
Total Liabilities	<u>2,248</u>	<u>121,414</u>	<u>77,367</u>	<u>201,029</u>	<u>6,392,188</u>	<u>6,593,217</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred assessments	-	-	17,785	17,785	-	17,785
Deferred property taxes	640,933	608,885	-	1,249,818	-	1,249,818
Total Deferred Inflows of Resources	<u>640,933</u>	<u>608,885</u>	<u>17,785</u>	<u>1,267,603</u>	<u>-</u>	<u>1,267,603</u>
FUND BALANCE						
Nonspendable:						
Prepays	250	-	-	250	(250)	-
Restricted						
Emergencies	2,973	-	-	2,973	(2,973)	-
Debt service	-	85,295	-	85,295	(85,295)	-
Recreation center	-	-	75,242	75,242	(75,242)	-
Unassigned:	567,464	-	-	567,464	(567,464)	-
Total Fund Balances	<u>570,687</u>	<u>85,295</u>	<u>75,242</u>	<u>731,224</u>	<u>(731,224)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,213,868</u>	<u>\$ 815,594</u>	<u>\$ 170,394</u>	<u>\$ 2,199,856</u>		
NET POSITION						
Restricted for:						
Emergencies					2,973	2,973
Debt service					71,326	71,326
Recreation center					75,242	75,242
Unrestricted					<u>(3,894,467)</u>	<u>(3,894,467)</u>
Total Net Position (Deficit)					<u>\$ (3,744,926)</u>	<u>\$ (3,744,926)</u>

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

SADDLE ROCK METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 18,783	\$ -	\$ -	\$ 18,783	\$ -	\$ 18,783
Directors' fees	5,400	-	-	5,400	-	5,400
Insurance	16,648	-	-	16,648	-	16,648
Miscellaneous expenses	518	-	-	518	-	518
Treasurer's fees	8,089	10,330	-	18,419	-	18,419
Bond principal	-	7,405,000	-	7,405,000	(7,405,000)	-
Bond interest expense	-	198,324	-	198,324	(49,081)	149,243
Bond insurance	-	21,704	-	21,704	(19,681)	2,023
Bond issuance costs	-	210,275	-	210,275	-	210,275
Regional Mill Levy	-	31,796	-	31,796	-	31,796
Administration	-	-	239,637	239,637	-	239,637
Landscaping	-	-	425,740	425,740	-	425,740
Pool and Clubhouse	-	-	140,292	140,292	-	140,292
Capital improvements	-	-	58,120	58,120	(58,120)	-
Depreciation	-	-	-	-	197,736	197,736
Total Expenditures	<u>49,438</u>	<u>7,877,429</u>	<u>863,789</u>	<u>8,790,656</u>	<u>(7,334,146)</u>	<u>1,456,510</u>
PROGRAM REVENUES						
Assessments	-	-	431,377	431,377	-	431,377
Other income	-	-	50,059	50,059	-	50,059
Total Program Revenues	<u>-</u>	<u>-</u>	<u>481,436</u>	<u>481,436</u>	<u>-</u>	<u>481,436</u>
Net Program Income (Expense)	<u>(49,438)</u>	<u>(7,877,429)</u>	<u>(382,353)</u>	<u>(8,309,220)</u>	<u>7,334,146</u>	<u>(975,074)</u>
GENERAL REVENUES						
Property taxes	539,154	688,606	-	1,227,760	-	1,227,760
Specific ownership taxes	37,428	47,840	-	85,268	-	85,268
Interest and other income	<u>118</u>	<u>593</u>	<u>-</u>	<u>711</u>	<u>-</u>	<u>711</u>
Total General Revenues	<u>576,700</u>	<u>737,039</u>	<u>-</u>	<u>1,313,739</u>	<u>-</u>	<u>1,313,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	527,262	(7,140,390)	(382,353)	(6,995,481)	7,334,146	338,665
OTHER FINANCING SOURCES (USES)						
Bond Proceeds	-	6,255,000	-	6,255,000	(6,255,000)	-
Premium on bonds	-	720,355	-	720,355	(720,355)	-
Transfers from (to) other funds	<u>(400,000)</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(400,000)</u>	<u>6,975,355</u>	<u>400,000</u>	<u>6,975,355</u>	<u>(6,975,355)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	127,262	(165,035)	17,647	(20,126)	20,126	
CHANGE IN NET POSITION						
					338,665	338,665
FUND BALANCE/NET POSITION						
BEGINNING OF YEAR	<u>443,425</u>	<u>250,330</u>	<u>57,595</u>	<u>751,350</u>	<u>(4,834,941)</u>	<u>(4,083,591)</u>
END OF YEAR	<u>\$ 570,687</u>	<u>\$ 85,295</u>	<u>\$ 75,242</u>	<u>\$ 731,224</u>	<u>\$ (4,476,150)</u>	<u>\$ (3,744,926)</u>

