

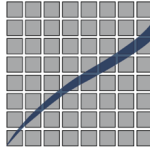
**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Senac South Metropolitan District No. 1
Arapahoe County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Senac South Metropolitan District No. 1 ("District"), as of and for the year ended December 31, 2022, 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 governmental activities and each major fund of the District as of December 31, 2022, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements

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 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 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 the 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 the 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 24, 2023

BASIC FINANCIAL STATEMENTS

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 42,215
Cash and Investments - Restricted	44,600,026
Prepaid Expense	4,000
Property Taxes Receivable	496
Total Assets	44,646,737
LIABILITIES	
Accounts Payable	29,406
Noncurrent Liabilities:	
Due in More Than One Year	48,224,529
Total Liabilities	48,253,935
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	496
Total Deferred Inflows of Resources	496
NET POSITION	
Restricted for:	
Capital Projects	44,600,017
Debt Service	4,009
Unrestricted	(48,211,720)
Total Net Position	\$ (3,607,694)

See accompanying Notes to Basic Financial Statements.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 68,938	\$ -	\$ -	\$ (68,938)	
Interest and Related Costs on Long-Term Debt	2,426,043	-	-	(2,426,043)	
Total Governmental Activities	\$ 2,494,981	\$ -	\$ -	(2,494,981)	
 GENERAL REVENUES					
				722,553	
Interest Income				10	
Property Taxes				1	
Specific Ownership Taxes				722,564	
Total General Revenues					
 CHANGE IN NET POSITION					
				(1,772,417)	
Net Position - Beginning of Year				(1,835,277)	
 NET POSITION - END OF YEAR					
				\$ (3,607,694)	

See accompanying Notes to Basic Financial Statements.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 42,215	\$ -	\$ -	\$ 42,215
Cash and Investments - Restricted	-	9	44,600,017	44,600,026
Prepaid Expense	-	4,000	-	4,000
Property Taxes Receivable	89	407	-	496
Total Assets	\$ 42,304	\$ 4,416	\$ 44,600,017	\$ 44,646,737
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 29,406	\$ -	\$ -	\$ 29,406
Total Liabilities	29,406	-	-	29,406
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	89	407	-	496
Total Deferred Inflows of Resources	89	407	-	496
FUND BALANCES				
Restricted:				
Capital Projects	-	-	44,600,017	44,600,017
Debt Service	-	4,009	-	4,009
Unassigned:				
General Government	12,809	-	-	12,809
Total Fund Balances	12,809	4,009	44,600,017	44,616,835
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 42,304	\$ 4,416	\$ 44,600,017	

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

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(45,155,000)
Developer Advances	(246,110)
Accrued Interest Payable - Bonds	(2,724,746)
Accrued Interest Payable - Developer Advances	(98,673)

Net Position of Governmental Activities

\$ (3,607,694)

See accompanying Notes to Basic Financial Statements.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 2	\$ 8	\$ -	\$ 10
Specific Ownership Taxes	-	1	-	1
Net Investment Income	-	-	722,553	722,553
Total Revenues	<u>2</u>	<u>9</u>	<u>722,553</u>	<u>722,564</u>
EXPENDITURES				
Current:				
Accounting	40,246	-	-	40,246
Audit	3,850	-	-	3,850
Bond Issuance Costs	-	-	22,528	22,528
Dues and Licenses	307	-	-	307
Election Expense	2,235	-	-	2,235
Insurance and Bonds	2,979	-	-	2,979
Legal Services	17,921	-	-	17,921
Paying Agent Fees	-	4,000	-	4,000
Website	1,400	-	-	1,400
Total Expenditures	<u>68,938</u>	<u>4,000</u>	<u>22,528</u>	<u>95,466</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(68,936)	(3,991)	700,025	627,098
OTHER FINANCING SOURCES (USES)				
Developer Advance	94,877	-	-	94,877
Total Other Financing Sources (Uses)	<u>94,877</u>	<u>-</u>	<u>-</u>	<u>94,877</u>
NET CHANGE IN FUND BALANCES	25,941	(3,991)	700,025	721,975
Fund Balances - Beginning of Year	<u>(13,132)</u>	<u>8,000</u>	<u>43,899,992</u>	<u>43,894,860</u>
FUND BALANCES - END OF YEAR	<u>\$ 12,809</u>	<u>\$ 4,009</u>	<u>\$ 44,600,017</u>	<u>\$ 44,616,835</u>

See accompanying Notes to Basic Financial Statements.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 721,975

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

The issuance of long-term debt provides current financial resources to government funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Developer Advances (94,877)

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.

