

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023**

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Board of Directors
Dawson Trails Metropolitan District No. 1
Douglas County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Dawson Trails Metropolitan District No. 1 (the "District"), as of and for the year ended December 31, 2023, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Dawson Trails Metropolitan District No. 1 as of December 31, 2023, and the respective changes in financial position and the respective 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 (GAAP), 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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 the management's discussion and analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, 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, accordingly, we do not express an opinion or provide any assurance on them.

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.



Wipfli LLP
Denver, Colorado

November 1, 2024

BASIC FINANCIAL STATEMENTS

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 87,330
Cash and Investments - Restricted	1,119,643
Prepaid Insurance	20,377
Receivable from County Treasurer	33
Property Tax Receivable	4,939
Due from County Treasurer	533
Capital Assets:	
Capital Assets Not Being Depreciated	<u>3,411,777</u>
Total Assets	<u>4,644,632</u>
LIABILITIES	
Accounts Payable	1,234,858
Retainage Payable	160,889
Payroll Liabilities Payable	1,178
Noncurrent Liabilities:	
Due Within One Year	<u>3,332,278</u>
Total Liabilities	<u>4,729,203</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>4,939</u>
Total Deferred Inflows of Resources	<u>4,939</u>
NET POSITION	
Restricted for:	
Emergency Reserve	12,600
Unrestricted	<u>(102,110)</u>
Total Net Position	<u><u>\$ (89,510)</u></u>

See accompanying Notes to Basic Financial Statements.

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

FUNCTIONS/PROGRAMS	Program Revenues			Net Position
Primary Government:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in
Governmental Activities:	Expenses	-	-	Governmental Activities
General Government	\$ 504,229	\$ 8,249	\$ 11,001	\$ (484,979)
Interest on Long-Term Debt and Related Costs	<u>107,278</u>	<u>-</u>	<u>-</u>	<u>(107,278)</u>
Total Governmental Activities	<u>\$ 611,507</u>	<u>\$ 8,249</u>	<u>\$ 11,001</u>	<u>(592,257)</u>
 GENERAL REVENUES				
Property Taxes				5,563
Specific Ownership Taxes				516
Remaining Proceeds From 1992 Refunding Bonds				389,128
Interest Income				5,397
Other Revenue				135
Total General Revenues and Transfers				<u>400,739</u>
 CHANGES IN NET POSITION				
Net Position - Beginning of Year				<u>102,008</u>
NET POSITION - END OF YEAR				<u><u>\$ (89,510)</u></u>

See accompanying Notes to Basic Financial Statements.

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

ASSETS	General	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 87,330	\$ -	\$ 87,330
Cash and Investments - Restricted	12,600	1,107,043	1,119,643
Receivable from County Treasurer	33	-	33
Property Tax Receivable	4,939	-	4,939
Due from Other Funds	220,013	-	220,013
Due from County Treasurer	533	-	533
Prepaid Insurance	20,377	-	20,377
	\$ 345,825	\$ 1,107,043	\$ 1,452,868
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 9,295	\$ 1,225,563	\$ 1,234,858
Retainage Payable	-	160,889	160,889
Due to Other Funds	-	220,013	220,013
Payroll Liabilities Payable	1,178	-	1,178
Total Liabilities	10,473	1,606,465	1,616,938
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	4,939	-	4,939
Total Deferred Inflows of Resources	4,939	-	4,939
FUND BALANCES			
Nonspendable:			
Prepaid Expense	20,377	-	20,377
Restricted for:			
Emergency Reserves	12,600	-	12,600
Capital Projects	-	(660,311)	(660,311)
Committed:			
Capital Projects	-	160,889	160,889
Assigned to:			
Subsequent Year's Expenditures	193,359	-	193,359
Unassigned	104,077	-	104,077
Total Fund Balances	330,413	(499,422)	(169,009)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 345,825	\$ 1,107,043	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

3,411,777

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

Developer Advance Payable

(3,332,278)

Net Position of Governmental Activities

\$ (89,510)

