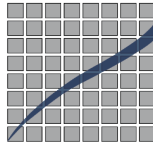


ARABIAN ACRES METROPOLITAN DISTRICT
TELLER COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	i
BASIC FINANCIAL STATEMENTS	
Statements of net position	1
Statements of revenues, expenses, and changes in net position	2
Statements of cash flows	3
Notes to financial statements	5
SUPPLEMENTARY INFORMATION	
Schedule of revenues and expenditures – budget compared to actual - budgetary basis	21
Reconciliation of amounts from US GAAP basis to budgetary basis	22



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arabian Acres Metropolitan District
Florissant, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of Arabian Acres Metropolitan District ("District"), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2022 and 2021, respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within 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 opinion. 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 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 District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 19, 2023

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

<u>ASSETS</u>	2022	2021
Current assets:		
Cash and investments	\$ 739,213	\$ 568,979
Cash and investments - restricted	99,400	106,400
Receivable from County Treasurer	912	871
Accounts receivable, net	36,323	11,313
Property taxes receivable	138,645	142,292
Total current assets	1,014,493	829,855
Non-current assets:		
Capital assets, net	4,142,509	4,191,649
Total non-current assets	4,142,509	4,191,649
Total assets	<u>\$ 5,157,002</u>	<u>\$ 5,021,504</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,168	\$ 10,800
Accrued interest payable	7,427	7,427
Current maturities of bonds and notes payable	125,328	119,791
Total current liabilities	151,923	138,018
Non-current liabilities:		
Bonds and notes payable, net of current portion	2,016,170	2,161,608
Total non-current liabilities	2,016,170	2,161,608
Total liabilities	2,168,093	2,299,626
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property taxes	138,645	142,292
Total deferred inflows of resources	138,645	142,292
<u>NET POSITION</u>		
Invested in capital assets, net	2,202,319	2,141,767
Restricted for:		
Debt service	89,500	97,000
Emergency reserve	9,900	9,400
Unrestricted	548,545	331,419
Total net position	2,850,264	2,579,586
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,157,002</u>	<u>\$ 5,021,504</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 356,440	\$ 288,483
Other operating revenues	8,486	8,620
<u>Total operating revenues</u>	<u>364,926</u>	<u>297,103</u>
<u>OPERATING EXPENSES</u>		
Depreciation	49,140	49,131
District management	54,998	55,000
Fees, dues, and subscriptions	8,942	8,955
Insurance	13,970	14,838
ORC fees	39,873	40,800
Other expenses	9,646	8,826
Professional fees	16,546	13,839
Purchased services	7,425	14,300
Repairs and maintenance	56,245	38,053
Utilities	9,159	9,416
<u>Total operating expenses</u>	<u>265,944</u>	<u>253,158</u>
<u>Operating income</u>	<u>98,982</u>	<u>43,945</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property taxes	142,106	124,189
Specific ownership taxes	14,501	13,475
County Treasurer fees	(4,066)	(3,525)
Grant revenues	70,800	166,133
Interest income	6,780	269
Interest expense	(58,425)	(57,672)
<u>Net non-operating revenues</u>	<u>171,696</u>	<u>242,869</u>
<u>Change in net position</u>	<u>270,678</u>	<u>286,814</u>
<u>Net position, beginning of year</u>	<u>2,579,586</u>	<u>2,292,772</u>
<u>Net position, end of year</u>	<u>\$ 2,850,264</u>	<u>\$ 2,579,586</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from user fees and surcharges	\$ 339,916	\$ 323,366
Cash paid for goods and services	(208,436)	(534,089)
Net cash flows from operating activities	131,480	(210,723)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from general and specific tax revenues	152,500	128,741
Grant proceeds	70,800	166,133
Net cash flows from non-capital financing activities	223,300	294,874
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisitions and construction of capital assets	-	(222,981)
Proceeds from issuance of debt	-	242,808
Payments on bonds and notes payable	(139,901)	(120,469)
Accrued interest payable	-	(2,458)
Interest expense	(58,425)	(57,672)
Net cash flows from capital and related financing activities	(198,326)	(160,772)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	6,780	269
Net cash flows from investing activities	6,780	269
Net change in cash and investments	163,234	(76,352)
Cash and investments, beginning of year	675,379	751,731
Cash and investments, end of year	<u>\$ 838,613</u>	<u>\$ 675,379</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 98,982	\$ 50,452
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	49,140	49,131
Decrease (increase) in operating assets:		
Accounts receivable, net	(25,010)	19,756
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	8,368	(330,062)
Net cash flows from operating activities	<u>\$ 131,480</u>	<u>\$ (210,723)</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. DEFINITION OF REPORTING ENTITY

