

**SERRATOGA FALLS METROPOLITAN
DISTRICT NO. 1**

TOWN OF TIMNATH, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2022



Crady, Puca & Associates

Certified Public Accountants & Consultants

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
TOWN OF TIMNATH, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Serratoga Falls Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Serratoga Falls Metropolitan District No. 1 as of and for the year ended December 31, 2022, and related notes to the financial statements, which collectively comprise Serratoga Falls Metropolitan District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Serratoga Falls Metropolitan District No. 1 as of December 31, 2022, and the respective changes in financial position and the respective budgetary comparison for the General and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Serratoga Falls Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Serratoga Falls Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Serratoga Falls Metropolitan District No. 1'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 Serratoga Falls Metropolitan District No. 1'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 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, 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Serratoga Falls Metropolitan District No. 1's basic financial statements. The individual fund budgetary comparison schedule on page 22 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The individual budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 individual fund budgetary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crady, Puca & Associates

Aurora, Colorado
November 10, 2024

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Statement of Net Position
December 31, 2022

	Total Governmental Activities
Assets:	
Cash and investments	\$ 7,495
Cash and investments - restricted	74,101
Due from county treasurer	8
Accounts receivable-homeowners	7,288
Property tax receivable	6,705
Intergovernmental receivable	16,493
Developer receivable	1,004,391
Prepays	307
Capital assets:	
Non-depreciable	12,424,093
Depreciable	2,608,542
Total assets	16,149,423
Liabilities:	
Accounts payable	716,229
Retainage payable	1,004,391
Developer payable	74,608
Accrued interest	420,178
Bonds and notes payable:	
Due within one year	-
Due in more than one year	11,665,627
Total liabilities	13,881,033
Deferred inflows of resources:	
Unavailable revenue - prepaid assessments	1,543
Unavailable revenue - property tax	6,705
Total deferred inflows of resources	8,248
Net position:	
Net investment in capital assets	3,367,008
Restricted for emergencies	8,368
Restricted for capital projects	74,101
Unrestricted	(1,189,335)
Total net position	\$ 2,260,142

The accompanying notes are an integral part of this financial statement.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Statement of Activities
For the Year Ended December 31, 2022

	Total Governmental Activities
Expenditures:	
Governmental activities:	
Audit and legal	\$ 80,687
Management and accounting services	55,188
Design review fees	3,550
Electric	30,747
Landscape maintenance and repairs	222,923
Irrigation and drainage system repairs	21,318
Utility locates	7,434
Water assessments	7,106
Recreational lease	6,055
Office and administration	2,117
Insurance	8,633
Treasurer fees	30
Depreciation expense	144,251
Interest expense	286,539
Total expenditures	<u>876,578</u>
Program Revenues:	
Irrigation water fees	113,601
Total program revenues	<u>113,601</u>
Net program income (expense)	(762,977)
General Revenues:	
Property tax revenue	1,506
Specific ownership tax	108
Tap fees	74,068
Intergovernmental revenue	99,183
Fees and fines	8,084
Interest income	522
Total general revenues	<u>183,471</u>
Change in net position	(579,506)
Net position, beginning of year	<u>2,839,648</u>
Net position, end of year	<u><u>\$ 2,260,142</u></u>

The accompanying notes are an integral part of this financial statement.

FUND FINANCIAL STATEMENTS

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Balance Sheet
Governmental Funds
December 31, 2022