See accompanying Notes to Basic Financial Statements.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes	\$ 5,563	\$ -	\$ 5,563
Specific Ownership Taxes	516	-	516
Interest Income	5,397	-	5,397
Other Revenue	135	-	135
Billboard Revenue	8,249	-	8,249
Remaining Proceeds from 1992 Refunding Bonds	389,128	-	389,128
Intergovernmental Revenues	11,001	-	11,001
Total Revenues	419,989	-	419,989
EXPENDITURES			
Current:			
Accounting	40,874	2,448	43,322
County Treasurer's Fee	83	-	83
Directors' Fees	7,700	-	7,700
Dues And Membership	1,715	-	1,715
Insurance	22,318	-	22,318
District Management	25,241	-	25,241
Legal	80,346	15,287	95,633
Miscellaneous	8,930	-	8,930
Payroll Taxes	589	-	589
Election	3,788	-	3,788
Capital Projects:			
Bond Issue Costs	-	75,000	75,000
Engineering	-	294,910	294,910
Capital Outlay	-	3,411,777	3,411,777
Total Expenditures	191,584	3,799,422	3,991,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	228,405	(3,799,422)	(3,571,017)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	3,300,000	3,300,000
Total Other Financing Sources	-	3,300,000	3,300,000
NET CHANGE IN FUND BALANCES	228,405	(499,422)	(271,017)
Fund Balances - Beginning of Year	102,008	-	102,008
FUND BALANCES - END OF YEAR	\$ 330,413	\$ (499,422)	\$ (169,009)

See accompanying Notes to Basic Financial Statements.

**DAWSON TRAILS 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, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (271,017)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 3,411,777

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.

Developer Advance (3,300,000)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.

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 Developer Advance - Change in Liability (32,278)

Changes in Net Position of Governmental Activities \$ (191,518)

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Property Taxes	\$ 5,563	\$ 5,563	\$ 5,563	\$ -
Specific Ownership Taxes	501	501	516	15
Interest Income	1,500	1,500	5,397	3,897
Other Revenue	-	389,028	135	(388,893)
Billboard Revenue	30,000	30,000	8,249	(21,751)
Remaining Proceeds From 1992 Refunding Bonds	-	-	389,128	389,128
Intergovernmental Revenues	9,160	9,160	11,001	1,841
Total Revenues	<u>46,724</u>	<u>435,752</u>	<u>419,989</u>	<u>(15,763)</u>
EXPENDITURES				
Accounting	30,000	40,874	40,874	-
County Treasurer's Fee	83	83	83	-
Directors' Fees	-	-	7,700	(7,700)
Dues And Membership	2,500	1,715	1,715	-
Insurance	5,000	22,318	22,318	-
District Management	-	25,241	25,241	-
Legal	45,000	80,252	80,346	(94)
Miscellaneous	5,000	8,930	8,930	-
Payroll Taxes	-	-	589	(589)
Election	2,500	3,788	3,788	-
Contingency	9,918	66,799	-	66,799
Total Expenditures	<u>100,001</u>	<u>250,000</u>	<u>191,584</u>	<u>58,416</u>
NET CHANGE IN FUND BALANCE	(53,277)	185,752	228,405	42,653
Fund Balance - Beginning of Year	<u>109,159</u>	<u>-</u>	<u>102,008</u>	<u>102,008</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 55,882</u></u>	<u><u>\$ 185,752</u></u>	<u><u>\$ 330,413</u></u>	<u><u>\$ 144,661</u></u>

See accompanying Notes to Basic Financial Statements.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Dawson Trails Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado was organized under the name of Dawson Ridge Metropolitan District No. 1 by recorded order and decree of the District Court for Douglas County, Colorado in 1985. On November 18, 2022, the district changed its name to Dawson Trails Metropolitan District No. 1, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under an Amended and Restated Service Plan approved by the City on September 6, 2022. The District's service boundaries are located entirely within the Town of Castle Rock. The District is one of seven related districts: Dawson Trails Metropolitan Districts Nos. 1, 2, 3, 4, 5, 6 and 7 (the Districts). As of December 31, 2023, the Districts have the same membership of their respective Boards of Directors.