Arabian Acres Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in October 2003, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Teller County, Colorado ("County"). The District was organized for the purpose of acquiring the water system for the use and benefit of the District's residents, taxpayers, and property owners; and for providing for the design, purchase, operation, maintenance, and extension of the water system. The District may provide additional services or facilities that may be provided by a metropolitan district, within and outside the District's boundaries, in accordance with its service plan.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Budgets

In accordance with state budget law, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The 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 appropriation is at the total fund expenditures level and lapses at year end.

Cash and investments

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable of the District consist of water sales receivable. Accounts receivable are unsecured and are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2022 and 2021, management considers accounts receivable to be fully collectable and no allowance for doubtful accounts has been recorded.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 and attaches as an enforceable lien 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, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of the tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable taxes, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected. All property tax revenues are pledged for bond repayment.

Capital assets

Capital assets, which include property, equipment and water distribution systems, are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets as follows:

Water distribution system and equipment	40 years
---	----------

Maintenance and repairs are expensed as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as non-operating revenue or expense.

Water rights

The cost of water rights includes acquisition cost and legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one item that qualifies for reporting in this category. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets, and are recorded as incurred.

Net position

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 and 2021, are classified in the accompanying financial statements as follows:

	2022	2021
Cash and investments	\$ 739,213	\$ 568,979
Cash and investments - restricted	99,400	106,400
	\$ 838,613	\$ 675,379

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2022 and 2021, are as follows:

	2022	2021
Deposits with financial institutions	\$ 484,983	\$ 358,828
Investments	353,630	316,551
	\$ 838,613	\$ 675,379

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Deposits with financial institutions

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

As of December 31, 2022, the District's cash deposits had a bank balance of \$482,601 and a book balance of \$484,983. As of December 31, 2021, the District's cash deposits had a bank balance of \$360,395 and a book balance of \$358,828.

Investments

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

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

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 353,630</u>

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 316,551</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

COLOTRUST EDGE, a variable net asset value ("NAV") local government investment pool, offers weekly liquidity and is managed to approximate a \$10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is as follows:

	Balance 01-01-22	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12-31-22
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in progress	2,516,673			2,516,673
Total capital assets, not being depreciated	<u>2,790,261</u>	<u>-</u>	<u>-</u>	<u>2,790,261</u>
Capital assets, being depreciated:				
Water distribution system and equipment	1,965,264	-	-	1,965,264
Total capital assets, being depreciated	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Less accumulated depreciation:				
Water distribution system and equipment	(563,876)	(49,140)	-	(613,016)
Total accumulated depreciation	<u>(563,876)</u>	<u>(49,140)</u>	<u>-</u>	<u>(613,016)</u>
Capital assets, net	<u>\$4,191,649</u>	<u>\$ (49,140)</u>	<u>\$ -</u>	<u>\$ 4,142,509</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Capital asset activity for the year ended December 31, 2021, is as follows:

	Balance 01-01-21	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12-31-21
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in progress	<u>2,400,792</u>	<u>115,881</u>	<u>-</u>	<u>2,516,673</u>
Total capital assets, not being depreciated	<u>2,674,380</u>	<u>115,881</u>	<u>-</u>	<u>2,790,261</u>
Capital assets, being depreciated:				
Water distribution system and equipment	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Total capital assets, being depreciated	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(514,745)</u>	<u>(49,131)</u>	<u>-</u>	<u>(563,876)</u>
Total accumulated depreciation	<u>(514,745)</u>	<u>(49,131)</u>	<u>-</u>	<u>(563,876)</u>
Capital assets, net	<u><u>\$4,124,899</u></u>	<u><u>\$ (49,131)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,191,649</u></u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$49,140 and \$49,131, respectively.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	<u>Balance 01-01-22</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12-31-22</u>	<u>Due Within One Year</u>
General obligation bonds					
Series 2007					
Bonds	\$ 970,000	\$ -	\$ 75,000	\$ 895,000	\$ 80,000
Subtotal	<u>970,000</u>	<u>-</u>	<u>75,000</u>	<u>895,000</u>	<u>80,000</u>
Other debt					
NRWA Note					
Payable	36,777	-	10,123	26,654	10,432
CWCB Note					
Payable	194,739	-	20,085	174,654	-
CWRD Note					
Payable	<u>1,079,883</u>	<u>-</u>	<u>34,693</u>	<u>1,045,190</u>	<u>34,896</u>
Subtotal	<u>1,311,399</u>	<u>-</u>	<u>64,901</u>	<u>1,246,498</u>	<u>45,328</u>
Total long-term obligations	<u><u>\$ 2,281,399</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 139,901</u></u>	<u><u>\$ 2,141,498</u></u>	<u><u>\$ 125,328</u></u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The following is a summary of long-term debt of the District during the year ended December 31, 2021:

	<u>Balance 01-01-21</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12-31-21</u>	<u>Due Within One Year</u>
General obligation bonds					
Series 2007					
Bonds	\$ 1,040,000	\$ -	\$ 70,000	\$ 970,000	\$ 75,000
Subtotal	<u>1,040,000</u>	<u>-</u>	<u>70,000</u>	<u>970,000</u>	<u>75,000</u>
Other debt					
NRWA Note Payable	47,408	-	10,631	36,777	10,098
CWCB Note Payable	214,460	-	19,721	194,739	-
CWRD Note Payable	<u>857,192</u>	<u>242,808</u>	<u>20,117</u>	<u>1,079,883</u>	<u>34,693</u>
Subtotal	<u>1,119,060</u>	<u>242,808</u>	<u>50,469</u>	<u>1,311,399</u>	<u>44,791</u>
Total long-term obligations	<u>\$ 2,159,060</u>	<u>\$ 242,808</u>	<u>\$ 120,469</u>	<u>\$ 2,281,399</u>	<u>\$ 119,791</u>

Series 2007 Bonds

On April 4, 2007, the District issued \$1,425,000 of water revenue refunding bonds ("Series 2007 Bonds") secured by water revenues and property tax revenue; \$455,000 were issued as serial bonds and \$970,000 were issued as term bonds. The serial bonds carried interest rates of 4.05% to 4.40% per annum and matured between December 1, 2014 and December 1, 2021. The term bonds carry interest rate of 5.00% per annum and mature on December 1, 2030. The term bonds are subject to mandatory sinking fund redemption in prescribed amounts before the maturity dates.

The District is required to maintain a debt service reserve account to be used for the payment of principal and interest of the Series 2007 Bonds in the event that the District has not provided the trustee with sufficient funds to make the required payment.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Events of default for the bonds

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

- i. Payment of the principal on any bond is not made by the District when due.
- ii. Payment of the interest on any bond is not made by the District when due.
- iii. The District defaults in the performance of any other of its material covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 50% in aggregate principal amount of the bonds then outstanding.
- iv. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the trustee may protect and enforce the rights of any owner by proper legal or equitable remedy deemed most effectual including, without limitation, mandamus, specific performance of any covenants, injunctive relief, or requiring the board of directors to act as if it were the trustee of an express trust, or any combination of such remedies; provided however, that acceleration of any payments due with respect to any bond shall not be a remedy available to the owner of any such bond.

The District's long-term obligations on the Series 2007 Bonds mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 80,000	\$ 44,750	\$ 124,750
2024	85,000	40,750	125,750
2025	85,000	36,500	121,500
2026	90,000	32,250	122,250
2027-2030	<u>555,000</u>	<u>81,500</u>	<u>636,500</u>
	<u>\$ 895,000</u>	<u>\$ 235,750</u>	<u>\$ 1,130,750</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NRWA note payable

On August 1, 2015, the District entered into a loan in the amount of \$94,701 in order to ensure an adequate water supply. The note payable to National Rural Water Association Revolving Loan Fund ("NRWA") is due in monthly installments of \$924 with a stated interest rate of 3.00% per annum, maturing on July 1, 2025. The note is secured with an interest in the assets of the District in the amount of the principal balance.