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Assets:				
Cash and investments	\$ 2,384	\$ -	\$ 5,111	\$ 7,495
Cash and investments - restricted	-	74,101	-	74,101
Due from county treasurer	8	-	-	8
Accounts receivable-homeowners	4,100	-	3,188	7,288
Property tax receivable	6,705	-	-	6,705
Intergovernmental receivable	-	-	16,493	16,493
Developer receivable	-	1,004,391	-	1,004,391
Due from other funds	15,807	-	-	15,807
Prepays	42	-	265	307
Total assets	\$ 29,046	\$ 1,078,492	\$ 25,057	\$ 1,132,595
Liabilities:				
Accounts payable	\$ 147,114	\$ 558,266	\$ 10,849	\$ 716,229
Retainage payable	-	1,004,391	-	1,004,391
Developer payable	-	74,608	-	74,608
Due to other funds	-	15,807	-	15,807
Total liabilities	147,114	1,653,072	10,849	1,811,035
Deferred inflows of resources				
Unavailable revenue - prepaid assessments	-	-	1,543	1,543
Unavailable revenue - property tax	6,705	-	-	6,705
Total deferred inflows of resources	6,705	-	1,543	8,248
Fund balance:				
Nonspendable	42	-	265	307
Restricted for emergencies	4,469	-	3,899	8,368
Committed for special revenue fund	-	-	8,501	8,501
Unassigned	(129,284)	(574,580)	-	(703,864)
Total fund balance	(124,773)	(574,580)	12,665	(686,688)
Total liabilities, deferred inflows of resources, and fund balance	\$ 29,046	\$ 1,078,492	\$ 25,057	\$ 1,132,595

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ (686,688)
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	15,032,635
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(12,085,805)
Net position of governmental activities	\$ 2,260,142

The accompanying notes are an integral part of this financial statement.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues:				
Property tax	\$ 1,506	\$ -	\$ -	\$ 1,506
Specific ownership tax	108	-	-	108
Irrigation water fees and rental	-	-	113,601	113,601
Tap fees	-	74,068	-	74,068
Intergovernmental revenue	83,790	-	15,393	99,183
Fees and fines	7,475	-	609	8,084
Interest income	65	94	363	522
Total revenues	92,944	74,162	129,966	297,072
Expenditures:				
Current:				
General government:				
Audit and legal	80,687	-	-	80,687
Management and accounting services	45,906	-	9,282	55,188
Design review fees	3,550	-	-	3,550
Electric	2,318	-	28,429	30,747
Landscape contract	172,125	-	-	172,125
Landscape maintenance and repairs	50,798	-	-	50,798
Irrigation and drainage system repairs	-	-	21,318	21,318
Utility locates	-	-	7,434	7,434
Water assessments	-	-	7,106	7,106
Recreational lease	6,055	-	-	6,055
Office and administration	1,938	160	19	2,117
Insurance	8,633	-	-	8,633
Treasurer fees	30	-	-	30
Capital Outlay:	-	11,789,410	-	11,789,410
Total expenditures	372,040	11,789,570	73,588	12,235,198
Excess of revenue over (under) expenditures	(279,096)	(11,715,408)	56,378	(11,938,126)
Other financing sources (uses):				
Developer advances	56,028	10,890,632	-	10,946,660
Transfers in (out)	64,950	50	(65,000)	-
Total other financing sources (uses)	120,978	10,890,682	(65,000)	10,946,660
Net change in fund balance	(158,118)	(824,726)	(8,622)	(991,466)
Fund balance, beginning of year	33,345	250,146	21,287	304,778
Fund balance, end of year	\$ (124,773)	\$ (574,580)	\$ 12,665	\$ (686,688)

The accompanying notes are an integral part of this financial statement.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2022

	Total Governmental Funds
	<hr/>
Net change in fund balance of the governmental funds	\$ (991,466)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or ultimately conveyed to other governmental entities.	11,645,159
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. The amount is the net effect of these differences in the treatment of long-term debt.	(10,946,660)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<u>(286,539)</u>
Change in net position of governmental activities	<u><u>\$ (579,506)</u></u>