The District, pursuant to a coordinating agreement described below, is responsible for managing, implementing, and coordinating the financing, acquisition, construction, completion, operation and maintenance of all public infrastructure and services within Dawson Trails. The Financing Districts provide the funding for the improvements and the tax base needed to support ongoing operations of the Districts.

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

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 to any other organization, nor is the District a component unit of any other primary governmental entity.

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

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 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 government 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 intergovernmental revenues. 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 is 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 resources to be used for the acquisition and construction of capital equipment and facilities.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with Colorado's 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 budget for the year ending December 31, 2023.

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 the following year. The levy is normally set by December 15 by certification to the County Commissioners to assess the property tax obligation of 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 sales 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 unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include property and equipment, are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets.

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

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflow 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 assets 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.

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted and unrestricted.

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.

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 District’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, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 87,330
Cash and Investments - Restricted	1,119,643
Total Cash and Investments	\$ 1,206,973

Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 1,120,282
Investments	86,691
Total Cash and Investments	\$ 1,206,973

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.

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2023, the District's cash deposits had a bank and carrying balance of \$1,120,282.

Investments

The District has adopted an investment policy by which it follows state statutes regarding investments.

The District generally limits its concentration of investments to those 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, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 86,691
		<u>\$ 86,691</u>

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by FitchRatings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 3,411,777	\$ -	\$ 3,411,777
Total Capital Assets, Not Being Depreciated	-	3,411,777	-	3,411,777
 Governmental Activities				
Capital Assets, Net	\$ -	\$ 3,411,777	\$ -	\$ 3,411,777

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Debts:					
Developer Advance - Capital	\$ -	\$ 3,300,000	\$ -	\$ 3,300,000	\$ 3,300,000
Accrued Interest on:					
Developer Advance - Capital	-	32,278	-	32,278	32,278
Subtotal Debts	-	3,332,278	-	3,332,278	3,332,278
 Total Long-Term Obligations	 \$ -	 \$ 3,332,278	 \$ -	 \$ 3,332,278	 \$ 3,332,278

Authorized Debt

On May 3, 2022, a majority of the eligible electors of the District authorized the issuance of indebtedness in an amount not to exceed \$12,000,000,000 at an interest rate not to exceed 18%. At December 31, 2023, the District had authorized but unissued indebtedness of \$12,000,000,000:

Pursuant to the Amended Service Plan, the District is permitted to issue bonded indebtedness of up to \$1,062,390,000.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

Developer Advances

The District entered into a Funding and Reimbursement Agreement (Operations and Maintenance) with ACM Dawson Trails VIII JV, LLC (Developer), in 2022, for the purpose of funding certain operation and maintenance expenses (see Note 6).

The District entered into an Infrastructure Acquisition and Reimbursement Agreement with ACM Dawson Trails VIII JV, LLC (Developer), in 2022, for the purpose of funding certain capital expenditures (see Note 6).

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 DISTRICT AGREEMENTS

Master Intergovernmental Agreement

A Master Intergovernmental Agreement was entered into on October 19, 2022, by and among The town of Castle Rock, the District, District No. 2, District No. 3, District No. 4, District No. 5, District No. 6, and District No. 7 (MIA). The MIA acknowledges that District No. 1 shall provide for the financing, construction, design, operation, and maintenance of the Improvements, as well as the overall administration of the Districts and further acknowledges that the District has the authority to enter into agreement(s) and other obligations with the developer of the Property to provide for the financing of such services.

CVI Contribution Funding Agreement

A CVI Contribution Funding Agreement was entered into on October 9, 2023, by and among the District and the Town of Castle Rock (CFA). The CFA provides for the installation of a new interchange known as the Crystal Valley Interchange (CVI Project). The CVI Project costs are currently estimated at \$125,000,000 of which the District must fund \$50,000,000. As of December 31, 2023, the District has funded \$-0-. Following the issuance of the 2024 Bonds on May 16, 2024, the District has fully funded their portion of the CVI Project.