Following is a summary of the District's future debt service requirements of the NRWA note payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,432	\$ 684	\$ 11,116
2024	10,749	367	11,116
2025	<u>5,473</u>	<u>64</u>	<u>5,537</u>
	<u>\$ 26,654</u>	<u>\$ 1,115</u>	<u>\$ 27,769</u>

CWCB note payable

On July 9, 2019, the District entered into a note payable with the Colorado Water Conservation Board ("CWCB") for up to \$214,460. The note bears interest at 1.85% per annum and is secured by an interest in the revenues of the District. Draws on this note are made as expenses are incurred and repayment is required on or before the maturity date May 1, 2030. Accordingly, no summary of future debt service is provided.

CWRD note payable

On June 15, 2020, the District entered into a loan with Colorado Water Resources & Power Development Authority ("CWRD") in the amount of \$1,500,000 to rehabilitate the existing distribution system, construct a new storage tank, and improve the existing storage and treatment facilities. The note payable is due in full on or before the maturity date November 1, 2050, with a stated interest rate of 0.5% per annum. The loan includes \$400,000 in principal forgiveness upon issuance.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Following is a summary of the District's future debt service requirements of the CWRD note payable:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 34,896	\$ 5,153	\$ 40,049
2024	35,041	4,992	40,033
2025	35,216	4,803	40,019
2026	35,393	4,627	40,020
2027	35,570	4,449	40,019
2028 - 2032	180,538	19,577	200,115
2033 - 2037	185,102	14,994	200,096
2038 - 2042	189,782	10,309	200,091
2043 - 2047	194,580	5,504	200,084
2048 - 2052	119,072	947	120,019
	<u>\$1,045,190</u>	<u>\$ 75,355</u>	<u>\$ 1,120,545</u>

6. NET POSITION

The District has net position consisting of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2022 and 2021, the District had an investment in capital assets, net of related debt calculated as follows:

	<u>2022</u>	<u>2021</u>
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 4,142,509	\$ 4,191,649
Revenue bonds and note payable	<u>(1,940,190)</u>	<u>(2,049,882)</u>
Invested in capital assets, net of related debt	<u>\$ 2,202,319</u>	<u>\$ 2,141,767</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Restricted assets include net assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2022 and 2021, as follows:

	2022	2021
Restricted net position:		
Debt service (Note 5)	\$ 89,500	\$ 97,000
Emergency reserve (Note 8)	9,900	9,400
Total restricted net position	\$ 99,400	\$ 106,400

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital, net of related debt or restricted net assets.

7. RISK MANAGEMENT

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

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

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

8. TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

Management believes the District 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 likely require judicial interpretation.

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

ARABIAN ACRES METROPOLITAN DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL – BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>OPERATING REVENUES</u>			
Water sales	\$ 306,000	\$ 331,430	\$ 25,430
Other operating revenues	-	8,486	8,486
Total revenues	306,000	339,916	33,916
<u>OPERATING EXPENDITURES</u>			
Contingency	22,000	-	22,000
District management	54,000	54,998	(998)
Fees, dues, and subscriptions	10,600	8,942	1,658
Insurance	8,000	13,970	(5,970)
ORC fees	48,000	39,873	8,127
Other expenses	30,000	9,646	20,354
Professional fees	18,000	16,546	1,454
Purchased services	10,000	7,425	2,575
Repairs and maintenance	30,000	56,245	(26,245)
Utilities	12,500	9,159	3,341
Total operating expenditures	243,100	216,804	26,296
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>			
Property taxes	142,292	142,106	(186)
Specific ownership taxes	9,960	14,501	4,541
County Treasurer's fees	(4,269)	(4,066)	203
Grant revenue	-	70,800	70,800
Interest income	-	6,780	6,780
Interest expense	(54,847)	(58,425)	(3,578)
Debt principal payments	(143,480)	(139,901)	3,579
Total non-operating revenues and expenditures	(50,344)	31,795	82,139
Excess of revenue over expenditures - budgetary basis	\$ 12,556	\$ 154,907	\$ 142,351

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

The accompanying supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 21 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2022 is presented below.

Total revenue per financial statements (operating and non-operating revenue)		\$ 599,113
Less:		
Revenue accruals and non-cash adjustments for the year ended December 31, 2022		(25,010)
Total actual revenue and receipts per the budget		\$ 574,103
Total expenses and capital expenditures per financial statements		\$ 328,435
Add:		
Principal payments on long-term debt		139,901
Less:		
Depreciation expense		(49,140)
Total actual expenses and capital expenditures per the budget		\$ 419,196

See independent auditor's report.