The accompanying notes are an integral part of this financial statement.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:				
Property tax	\$ 1,506	\$ 1,506	\$ 1,506	\$ -
Specific ownership tax	90	108	108	-
Intergovernmental revenue	82,973	83,790	83,790	-
Fees and fines	5,000	7,475	7,475	-
Interest income	-	65	65	-
Total revenues	<u>89,569</u>	<u>92,944</u>	<u>92,944</u>	<u>-</u>
Expenditures:				
Current:				
General government:				
Audit and legal	35,000	88,187	80,687	7,500
Management and accounting services	42,000	45,906	45,906	-
Design review fees	5,000	3,450	3,550	(100)
Electric	5,000	2,318	2,318	-
Landscape contract	183,823	172,125	172,125	-
Landscape maintenance and repairs	65,000	49,244	50,798	(1,554)
Irrigation and drainage system repairs	6,400	-	-	-
Water assessments	9,000	-	-	-
Recreational lease	5,828	6,055	6,055	-
Office and administration	1,632	1,938	1,938	-
Election	7,500	-	-	-
Insurance	8,487	8,633	8,633	-
Treasurer fees	30	30	30	-
Contingency	1,000	1,000	-	1,000
Total expenditures	<u>375,700</u>	<u>378,886</u>	<u>372,040</u>	<u>6,846</u>
Excess of revenues over (under) expenditures	<u>(286,131)</u>	<u>(285,942)</u>	<u>(279,096)</u>	<u>6,846</u>
Other financing sources (uses):				
Developer advance	221,201	223,000	56,028	(166,972)
Transfer in	67,930	64,950	64,950	-
Total other financing sources (uses)	<u>289,131</u>	<u>287,950</u>	<u>120,978</u>	<u>(166,972)</u>
Net change in fund balance	3,000	2,008	(158,118)	(160,126)
Fund balance, beginning of year	<u>58,365</u>	<u>21,113</u>	<u>33,345</u>	<u>12,232</u>
Fund balance, end of year	<u>\$ 61,365</u>	<u>\$ 23,121</u>	<u>\$ (124,773)</u>	<u>\$ (147,894)</u>

The accompanying notes are an integral part of this financial statement.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
For the Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
Revenues:				
Irrigation water fees and rental	\$ 113,868	\$ 113,601	\$ 113,601	\$ -
Intergovernmental revenue	19,000	20,000	15,393	(4,607)
Fees and fines	-	609	609	-
Interest income	-	363	363	-
Total revenues	<u>132,868</u>	<u>134,573</u>	<u>129,966</u>	<u>(4,607)</u>
Expenditures:				
Current:				
General government:				
Management and accounting services	3,000	3,000	9,282	(6,282)
Electric	24,000	28,429	28,429	-
Irrigation and drainage system repairs	12,000	30,290	21,318	8,972
Utility locates	10,000	7,434	7,434	-
Water assessments	15,000	8,206	7,106	1,100
Office and administration	-	19	19	-
Contingency	1,000	1,000	-	1,000
Total expenditures	<u>65,000</u>	<u>78,378</u>	<u>73,588</u>	<u>4,790</u>
Excess of revenues over (under) expenditures	<u>67,868</u>	<u>56,195</u>	<u>56,378</u>	<u>183</u>
Other financing sources (uses):				
Transfer in (out)	(67,930)	(65,000)	(65,000)	-
Total other financing sources (uses)	<u>(67,930)</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
Net change in fund balance	<u>(62)</u>	<u>(8,805)</u>	<u>(8,622)</u>	<u>183</u>
Fund balance, beginning of year	<u>18,805</u>	<u>21,289</u>	<u>21,287</u>	<u>(2)</u>
Fund balance, end of year	<u>\$ 18,743</u>	<u>\$ 12,484</u>	<u>\$ 12,665</u>	<u>\$ 181</u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the Serratoga Falls Metropolitan District No. 1 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). 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 such significant policies consistently applied in the preparation of the financial statements.

Reporting Entity

The District was formed in May 2006, under State of Colorado Statutes as a quasi-municipal corporation and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized concurrently with Serratoga Falls Metropolitan Districts No. 2 and 3 (District Nos. 2-3), collectively referred to as the Districts. The Districts' service area is located in Larimer County, Colorado. The Districts were formed to provide public improvements to be dedicated to the Town of Timnath, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts.