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

SADDLE ROCK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Positive/ <u>Negative</u>
REVENUES			
Property taxes	\$ 543,075	\$ 539,154	\$ (3,921)
Specific ownership taxes	38,015	37,428	(587)
Interest and other income	<u>100</u>	<u>118</u>	<u>18</u>
Total Revenues	<u>581,190</u>	<u>576,700</u>	<u>(4,490)</u>
EXPENDITURES			
Accounting and audit	17,000	18,783	(1,783)
Directors' fees	6,000	5,400	600
Insurance	16,500	16,648	(148)
Miscellaneous expenses	2,300	518	1,782
Transfer to Rec center fund	-	-	-
Treasurer's fees	8,147	8,089	58
Contingency	49,475	-	49,475
Emergency reserve	<u>1,429</u>	<u>-</u>	<u>1,429</u>
Total Expenditures	<u>100,851</u>	<u>49,438</u>	<u>51,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	480,339	527,262	46,923
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	<u>(600,000)</u>	<u>(400,000)</u>	<u>200,000</u>
Total Other Financing Sources (Uses)	<u>(600,000)</u>	<u>(400,000)</u>	<u>200,000</u>
CHANGE IN FUND BALANCE	(119,661)	127,262	246,923
FUND BALANCE			
BEGINNING OF YEAR	<u>219,334</u>	<u>443,425</u>	<u>224,091</u>
END OF YEAR	<u>\$ 99,673</u>	<u>\$ 570,687</u>	<u>\$ 471,014</u>

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

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Saddle Rock Metropolitan District, located in Arapahoe County, Colorado, entirely within the city limits of the City of Aurora, 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 District was organized on January 12, 1996, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was organized concurrently with Lost Shoe Metropolitan District (“Lost Shoe”) (collectively, the “Districts”). Each district has the power to provide streets, water, sanitation, safety controls, television relay and translator, transportation, park and recreation services and other related improvements to the users in the service area located within the districts’ boundaries. The District served as the “Taxing District” while Lost Shoe served as the “Operating District”. The Operating District was responsible for providing the day-to-day operations and administrative management for both Districts. On August 28, 2008, Lost Shoe was dissolved. Therefore, Lost Shoe’s assets, liabilities, and fund balance were transferred to the District and the District now serves as the Operating District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors. On May 15, 2017 the City of Aurora approved the amended and restated service plan for the District.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District 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 District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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

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 revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District 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. Taxes and other 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. Property taxes are recognized as revenues in the year for which they are collected.

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 material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Special Revenue Fund – The Special Revenue Fund is used to account for the financial resources accumulated and payments made for recreation center activities with District assessments restricted for this purpose.

Accounts Receivable – Commercial Site Assessments

Accounts receivable – commercial site assessments represent fees due from owners of commercial sites within the District. The fees support maintenance of common areas within the District. All amounts are deemed collectible as such fees constitute a perpetual lien against the property served.

Budgetary Accounting

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

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2021, 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 District'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.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

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 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District 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 District has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of 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 District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets defined by the District as park and recreation improvements are recorded at 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 assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge.