Accrued Interest Payable - Bonds - Change in Liability (2,388,301)

Accrued Interest Payable - Developer Advances - Change in Liability (11,214)

Change in Net Position of Governmental Activities \$ (1,772,417)

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 2	\$ 2	\$ 2	\$ -
Total Revenues	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
EXPENDITURES				
Accounting	20,000	41,000	40,246	754
Audit	5,000	4,000	3,850	150
Contingency	5,002	5,000	-	5,000
Dues and Licenses	-	350	307	43
Election Expense	2,500	2,500	2,235	265
Insurance and Bonds	5,000	3,000	2,979	21
Legal Services	20,000	18,000	17,921	79
Website	-	1,400	1,400	-
Total Expenditures	<u>57,502</u>	<u>75,250</u>	<u>68,938</u>	<u>6,312</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(57,500)	(75,248)	(68,936)	6,312
OTHER FINANCING SOURCES (USES)				
Developer Advance	57,500	100,000	94,877	(5,123)
Total Other Financing Sources (Uses)	<u>57,500</u>	<u>100,000</u>	<u>94,877</u>	<u>(5,123)</u>
NET CHANGE IN FUND BALANCE				
	-	24,752	25,941	1,189
Fund Balance - Beginning of Year	<u>-</u>	<u>(13,132)</u>	<u>(13,132)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 11,620</u>	<u>\$ 12,809</u>	<u>\$ 1,189</u>

See accompanying Notes to Basic Financial Statements.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Senac South Metropolitan District No. 1 (the District) a quasi-municipal corporation and political subdivision of the state of Colorado was formed on November 22, 2005 concurrently with the organization of Senac South Metropolitan District No. 2 (District No. 2), Senac South Metropolitan District No. 3 (District No. 3), and Senac South Metropolitan District No. 4 (District No. 4 and together with the District, District No. 2 and District No. 3, the Districts). The Districts are governed by the Colorado Special District Act and other applicable statutes governing political subdivisions. The District's service area is located entirely within the City of Aurora (the City), in Arapahoe County, Colorado. The Districts were organized to work cooperatively to provide financing for the design, acquisition, installation, and construction of streets, traffic and safety controls, water, sanitary sewer, parks and recreation, public transportation, mosquito control and security services and related operation and maintenance services within and without the boundaries of the District.

As a condition of the Service Plan Approval, the District agreed to enter into an Intergovernmental Agreement (IGA) with the City and the Districts. Under the provisions of the IGA the Districts have to impose a mill levy as defined in the Districts' Service Plan as the Aurora Regional Improvements Mill Levy (ARI Mill Levy). None of the Districts' debt service mill levy can exceed 50.000 mills, as adjusted, for any portion of the Districts' debt which exceeds 50.00% of the Districts' assessed valuation (Mill Levy Cap).

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and assessments. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

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

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

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District amended its annual budget for the year ended December 31, 2022.

Pooled Cash and Investments

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

Property Taxes

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

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

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

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

Equity

Net Position

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

Fund Balance

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

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

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 42,215
Cash and Investments - Restricted	44,600,026
Total Cash and Investments	<u>\$ 44,642,241</u>

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 42,223
Investments	44,600,018
Total Cash and Investments	<u>\$ 44,642,241</u>

Deposits with Financial Institutions

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

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

At December 31, 2022, the District’s cash deposits had a bank balance and a carrying balance of \$42,223.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

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

As of December 31, 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>\$ 44,600,018</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (Continued)

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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+ is rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAf/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District holds all its investments in the COLOTRUST PLUS+ portfolio.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance - December 31, 2021	Additions	Retirements	Balance - December 31, 2022	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable:					
Series 2021A ₍₃₎	\$ 45,155,000	\$ -	\$ -	\$ 45,155,000	\$ -
Series 2021A ₍₃₎ - Accrued Interest	336,445	2,388,301	-	2,724,746	-
Total Bonds Payable	45,491,445	2,388,301	-	47,879,746	-
Other Obligations:					
Developer Advances - Operating	151,233	94,877	-	246,110	-
Accrued Interest - Operating	87,459	11,214	-	98,673	-
Total Long-Term Obligations	<u>\$ 45,730,137</u>	<u>\$ 2,494,392</u>	<u>\$ -</u>	<u>\$ 48,224,529</u>	<u>\$ -</u>

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

The details of the District's general obligation bonds outstanding during 2022 are as follows:

General Obligation Limited Tax Bonds, Series 2021⁽³⁾ (the Bonds)

Bond Proceeds

The District issued the Bonds on November 10, 2021, in the par amount of \$45,155,000. Proceeds from the sale of the Bonds are intended for (i) paying a portion of the costs of capital infrastructure improvements or reimbursing the landowner for the advancement of those costs, to the extent of available proceeds; and (ii) paying costs of issuance of the Bonds.