The District was established as the operating district with District No. 2 and No. 3 originally established as the financing districts. In April 2016, District No. 2 amended and restated, in part, the original service plan with an Amended and Restated Service Plan. District No. 2 will now operate and maintain services for the public improvements constructed for the use and benefits of taxpayers of District No. 2. Also, in April 2016, the Town approved an Amended and Restated Service Plan for the District and District No. 3 and in 2021 the Town approved an Amendment to the Amended and Restated Service Plan (2021 Amended Service Plan). Under the amended service plans, the District, as the operating district, was to organize, finance, construct, own, manage and operate the public improvements for the service area. District No. 3, as the financing district, was to provide funding for financing the construction, operation and maintenance of certain public improvements.

The District complies with GASB accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. It defines component units as legally separate entities for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency. The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity as defined by GASB.

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

Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the District which are financed primarily by property taxes, tap fees, intergovernmental revenues and charges for services.

1. **Summary of Significant Accounting Policies (continued)**

Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general and program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include 1) fees or charges to citizens and other governmental entities that receive or directly benefit from services provided by a given function or program, and 2) grants, contributions and other revenues that are restricted to use in the operational or capital requirements of a specific function or program. Other revenues not directly related to a particular function or program, if any, are reported separately as general revenues. The District does not have proprietary or fiduciary funds.

The fund financial statements provide information about the government's funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current *financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 *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 available if they are collected within 60 days of the end of the current fiscal period with the exception of irrigation water fees and fines. Irrigation water fees and fines are recognized when the fee is billed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The District reports the following major governmental funds:

General Fund – is the District's primary operating fund. It accounts for all financial resources of the District not accounted for in another fund.

Capital Projects Fund – accounts for all financial resources that are restricted, committed or assigned to expenditures for capital projects, including the acquisition or construction of infrastructure cost or other capital assets.

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Special Revenue Fund – accounts for committed fees received from customers for the non-potable irrigation system required to be used for the operation and maintenance of the irrigation system and ground maintenance or any other budgeted general fund expense.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at yearend are reported as due to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/(out). As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

Investments held in the local government investment pool are reported at net asset value as allowed under US GAAP.

The District may at times follow the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by regulations or other agreements, all cash is deposited and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements may be pooled for deposit and flexibility. As applicable, investment earnings are allocated periodically.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. At December 31, 2022, the District did not hold any investments required to be reported under fair value.

Receivables

Accounts receivable-homeowners consist of homeowner irrigation and other miscellaneous fees due at December 31, 2022. The District considers all accounts receivable-homeowners collectible at December 31, 2022.

Intergovernmental receivables consist of funds due from District No. 2 to operate and maintain public improvements in the service area as part of an intergovernmental agreement, Note 4.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Property Taxes

Property taxes are levied annually and attach as an enforceable lien on property as of January 1. At the option of the taxpayer, property taxes may be paid in full or in two equal installments. The first of such installment is to be paid as of February 28 and the second installment is to be paid no later than June 15. If elected to be paid in full, the amount is to be paid no later than April 30. If payments are not made timely, delinquent interest accrues. If the taxes are not paid within subsequent statutory periods, the property tax lien will be sold at public auction. The County bills and collects the property taxes and remits collections to the District on a monthly basis. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Property 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. These amounts are recorded as revenue in the subsequent year when they are available or collected.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include items such as non-potable water systems, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Capital expenditures for projects are capitalized as constructed.

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities. Capital assets are depreciated using the straight-line method over the estimated useful lives of 20 years for the non-potable irrigation system.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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. In the current year, the District did not have any items in this reporting category.