Depreciation expense for the year ended December 31, 2021 was \$197,736.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	30 years
Landscape improvements	15 years

Original Issue Discount and Prepaid Debt Insurance and Loss on Refunding

Original issue discount, prepaid debt insurance, and loss on refunding from the Series 2021 Bonds are being amortized over the terms of the bonds using the effective interest method. Accumulated amortization of original issue premium and prepaid debt insurance and loss on refunding amounted to \$67,136, \$2,023, and \$28,259 respectively at December 31, 2021.

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.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

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.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The nonspendable fund balance in the General Fund in the amount of \$250 represents prepaid expenses.

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 \$2,973 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$85,295 is restricted for the payment of the debt service costs associated with Series 2021 Limited Tax General Obligation Refunding bonds (see Note 4).

The restricted fund balance in the Special Revenue Fund in the amount of \$75,242 is restricted for the payment of costs related to the operations of the Recreation Center.

For the classification of Governmental Fund balances, the District 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 District 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 District.

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

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 2: Cash and Investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 566,657
Cash and investments – Restricted	<u>340,293</u>
Total	<u>\$ 906,950</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 80,723
Investments – COLOTRUST	<u>826,227</u>
	<u>\$ 906,950</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 District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has not adopted a formal investment policy; however, the District 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.

Custodial and Concentration of Credit Risk

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

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Interest Rate Risk

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

Investment Valuation

The District categorizes its fair value measurements 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 District's investment is not required to be categorized within the fair value hierarchy.

The District has the following investment as of December 31, 2021:

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAM by Standard & Poor's and the maturity is weighted average under 60. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust 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 the trusts. Substantially all securities owned by the trusts 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, 2021, the District had \$826,277 invested in COLOTRUST.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021
Governmental Type Activities:				
Capital assets being depreciated:				
Parks and recreation	\$ 5,489,260	\$ 58,120	\$ -	\$ 5,547,380
Fencing	119,523	-	-	119,523
Total capital assets:	5,608,783	58,120	-	5,666,903
Accumulated Depreciation	(3,847,761)	(197,736)	-	(4,045,497)
Net capital assets being depreciated:	<u>\$ 1,761,022</u>	<u>\$ (139,616)</u>	<u>\$ -</u>	<u>\$ 1,621,406</u>

The Consolidated Service Plan required the District to convey the streets, water, and sanitation and storm drainage improvements to the City of Aurora for ownership and maintenance. The District retained ownership and maintained the park and recreation improvements, including landscaping, entry features, parks and trails.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Current Portion
Refunding Bonds - Series 2010	\$ 6,875,000	\$ -	\$ 6,875,000	\$ -	\$ -
Series 2021 Bonds	-	6,255,000	530,000	5,725,000	495,000
Deferred amounts:					
Premium on Series 2021 Bonds	-	720,355	67,136	653,219	-
Issuance discounts	(42,836)	-	(42,836)	-	-
Total	<u>\$ 6,832,164</u>	<u>\$ 6,975,355</u>	<u>\$ 7,429,300</u>	<u>\$ 6,378,219</u>	<u>\$ 495,000</u>

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

A description of the long-term obligations as of December 31, 2021, is as follows:

\$6,255,000 of General Obligation Refunding Bonds, Series 2021

On January 21, 2021, the District issued \$6,255,000 of General Obligation Refunding Bonds, Series 2021, (“Series 2021 Bonds”) for the purpose of refunding the Series 2010 Bonds and paying the cost of issuing the Series 2021 Bonds, including the cost of bond insurance. The Series 2021 Bonds bear interest at rates ranging from 2.25% to 3.00% payable on each June 1st and December 1st and mature on December 1, 2031. The Series 2021 Bonds maturing on December 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$1,000, and if in parts in such order of maturity as the District determines and by lot within maturity on December 1, 2030 and on any date thereafter, upon payment of par plus accrued interest with no redemption premium. The refunding was undertaken to reduce the total debt service payments providing a net present value savings of \$1,186,098.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2021 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 495,000	\$ 167,625	\$ 662,625
2023	515,000	152,775	667,775
2024	535,000	137,325	672,325
2025	550,000	121,275	671,275
2026	560,000	108,900	668,900
2027-2031	<u>3,070,000</u>	<u>281,550</u>	<u>3,351,550</u>
	<u>\$ 5,725,000</u>	<u>\$ 969,450</u>	<u>\$ 6,694,450</u>