Funding and Reimbursement Agreement (Operations and Maintenance)

On October 19, 2022, the District and ACM Dawson Trails VIII JV, LLC (Developer) entered into the Funding and Reimbursement Agreement (Operations and Maintenance) (FRA). Pursuant to the FRA, the Developer agreed to advance funds (Developer Advance) up to \$100,000 towards the District's operations, maintenance and administrative expenses incurred for fiscal years 2023 and 2024. Simple interest shall accrue on each Developer Advance from the date of deposit into the District's account or from the date of direct payment by Developer, until paid in full Developer's obligation to make any Developer Advances expires on December 31, 2024. Any Developer Advance not reimbursed by the District to the Developer by December 31, 2042 shall be deemed to be forever discharged and satisfied in full. As of December 31, 2023 there were no amounts outstanding under this agreement.

Infrastructure Acquisition and Reimbursement Agreement

On October 19, 2022, the District and ACM Dawson Trails VIII, LLC (Developer) entered into the Infrastructure Acquisition and Reimbursement Agreement (IARA). Pursuant to the IARA, the District agreed to reimburse the Developer for related expenses, subject to cost verification and other terms of the IARA. The parties agreed that only completed phases of work shall be eligible for reimbursement by the District. The District agrees to acquire certain public infrastructure constructed or caused to be constructed by the Developer to be owned by the District. Any Construction Related Expenses not reimbursed by the District to the Developer by December 31, 2042 shall be deemed to be forever discharged and satisfied in full. At December 31, 2023, the advances had a balance of \$3,300,000 and accrued interest totaled \$32,278.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 NET POSITION

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

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulation of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 12,600
Total Restricted Net Position	\$ 12,600

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of expenses paid by advances from Developer.

NOTE 8 RELATED PARTY

The property within the District is being developed by ACM Dawson Trails VIII JV, LLC (Developer). The Developer has advanced funds to the District. The members of the Board of Directors of the District hold direct or indirect in the ACM Dawson Trails VIII JV, LLC or are otherwise associated with ACM Dawson Trails VIII JV, LLC and may have conflicts of interest in dealing with the District. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

NOTE 9 RISK MANAGEMENT

Except, as provided in the Colorado Governmental Immunity Act, the District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or natural disasters.

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 general and automobile liability, public officials, auto physical damage, and worker's compensation coverage. In the event aggregate 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.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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% 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.

On May 3 2022, the voters approved the District to increase property taxes \$50,000,000 annually for the purpose of paying the District's operations and maintenance expenses and \$550,000,000 for paying the costs associated with regional improvements as required (up to 74.044 mills), without regard to any spending, revenue raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or any other property tax limitation or law.

Additionally, the voters authorized the District to collect, retain and spend all revenues received by the District during 2022 and all subsequent years as voter-approved revenue changes without regard to any spending, revenue raising or other limitation.

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 and qualification as an Enterprise will require judicial interpretation.

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 11 REMAINING PROCEEDS FROM SERIES 1992 REFUNDING BONDS

On April 14, 1986, Dawson Trails Metropolitan District No. 1, formerly known as Dawson Ridge Metropolitan District No. 1, issued General Obligation Bonds Series 1986. According to the 1986 Indenture, the Series 1986 Bonds were general secured by ad valorem property taxes anticipated to be generated by Dawson Trails Metropolitan Districts 1-5, formerly known as Dawson Ridge Metropolitan Districts 1-5 and certain Facilities Development Fees to be paid by Bellamah, a prior Developer, under the Facilities Development Fees Agreement. Bellamah, a prior Developer, defaulted on its obligations under the Facility Development Fees Agreement and subsequently filed for Chapter 7 Bankruptcy. The owners of the Series 1986 Bonds received a cash payment from the unexpended proceeds of the 1986 Bonds equal to approximately \$0.35 per dollar of their claim. Dawson Trails Metropolitan District No. 1, formerly known as Dawson Ridge Metropolitan District No. 1, issued Limited Tax Refunding Bonds Series 1992 to refund the remaining Series 1986 Bonds in their entirety. According to the trustee for the Series 1992 Bonds, the Series 1992 Bonds were paid in full on October 1, 2022. According to the Developer, Bellamah is not associated with ACM Dawson Trails VIII JV, LLC.