1. **Summary of Significant Accounting Policies (continued)**

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net 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 frame. In the current year, the District has two items that qualify for reporting in this category, unavailable revenue-prepaid assessments and unavailable revenue - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Leases

The District determines if an arrangement is or contains a lease at inception. Leases are recognized as a lease liability and an intangible right-to-use lease asset (leased assets) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. Leased assets are reported as other capital assets and lease liabilities are reported with long-term debt in the statement of net position. Short-term leases are leases with a maximum contract of 12 months or less and are recognized as outflows of resources based on the payment provisions of the lease contract.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classes of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not spendable in form which include items such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the District's Board of Directors, the District's highest level of decision-making authority.

Assigned fund balance. This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. At December 31, 2022, the District has not adopted a policy designating District personnel to determine amounts that may be assigned.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance (continued)

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. Although not included in a formal policy, the District considers decreases in fund balance to first reduce committed, then assigned, and then unassigned balances, in that order.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Interfund Receivables, Payables and Transfers

At December 31, 2022, the outstanding balances between the general fund and capital projects fund in the amount of \$15,807 is the result of the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

During 2022, the District made a transfer from the special revenue fund to the general fund in the amount of \$64,950 and to the capital fund in the amount of \$50 to pay for a portion of general costs such as insurance, annual audit, SDA membership and operating expenses paid by the general fund and special revenue fund.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with US GAAP. State law requires the District to adopt annual appropriated budgets for all funds. The District conforms to the following procedures, in compliance with Colorado Revised Statutes, in establishing the budgetary data reflected in the financial statements:

On or before October 15 of each year, the District's accountant submits to the Board of Directors a recommended budget which details the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopts the proposed budget and an appropriating resolution, which legally appropriates expenditures for the upcoming year.

Prior to December 15, the District computes and certifies to the County Commissioners a rate of levy that derives the necessary property taxes as computed in the proposed budget. The budget and the appropriating resolution are adopted prior to December 15.

After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated revenues in the budget; (c) it may approve emergency appropriations; and (d) it may approve the reduction of appropriations for which originally estimated revenues are insufficient. The budget is only amended in conformity with Colorado Revised Statutes which allows the District to amend the budget and adopt a supplementary appropriation if money for a specific purpose, other than ad valorem taxes, becomes available to meet a contingency.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

TABOR Amendment - Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined 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 also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants and sales of assets). The District has reserved a portion of its December 31, 2022 year-end fund balance in the General Fund and Special Revenue Fund for emergencies as required under TABOR totaling \$4,469 and 3,899, respectively, which is the approximate required reserve for each fund at December 31, 2022.

2. Stewardship, Compliance, and Accountability (continued)

TABOR Amendment - Revenue and Spending Limitation Amendment (continued)

On May 2, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all current levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the provisions of TABOR, as it is currently understood. However, TABOR is complex and subject to interpretation. Many of the provisions may not become fully understood without judicial review.

3. Detailed Notes on the Funds

Deposits and Investments

At December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 7,495
Cash and investments - restricted	74,101
	<u>\$ 81,596</u>

At December 31, 2022, the District held \$81,596 in deposits at financial institutions.

Cash Deposits

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 of the uninsured public deposits as a group. The market value of the collateral must be at a minimum of 102% of the aggregate uninsured deposits.

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

Investments

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. At December 31, 2022, the District does not hold any investments.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2022

3. Detailed Notes on the Funds (continued)

Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 634,683	\$ 11,789,410	\$ -	\$ 12,424,093
Capital assets, not being depreciated	<u>634,683</u>	<u>11,784,410</u>	<u>-</u>	<u>12,424,093</u>
Capital assets being depreciated:				
Non-potable irrigation system	2,885,023	-	-	2,885,023
Capital assets being depreciated	<u>2,885,023</u>	<u>-</u>	<u>-</u>	<u>2,885,023</u>
Less: accumulated depreciation				
Non-potable irrigation system	(132,230)	(144,251)	-	(276,481)
Total accumulated depreciation	<u>(132,230)</u>	<u>(144,251)</u>	<u>-</u>	<u>(247,481)</u>
Capital assets being depreciated, net	<u>2,752,793</u>	<u>(144,251)</u>	<u>-</u>	<u>2,608,542</u>
Capital assets, net	<u>\$ 3,387,476</u>	<u>\$ 11,645,159</u>	<u>\$ -</u>	<u>\$ 15,032,635</u>

Depreciation expense of \$144,251 was charged to general government.