\$11,250,000 Limited Tax General Obligation Refunding Bonds, Series 2010

On September 2, 2010, the District issued \$11,250,000 General Obligation Refunding Bonds Series 2010 (“Series 2010 Bonds”) for the purpose of refunding the District’s Limited Tax General Obligation Refunding Bonds Series 2002. The Series 2010 Bonds mature on December 1, 2031. The Series 2010 Bonds bore interest at rates which vary from 2.0% to 4.0%, payable semiannually on each June 1 and December 1. Payments of principal and interest on the bonds were insured in accordance with the terms of a financial guaranty insurance policy. The Series 2010 Bonds maturing on and before December 1, 2020 were not subject to redemption prior to their maturity dates. The Series 2010 Bonds maturing on December 1, 2021, were subject to redemption prior to maturity at the option of the District, in whole or in part in integral multiples of \$5,000, and if in parts in such order of maturity as the District determines and by lot within maturity on December 1, 2020 and on any date thereafter, at a redemption price equal to the principal amount, plus accrued interest to the redemption date.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

The Series 2010 Bonds maturing on December 1, 2031 were subject to mandatory sinking fund redemption by lot, beginning on December 1, 2026 and on each December 1 thereafter prior to maturity at a redemption price equal to their principal amount, plus accrued interest to the redemption date.

The Series 2010 Bonds were fully refunded on January 21, 2021 with the issuance of the 2021 Bonds. The refunding resulted in a net present value savings of \$1,186,098.

Debt Authorization

In 1995, the electors of the District authorized the issuance of indebtedness of \$12,113,948 in general obligation bonds. In 1997, the electors of the District authorized the issuance of \$15,720,000 in general obligation bonds, for a total of \$27,833,948 of voted authorization. As of December 31, 2021, the amount of debt authorized by the District's electorate but unissued was \$14,678,377. The District did not budget to issue any new debt in 2022.

Note 5: District Agreements

Intergovernmental Agreement – City of Aurora

The District and the City of Aurora have entered into an Intergovernmental Agreement as required by the City of Aurora Code and the District's Consolidated Service Plan. Under this agreement, the District must obtain the approval of the City of Aurora Council prior to; (i) any inclusion of property in or exclusion of property from the boundaries of the District, (ii) any refunding of bonds of the District which could shorten or extend the maturity of such bonds or increase the total debt service thereon (subject to certain exceptions), or (iii) consolidation with any other special district.

The District was organized concurrently with Lost Shoe. Each District had the power to provide streets, water, sanitation, safety controls, television relay and translator, transportation, park and recreation services and other related improvements to users in the service area located within the districts' boundaries. The Consolidated Service Plan required Lost Shoe to convey streets, water and sanitation and storm drainage improvements to the City of Aurora for ownership and maintenance. Lost Shoe retained ownership and maintained the park and recreation improvements, including landscaping, entry features, park and trails until 2008, when Lost Shoe dissolved and transferred assets to the District, along with the maintenance responsibilities of these assets.

Arapahoe Park and Recreation District Intergovernmental Agreement

The District, and the Arapahoe Park and Recreation District ("Arapahoe Park") have entered into an Intergovernmental Agreement whereby Arapahoe Park agreed to reimburse annually certain operation and maintenance expenses incurred by the District with respect to trails throughout the development.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements December 31, 2021

Note 6: 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 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.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District 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 Colorado Special Districts Property and Liability Pool (the “Pool”) 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 District 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 District 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 8: Interfund and Operating Transfers

The transfer of \$400,000 from the General Fund to the Special Revenue Fund was to transfer funds for the purpose of paying operating expenses for the Recreation Center.