Details of the Bonds

The Bonds bear interest at 5.250% per annum and are payable annually on December 1, beginning on December 1, 2021, but only to the extent of available Pledged Revenue. The Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of available Pledged Revenue.

The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the maturity date. Unpaid interest on the Bonds compounds annually on December 1. In the event any amounts due and owing on the Bonds remain outstanding on December 2, 2061, such amounts shall be extinguished and no longer due and outstanding.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Events of Default

The Bonds contain a provision regarding certain events of default. Upon the occurrence of an Event of Default, the Trustee shall be entitled to receivership, suit for judgement, mandamus or other suit. Events of default occur if the District fails or refused to impose the Required Mill Levy or to apply the Pledged revenue as required, defaults in performance or observance of any of the covenants, agreements or conditions of the Indenture or Bond Resolution, or if the District files a petition for bankruptcy.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the Required Mill Levy; (b) the Capital Fees; (c) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The District is required to impose a Required Mill Levy upon all taxable property of the District each year in the amount of 50.000 mills (subject to adjustment for changes in the method of calculating assessed valuation on or after January 1, 2004) less the number of mills needed to pay any unlimited mill levy debt, or such lesser mill levy which is sufficient to pay all of the principal of and interest on the Bonds in full. The Required Mill Levy is net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

Capital Fees means all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District for services, programs, or facilities furnished by the District, whether now in effect or imposed in the future, including particularly and without limitation, the Capital Facilities Fee.

Restricted Account

Proceeds of the Bonds in the amount of \$2,300,000 were deposited to the Restricted Account of the Project Fund upon closing. Upon the receipt by the District or the Landowner of a No Further Action Letter from the state or such other governmental authorities having jurisdiction over such matters, the Trustee is to transfer all amounts from within the Restricted Account to the Unrestricted Account. The balance in the Restricted Account as of December 31, 2022 is \$2,337,999.

Bonds Debt Service

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

The District authorized the incurrence of debt at an election held on November 1, 2005. At December 31, 2022, the District had authorized but unissued indebtedness of the following amount allocated for the following purposes:

	Authorized November 1, 2005 Election	Authorized November 2, 2021 Election	Authorization Used Series 2021A ₍₃₎ Bonds	Remaining Authorization
Fire Protection	\$ 66,000,000	\$ 55,000,000	\$ -	\$ 121,000,000
Intergovernmental	-	55,000,000	-	55,000,000
Mosquito Control	66,000,000	55,000,000	-	121,000,000
Operations/Maintenance	-	55,000,000	-	55,000,000
Park and Recreation	66,000,000	55,000,000	8,538,680	112,461,320
Private Agreement	-	55,000,000	-	55,000,000
Refunding	66,000,000	550,000,000	-	616,000,000
Safety Protection	66,000,000	55,000,000	-	121,000,000
Sanitation/Storm	66,000,000	55,000,000	13,769,582	107,230,418
Security Services	66,000,000	55,000,000	-	121,000,000
Special Assessment	-	55,000,000	-	55,000,000
Street	66,000,000	-	17,231,210	48,768,790
Street Improvement	-	55,000,000	-	55,000,000
Transportation	66,000,000	55,000,000	-	121,000,000
TV Relay	66,000,000	55,000,000	-	121,000,000
Water	66,000,000	55,000,000	5,615,528	115,384,472
Total	<u>\$ 726,000,000</u>	<u>\$ 1,320,000,000</u>	<u>\$ 45,155,000</u>	<u>\$ 2,000,845,000</u>

Funding and Reimbursement Agreement

Effective October 25, 2006 and amended and restated on September 9, 2021, the District and ACJ Partnership entered into a Funding and Reimbursement Agreement. Per the Funding and Reimbursement Agreement, the District acknowledged the Developer has incurred expenses that are subject to reimbursement. ACJ Partnership agrees to Advance the District \$50,000 per annum, not to exceed the Maximum Loan Amount of \$150,000, through December 31, 2023 (Loan Termination Date). The Loan Termination Date will automatically extend one year unless written noticed is provided. Advances made by the Developer shall accrue interest at 6.00% simple interest per annum from the date any such advance is made to the earlier of the date the District issues evidence of an obligation to repay advances (Reimbursement Obligations) or the date of repayment in full. Payments by the District to ACJ Partnership shall first be applied to unpaid interest and then to outstanding principal due. The term for repayment of any Reimbursement Obligation shall not extend beyond 20 years from the date of the Agreement.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Public Improvements Acquisition and Reimbursement Agreement