Long-Term Obligations

Changes in long-term obligations for the year ended December 31, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings:					
Developer advances	\$ 718,967	\$ 10,946,660	\$ -	\$ 11,665,627	\$ -
Governmental activities long-term debt	<u>\$ 718,967</u>	<u>\$ 10,946,660</u>	<u>\$ -</u>	<u>\$ 11,665,627</u>	<u>\$ -</u>

Authorized Debt

At December 31, 2022, the Districts had total authorized debt of \$320 million of which \$11,665,627 has been issued, leaving an authorized but unissued balance of \$308,334,373. Under the Amendment to the Amended Service Plan, the District has a total authorized debt of \$25,000,000, of which \$11,665,627 has been issued by the District, leaving an authorized but unissued balance of \$13,334,373, not including debt refinancing.

3. Detailed Notes on the Funds (continued)

Developer Advance

On May 3, 2018, the District, acting on behalf of District No. 3, and Kitchel Lake Partners, LLC (Developer) entered into an Advance, Acquisition and Reimbursement Agreement (Reimbursement Agreement) for the purpose of understanding the commitment between the District, District No. 3 and the Developer related to the funding and repayment of certain costs including but not limited to reimbursable costs. The Reimbursement Agreement allows for the District to request and for the Developer to pay for the public improvements and any management, operating and administrative expenses if the District has insufficient funds. The Developer shall have no obligation to make an advance. Interest under this agreement shall commence at the date of transfer of the public improvements to the District or the date of the advance at 7% per annum. The District's obligation under this agreement shall terminate at the earlier of repayment in full or December 31, 2057, whichever occurs first.

On January 5, 2021 the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement between the District, District No. 3 and the Developer and Serratoqa Falls, LLC (SFLLC) the former Developer (Amended Reimbursement Agreement) for the purposes of understanding the commitment between the District, District No. 3 and the Developer related to the funding and repayment of certain costs including but not limited to reimbursable costs. The Amended Reimbursement Agreement replaced the Reimbursement Agreement in its entirety with respect to the District No. 3.

At December 31, 2022, unpaid accrued interest under the developer advances amounted to \$420,178.

4. Agreements

Inter-District Intergovernmental Agreement – District No. 3

In 2015, the District and District No. 3 entered into an Inter-District Intergovernmental Agreement (Inter-District IGA) for the purpose of implementation of their service plan. The Inter-District IGA established the operating and financing districts' responsibilities noting that District No. 1, as the operating district, owned, operated and maintained all public improvements in the service area. Additionally, District No. 3, as the Financing District, shall assign revenues from all sources to the operating district.

In April 2022, the District and District No. 3 entered into a Memorandum of Understanding (MOU) as a temporary agreement to be replaced by a permanent Amended and Restated Intergovernmental Agreement (Future IGA) to be negotiated by and between the Districts after the May 2022 election.

The MOU was entered into to set forth the basic rights and responsibilities of the District and District No. 3 due to reconfiguration of the Districts as set forth in the 2021 Amendment to the Amended Service Plan for District No. 1 and No. 3 (2021 Amended Service Plan). Under the 2021 Amended Service Plan, the District is expected to include residential and commercial taxable property, and each district is generally responsible to provide its own services and tax properties within its own boundaries to generate revenue.

4. Agreements (continued)

Inter-District Intergovernmental Agreement – District No. 3 (continued)

After reconfiguration, both the District and District No. 3 will be individually responsible for design, acquisition, installation, construction, relocating, funding, financing, operations, and maintenance of public improvements within each respective district. Each District will operate and maintain the public improvements it respectively owns. The District will own and control the non-potable water system. Certain non-potable water system improvements will be owned and maintained by District No. 3.