SADDLE ROCK METROPOLITAN DISTRICT

Notes to Financial Statements
December 31, 2021

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government 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 payable and accrued bond interest payable, are not due and payable in the current period and, therefore, are not in the funds.

The Statement of Governmental Fund 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 depreciated over their useful lives;
- 2) governmental funds report the repayment of bond principal as expenditures; however, these are eliminated on the Statement of Activities and reported as reductions in long-term liabilities on the Statement of Net Position; and,
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) 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.

SUPPLEMENTAL INFORMATION

SADDLE ROCK METROPOLITAN DISTRICT

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

For the Year Ended December 31, 2021

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Positive/ Negative
REVENUES			
Assessments	\$ 463,276	\$ 449,162	\$ (14,114)
Other income	<u>18,000</u>	<u>50,059</u>	<u>32,059</u>
Total Revenues	<u>481,276</u>	<u>499,221</u>	<u>17,945</u>
EXPENDITURES			
Administration			
Legal	80,000	74,993	5,007
Management fee and administration	32,393	31,069	1,324
Special legal fees	15,000	7,014	7,986
Legal fees collection	20,000	11,290	8,710
Internet services	2,400	2,168	232
Trash	97,179	90,339	6,840
Administration	15,000	10,288	4,712
Security	30,000	5,760	24,240
Miscellaneous expenses	4,000	-	4,000
Contingency	17,000	-	17,000
Landscaping			
Landscape maintenance	78,900	194,488	(115,588)
Sprinkler, lighting and pond maintenance	25,000	56,640	(31,640)
Fence maintenance	-	11,069	(11,069)
Water and sewer	165,000	134,157	30,843
Pet pick up	6,000	6,396	(396)
Pond maintenance	9,000	20,072	(11,072)
Lighting maintenance	5,000	2,361	2,639
Holiday lights	9,000	12,497	(3,497)
Pest control	5,000	-	5,000
Snow removal	15,000	17,101	(2,101)
Miscellaneous/contingency	5,000	-	5,000
Pool and Clubhouse			
Clubhouse	24,500	4,372	20,128
Pool management, maintenance, repairs and supplies	56,650	58,910	(2,260)
Pool maintenance repairs and supplies	10,000	10,342	(342)
Pool repairs	5,000	-	5,000
Utilities	25,300	25,053	247
Contingency/Miscellaneous	5,000	-	5,000
Capital improvements	325,000	75,951	249,049
Emergency reserve	<u>22,870</u>	<u>-</u>	<u>22,870</u>
Total Expenditures	<u>1,110,192</u>	<u>862,330</u>	<u>247,862</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(628,916)	(363,109)	265,807
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	<u>600,000</u>	<u>400,000</u>	<u>(200,000)</u>
Total Other Financing Sources (Uses)	<u>600,000</u>	<u>400,000</u>	<u>(200,000)</u>
CHANGE IN FUND BALANCE	(28,916)	36,891	65,807
FUND BALANCE - BEGINNING OF YEAR	<u>288,347</u>	<u>57,595</u>	<u>(230,752)</u>
FUND BALANCE - END OF YEAR	<u>\$ 259,431</u>	<u>\$ 94,486</u>	<u>\$ (164,945)</u>