Effective November 1, 2021, the District, Richmond American Homes of Colorado and the Developer entered into a Public Improvements Acquisition and Reimbursement Agreement. Pursuant to the Public Improvements Acquisition and Reimbursement Agreement, the District shall reimburse the Developer for Certified District Eligible Costs and Payment Advances. Accepted Certified District Eligible Costs, excluding Payment Advances, shall bear simple interest at a rate of the 30-year Municipal Market Data (MMD) "AAA" General Obligation Yield Curve +325 bps per annum from the effective date of the related Acceptance Resolution. Payment Advances shall also accrue at the same rate previously mentioned but from the date of deposit into the Districts account from the Developer. The Districts obligation under this Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or 20 years from the date of execution.

NOTE 5 RELATED PARTY

All of the members of the Board of Directors of the District are employees, owners or are otherwise associated with ACJ Partnership and Alpert Corporation (the Developer) and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. Also, the Developer has various agreements with the District.

NOTE 6 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 7 AGREEMENTS

Capital Facilities Fee

The District imposes a Capital Facilities Fee in the amount of \$2,500 for each residential unit within the District. The Capital Facilities Fee is payable at the time a building permit is issued by the County for a residential unit. The Capital Facilities Fee revenue is pledged to the payment of the Bonds. For the fiscal year ending December 31, 2022, the District did not collect any Capital Facilities Fee.

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2022**

NOTE 8 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

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

	Governmental Activities
Restricted Net Position:	
Capital Projects Fund	\$ 44,600,017
Debt Service	4,009
Total Restricted Net Position	\$ 44,604,026

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The District has a deficit in unrestricted net position as of December 31, 2022. This deficit amount is the result of a portion of Bond proceeds being restricted to Capital Projects per the terms of the Bonds.

NOTE 9 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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 (the 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, public officials' liability, and workers' compensation 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.

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 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.

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3.00% 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.

At the Election, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR and also authorized the District to increase property taxes by up to \$2,000,000 annually.

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

SUPPLEMENTARY INFORMATION

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 8	\$ 8	\$ -
Specific Ownership Taxes	1	1	-
Net Investment Income	3,991	-	(3,991)
Total Revenues	<u>4,000</u>	<u>9</u>	<u>(3,991)</u>
EXPENDITURES			
Paying Agent Fees	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total Expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(3,991)	(3,991)
Fund Balance - Beginning of Year	<u>-</u>	<u>8,000</u>	<u>8,000</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 4,009</u></u>	<u><u>\$ 4,009</u></u>

**SENAC SOUTH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 46,208	\$ 722,553	\$ 676,345
Total Revenues	<u>46,208</u>	<u>722,553</u>	<u>676,345</u>
EXPENDITURES			
Accounting	30,000	-	30,000
Insurance and Bonds	-	22,528	(22,528)
Capital Outlay	45,873,440	-	45,873,440
Contingency	46,208	-	46,208
Engineering	75,000	-	75,000
Legal Services	30,000	-	30,000
Organization Costs	100,000	-	100,000
Repay Developer Advance	100,000	-	100,000
Total Expenditures	<u>46,254,648</u>	<u>22,528</u>	<u>46,232,120</u>
NET CHANGE IN FUND BALANCE	(46,208,440)	700,025	46,908,465
Fund Balance - Beginning of Year	<u>46,208,440</u>	<u>43,899,992</u>	<u>(2,308,448)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 44,600,017</u>	<u>\$ 44,600,017</u>

OTHER INFORMATION

SENAC SOUTH METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2022
UNAUDITED

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Total Property Taxes		Percent Collected to Levied
		General	Debt Service	ARI	Levied	Collected	
2018	\$ 145	-	-	-	\$ -	\$ -	- %
2019	145	-	-	-	-	-	-
2020	145	-	-	-	-	-	-
2021	145	-	-	-	-	-	-
2022	145	11.133	55.664	1.113	10	9	90.00
Estimated for the Year Ending December 31, 2023	\$ 6,671	12.205	61.027	1.220	\$ 496		

NOTE: Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. Information received from the County Treasurer does not permit identification of specific year of assessment.