Each District will be responsible for payment of 50% of the annual fee under the Recreational Improvements Agreement between the District and Kitchell Reservoir Company, see Note 5. The District will operate and maintain any recreational improvements which are anticipated to include a community pool, clubhouse, dock and/or watercraft storage. The District will invoice District No. 3 for amounts due under this agreement.

The District did not enter into a final agreement with District No. 3 until May 2023, see Note 9. At December 31, 2022, revenue assigned to the District from District No. 3 amounted to \$82,973. No amounts were due to the District under this agreement.

Inter-District Intergovernmental Agreement – District No. 2

In 2016, the District and District No. 2 terminated their prior Inter-District Agreement dated July 31, 2006. Under the new Intergovernmental Agreement (2016 IGA), the District is no longer the operating District as it relates to District No. 2. Under the 2016 IGA, District No. 2 has agreed to pay a percentage of shared costs for the Pump House. Pump House costs include the operation and maintenance costs of all pumps as outlined in the agreement.

On August 31, 2022, the District and District No. 2 entered into a First Amendment to Intergovernmental Agreement (Amended IGA) between the District and District No. 2 to amend the 2016 IGA to revise the responsibilities for maintenance of certain areas as outlined in the agreement and to update the method for calculating and paying for non-potable irrigation water.

Under the Amended IGA, District No. 2 has agreed to continue to pay a percentage of shared costs for the Pump House, however, these costs will be determined based on a new allocation percentage to include the actual volume of non-potable water used by District No. 2 up to a maximum of 50 acre-feet per year. Amounts in excess of 50 acre-feet per year will be billed as outlined in the Amended IGA.

Additionally, in order to properly track actual volume used, District No. 2 shall pay for the installation of water meters. After installation, ownership of such meters, shall be transferred to the District and thereafter owned and maintained by the District. District No. 2 will be responsible for reimbursing the District for costs associated with maintenance of such meters.

District No. 2 shall have access to Kitchell Reservoir upon payment of 14.44% of the annual lease price for the year of access, but must notify the District no later than November 15 of the prior year. District No. 2 did not elect access during 2022.

At December 31, 2022, amounts under this agreement amounted to \$15,393, all of which is due to the District at December 31, 2022 and is included in intergovernmental receivable.

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Notes to Financial Statements
December 31, 2022

5. Short-term Leases

In July 2015, the District entered into a recreational use agreement with Kitchell Reservoir Company to lease the recreational rights associated with Kitchell Reservoir. The agreement expires in 2025 with the option to renew for two additional ten-year periods. Both parties have the right to terminate the agreement at any time. Rent under the agreement is \$5,000 annually and increases each year by the greater of 2% or the percentage change in the general consumer price index for all items for the preceding full calendar year.

Future minimum lease payments under the lease agreement is as follows:

Year Ended December 31, 2023	\$ 6,176
2024	6,299
Total	<u>\$ 12,475</u>

Short-term lease cost under this agreement for 2022 amounted to \$6,055.

6. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the 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 official's liability, 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. During the year ended December 31, 2022, the Pool has made no distributions nor required additional contributions from the District.

7. Related Party

All members of the Board of Directors are associated with the Developer and may have conflicts of interest in dealing with the District. The District has a funding agreement with the Developer as noted in Note 3 and entered into additional agreements with the Developer subsequent to yearend, see Note 9. Management believes that all potential conflicts, if any, have been disclosed to the Board.

8. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. Explanation of the reconciling items is as follows:

Capital assets of \$15,309,116 less accumulated depreciation of \$276,481 or a net book value of \$15,032,635 are not financial resources and therefore are not reported in the funds.