On May 19, 2023, the District received remaining proceeds from the Series 1992 Refunding Bonds in the amount of \$389,028.49. On August 17, 2023, the District received remaining proceeds from the Series 1992 Refunding Bonds in the amount of \$99.70.

NOTE 12 SUBSEQUENT EVENT

On May 16, 2024, the District issued Limited Tax General Obligation Capital Appreciation Turbo Bonds, Series 2024 in the amount of \$237,990,000 value at final maturity date. The Bonds were issued as Capital Appreciation Turbo Bonds which accrete in value at an annual accretion rate of 7.000%, compounding semi-annually on each June 1 and December 1, commencing June 1, 2024, through December 1, 2031. The Bonds have no scheduled payments prior to the Final Maturity Date, December 1, 2031; however, the Bonds shall be subject to annual mandatory turbo redemption on December 1 of each year from available Pledged Revenue, if any, commencing on December 1, 2024.

On May 16, 2024, the District repaid the Developer \$3,332,278 for Developer Advances incurred from 2023.

SUPPLEMENTARY INFORMATION

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 300,000	\$ -	\$ (300,000)
Total Revenues	300,000	-	(300,000)
EXPENDITURES			
Paying Agent Fees	4,000	-	4,000
Contingency	46,000	-	46,000
Total Expenditures	50,000	-	50,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	250,000	-	(250,000)
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	8,579,000	-	(8,579,000)
Total Other Financing Sources (Uses)	8,579,000	-	(8,579,000)
NET CHANGE IN FUND BALANCE	8,829,000	-	(8,829,000)
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 8,829,000</u>	<u>\$ -</u>	<u>\$ (8,829,000)</u>

**DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 1,000,000	\$ -	\$ (1,000,000)
Total Revenues	1,000,000	-	(1,000,000)
EXPENDITURES			
Accounting	20,000	2,448	17,552
Legal	50,000	15,287	34,713
Bond Issue Costs	2,218,583	75,000	2,143,583
Engineering	35,000	294,910	(259,910)
Capital Outlay	75,000,000	3,411,777	71,588,223
Total Expenditures	77,323,583	3,799,422	73,524,161
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76,323,583)	(3,799,422)	72,524,161
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	(8,579,000)	-	8,579,000
Repay Developer Advance	(75,395,000)	-	75,395,000
Developer Advance	75,000,000	3,300,000	(71,700,000)
Bond Issuance - Series 2023	85,797,583	-	(85,797,583)
Total Other Financing Sources (Uses)	76,823,583	3,300,000	(73,523,583)
NET CHANGE IN FUND BALANCE	500,000	(499,422)	(999,422)
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 500,000</u>	<u>\$ (499,422)</u>	<u>\$ (999,422)</u>

OTHER INFORMATION

DAWSON TRAILS METROPOLITAN DISTRICT NO. 1
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended <u>December 31,</u>	Assessed Valuation	Total Mills Levied			Total Property Taxes		Percent Collected to Levied
		General Operations	Refund/ Abatement	Debt Service	Levied	Collected	
2019	\$ 68,100	45.000	0.000	0.000	\$ 3,065	\$ 3,065	100.00 %
2020	66,850	45.000	0.000	0.000	3,008	2,729	90.72
2021	77,050	45.000	4.840	0.000	3,840	3,840	100.00
2022	76,320	45.000	0.000	0.000	3,434	3,434	100.00
2023	75,130	74.044	0.000	0.000	5,563	5,563	100.00
Estimated for Year Ending December 31, 2024	\$ 66,710	74.044	0.000	0.000	\$ 4,939		

Note:
Property taxes shown as collected in any one year include collection of property taxes or abatements of property taxes assessed in prior years.
This presentation does not attempt to identify specific years of assessment.