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

SADDLE ROCK METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2021

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Positive/ <u>Negative</u>
REVENUES				
Property taxes	\$ 663,758	\$ 663,758	\$ 658,456	\$ (5,302)
Specific ownership taxes	46,463	46,463	45,746	(717)
Property taxes ARI	30,382	30,382	30,150	(232)
Specific ownership taxes ARI	2,084	2,084	2,094	10
Interest and other income	<u>10,000</u>	<u>10,000</u>	<u>593</u>	<u>(9,407)</u>
 Total Revenues	 <u>752,687</u>	 <u>752,687</u>	 <u>737,039</u>	 <u>(15,648)</u>
 EXPENDITURES				
Bond principal	500,000	7,405,000	7,405,000	-
Bond interest expense	290,075	216,236	198,324	17,912
Paying agent fees	1,980	-	-	-
ARI	32,010	31,796	31,796	-
Bond insurance	-	21,800	21,704	96
Bond issuance costs	-	210,500	210,275	225
Treasurer's fees	<u>10,412</u>	<u>10,412</u>	<u>10,330</u>	<u>82</u>
 Total Expenditures	 <u>834,477</u>	 <u>7,895,744</u>	 <u>7,877,429</u>	 <u>18,315</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(81,790)	(7,143,057)	(7,140,390)	2,667
 OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	6,255,000	6,255,000	-
Premium on bonds	<u>-</u>	<u>718,309</u>	<u>720,355</u>	<u>2,046</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>6,973,309</u>	 <u>6,975,355</u>	 <u>2,046</u>
 CHANGE IN FUND BALANCE				
	(81,790)	(169,748)	(165,035)	4,713
 FUND BALANCE				
BEGINNING OF YEAR	<u>255,043</u>	<u>255,043</u>	<u>250,330</u>	<u>(4,713)</u>
END OF YEAR	<u>\$ 173,253</u>	<u>\$ 85,295</u>	<u>\$ 85,295</u>	<u>\$ -</u>

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

SADDLE ROCK METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES AND PROPERTY TAXES COLLECTED

December 31, 2021

Year Ended	Prior Year Assessed Valuation for Current Year Property	Mills Levied			Total Property Tax		Percent Collected to Levied
		General	Debt	ARI Mills	Levied	Collected	
		Fund	Service				
<u>December 31,</u>	<u>Tax Levy</u>						
2005	\$ 21,506,520	5.000	38.000	0.000	\$ 924,780	\$ 921,293	99.62%
2006	\$ 22,148,700	5.000	38.000	0.000	\$ 952,394	\$ 952,271	99.99%
2007	\$ 22,324,900	5.000	38.000	0.000	\$ 959,971	\$ 958,056	99.80%
2008	\$ 24,932,460	5.000	32.000	0.000	\$ 922,501	\$ 916,008	99.30%
2009	\$ 25,278,600	5.000	32.000	0.000	\$ 935,308	\$ 935,468	100.02%
2010	\$ 23,079,460	5.000	32.000	0.000	\$ 853,940	\$ 853,909	100.00%
2011	\$ 23,289,960	5.000	32.000	0.000	\$ 861,729	\$ 859,690	99.76%
2012	\$ 20,497,520	5.000	35.000	0.000	\$ 819,901	\$ 819,370	99.94%
2013	\$ 20,513,250	5.000	35.000	0.000	\$ 820,530	\$ 819,965	99.93%
2014	\$ 20,494,360	5.000	35.000	0.000	\$ 819,774	\$ 819,404	99.95%
2015	\$ 20,623,185	6.000	35.000	0.000	\$ 845,551	\$ 845,552	100.00%
2016	\$ 24,100,067	9.000	31.500	0.000	\$ 976,053	\$ 975,904	99.98%
2017	\$ 24,609,426	12.000	29.500	0.000	\$ 1,021,291	\$ 1,021,349	100.01%
2018	\$ 27,097,829	13.500	28.000	1.000	\$ 1,124,560	\$ 1,123,958	99.95%
2019	\$ 27,158,364	13.500	28.000	1.000	\$ 1,127,072	\$ 1,127,067	100.00%
2020	\$ 30,113,707	16.000	24.000	1.007	\$ 1,235,084	\$ 1,234,972	99.99%
2021	\$ 30,170,830	18.000	22.000	1.007	\$ 1,207,044	\$ 1,227,760	101.72%
Estimated for year ending December 31, 2022	\$ 32,046,605	20.000	19.000	1.007	\$ 1,249,818		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.