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. The details of this difference are as follows:

Developer advances	\$ (11,665,627)
Accrued interest on developer advances	(420,178)
Net adjustment	<u>\$ (12,085,805)</u>

Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. Explanation of the reconciling items is as follows:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or ultimately conveyed to other governmental entities. The details of this difference is as follows:

Capital outlay	\$ 11,789,410
Depreciation expense	(144,251)
Net adjustment	<u>\$ 11,645,159</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. The details of this difference is as follows:

Developer advances	<u>\$ (10,946,660)</u>
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Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference is as follows:

Interest on long-term debt	<u>\$ (286,539)</u>
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9. Subsequent Events

In May 2023, the District and District No. 3 entered into an Amended and Restated Inter-District Intergovernmental Agreement (Amended IGA) to amend and restate in their entirety the original Inter-District IGA and MOU. Under the Amended IGA, the District and District No. 3 shall be individually responsible for design, acquisition, installation, construction, installation, relocation, funding, financing, operation, and maintenance of public improvements within each respective district except as outlined in the agreement.

Each District will operate and maintain the public improvements it respectively owns. The District will own and control the non-potable water system. Certain non-potable water system improvements will be owned and maintained by District No. 3. Each District will be responsible for payment of 50% of the annual fee under the Recreational Improvements Agreement between the District and Kitchell Reservoir Company.

In connection with the Amended IGA, in May 2023, the District also entered into an Agreement and Release Agreement with District No. 3 and Kitchel Lake Partners, LLC and Kitchel Lake Development Corporation (collectively the "Developers"). The District, as the operating district, incurred costs associated with the operations of District No. 3. As the District is no longer the operating district for District No. 3, the Developers will pay the District \$181,940 for expenses incurred by the District on behalf of District No. 3. This amount shall not be repaid by the District or District No. 3. Upon receipt of the payment from the Developers, District No. 3 shall release the Developers of any and all obligations to District No. 3 with regard to public improvements and the District shall release District No. 3 with regard to any obligations to reimburse the District for costs paid on behalf of District No. 3 as the operating district through the date of the agreement.

On November 16, 2023, the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement for Public Improvements between the District, the Developer, Kitchel Lake F3, LLC ("KLF3 LLC"), and Kitchel Lake F3 Development Corporation ("F3 Development") to amend and restate the Reimbursement Agreement to acknowledge boundary changes and the corresponding changes in responsibilities between the District and District No. 3. as well as the assignment to Front Range Securities LLC (the "Investor") of any and all rights which they have or may claim reimbursement from the District.

On December 20, 2023, the District issued private placement drawn down bonds with a related party in the amount of \$25,000,000. Upon debt issuance, the District drew \$14,567,000 of the available balance which included amounts used to pay off developer debt. The bonds are cash flow bonds with an interest rate of 7.5% on \$16,245,000 and 7.57% on \$8,755,000. The bonds mature December 1, 2063 and December 15, 2063, respectively and are secured by required mill levy, specific ownership tax, and any other monies determined by the District.

SUPPLEMENTARY INFORMATION

SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final
Revenues:			
Tap fees	\$ 706,822	\$ 74,068	\$ (632,754)
Interest	-	94	94
Total revenues	<u>706,822</u>	<u>74,162</u>	<u>(632,660)</u>
Expenditures:			
Current:			
General government:			
Tap fees	706,822	-	706,822
Office and administration	-	160	(160)
Capital outlay:	20,000,000	11,789,410	8,210,590
Total expenditures	<u>20,706,822</u>	<u>11,789,570</u>	<u>8,917,252</u>
Excess of revenues over (under) expenditures	(20,000,000)	(11,715,408)	8,284,592
Other financing sources (uses):			
Developer advances	20,000,000	10,890,632	(9,109,368)
Transfer in	-	50	50
Total other financing sources (uses)	<u>20,000,000</u>	<u>10,890,682</u>	<u>(9,109,318)</u>
Net change in fund balance	-	(824,726)	(824,726)
Fund balance, beginning of year	176	250,146	249,970
Fund balance, end of year	<u>\$ 176</u>	<u>\$ (574,580)</u>	<u>\$ (574,756)</u>

The accompanying notes are an integral part of this financial statement.