

**FLYING HORSE METROPOLITAN
DISTRICT NO. 1**

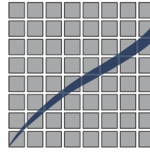
El Paso County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2023**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Flying Horse Metropolitan District No. 1

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Flying Horse Metropolitan District No. 1 ("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 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, 2023, 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 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
September 27, 2024

BASIC FINANCIAL STATEMENTS

FLYING HORSE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 6,445
Cash and Investments - Restricted	35,700
Prepaid Insurance	445
Due from Other Districts - District No. 2	120,000
Due from Other Districts - District No. 3	8,600
Property Tax Receivable	4,569
Capital Assets:	
Capital Assets Not Being Depreciated	11,336,982
Capital Assets Net of Depreciation	<u>1,469,457</u>
Total Assets	<u>12,982,198</u>
LIABILITIES	
Accounts Payable	61,369
Noncurrent Liabilities:	
Due in More Than One Year	<u>17,978,553</u>
Total Liabilities	<u>18,039,922</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>4,569</u>
Total Deferred Inflows of Resources	<u>4,569</u>
NET POSITION	
Net Investment in Capital Assets	507,592
Restricted for:	
Emergency Reserve	35,700
Unrestricted	<u>(5,605,585)</u>
Total Net Position	<u>\$ (5,062,293)</u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

		Program Revenues			Net Revenues (Expenses) and Changes 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	\$ 1,357,812	\$ -	\$ -	\$ -	
Interest on Long-Term Debt and Related Costs	880,961	-	-	-	
Total Governmental Activities	\$ 2,238,773	\$ -	\$ -	\$ -	
GENERAL REVENUES					
				916,607	
				200,411	
				1,117,018	
CHANGES IN NET POSITION					
				(1,121,755)	
				(3,940,538)	
NET POSITION - END OF YEAR					
				\$ (5,062,293)	

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,445	\$ -	\$ 6,445
Cash and Investments - Restricted	35,700	-	35,700
Due from other districts - District No. 2	120,000	-	120,000
Due from other districts - District No. 3	8,600	-	8,600
Prepaid Insurance	445	-	445
Property Tax Receivable	4,569	-	4,569
Total Assets	\$ 175,759	\$ -	\$ 175,759
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 61,369	\$ -	\$ 61,369
Total Liabilities	61,369	-	61,369
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	4,569	-	4,569
Total Deferred Inflows of Resources	4,569	-	4,569
FUND BALANCES			
Nonspendable:			
Prepaid Expense	445	-	445
Restricted for:			
Emergency Reserves	35,700	-	35,700
Unassigned	73,676	-	73,676
Total Fund Balances	109,821	-	109,821
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 175,759	\$ -	

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.
Capital Assets, Net

12,806,439

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

(17,978,553)

Net Position of Governmental Activities

\$ (5,062,293)

See accompanying Notes to Basic Financial Statements.

FLYING HORSE 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			
Intergovernmental Revenues - District No. 2	\$ 916,607	\$ -	\$ 916,607
Intergovernmental Revenues - District No. 3	200,411	-	200,411
Total Revenues	<u>1,117,018</u>	<u>-</u>	<u>1,117,018</u>
EXPENDITURES			
Current:			
Accounting	58,891	1,809	60,700
Auditing	17,475	-	17,475
Banking Fees	62	-	62
District Management	11,902	-	11,902
Dues And Membership	2,558	-	2,558
Election	52,774	-	52,774
Engineering	-	37,541	37,541
Insurance	34,713	-	34,713
Legal	79,511	-	79,511
Litigation	172,391	-	172,391
Repairs And Maintenance	360,971	-	360,971
Snow Removal	3,405	-	3,405
Stormwater fees	34,926	-	34,926
Utilities	311,615	-	311,615
Website	3,925	-	3,925
Capital Projects:			
Capital Outlay	-	11,297,632	11,297,632
Total Expenditures	<u>1,145,119</u>	<u>11,336,982</u>	<u>12,482,101</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(28,101)	(11,336,982)	(11,365,083)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	11,297,632	11,297,632
Transfers (To) From Other Fund	(39,350)	39,350	-
Total Other Financing Sources (Uses)	<u>(39,350)</u>	<u>11,336,982</u>	<u>11,297,632</u>
NET CHANGE IN FUND BALANCES	(67,451)	-	(67,451)
Fund Balances - Beginning of Year	<u>177,272</u>	<u>-</u>	<u>177,272</u>
FUND BALANCES - END OF YEAR	<u>\$ 109,821</u>	<u>\$ -</u>	<u>\$ 109,821</u>

See accompanying Notes to Basic Financial Statements.

**FLYING HORSE 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 \$ (67,451)

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	11,336,982
Depreciation Expense	(212,693)

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	(11,297,632)
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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	(880,961)
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Changes in Net Position of Governmental Activities	\$ (1,121,755)
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**FLYING HORSE METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT 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			
Intergovernmental revenues - District No. 2	\$ 921,618	\$ 916,607	\$ (5,011)
Intergovernmental revenues - District No. 3	261,025	200,411	(60,614)
Total Revenues	<u>1,182,643</u>	<u>1,117,018</u>	<u>(65,625)</u>
EXPENDITURES			
Accounting	41,400	58,891	(17,491)
Auditing	15,000	17,475	(2,475)
Banking Fees	250	62	188
Contingency	15,258	-	15,258
District Management	6,875	11,902	(5,027)
Dues And Membership	2,500	2,558	(58)
Election	50,000	52,774	(2,774)
Insurance	20,000	34,713	(14,713)
Landscape improvements	225,000	-	225,000
Legal	32,000	79,511	(47,511)
Litigation	-	172,391	(172,391)
Repairs And Maintenance	338,592	360,971	(22,379)
Snow Removal	33,125	3,405	29,720
Stormwater fees	40,000	34,926	5,074
Utilities	400,000	311,615	88,385
Website	5,000	3,925	1,075
Total Expenditures	<u>1,225,000</u>	<u>1,145,119</u>	<u>79,881</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,357)	(28,101)	14,256
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	(20,000)	(39,350)	(19,350)
Total Other Financing Uses	<u>(20,000)</u>	<u>(39,350)</u>	<u>(19,350)</u>
NET CHANGE IN FUND BALANCE	(62,357)	(67,451)	(5,094)
Fund Balance - Beginning of Year	<u>135,674</u>	<u>177,272</u>	<u>41,598</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 73,317</u></u>	<u><u>\$ 109,821</u></u>	<u><u>\$ 36,504</u></u>

See accompanying Notes to Basic Financial Statements.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Flying Horse Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Colorado Special District Act, was formed in 2004 to manage the construction of all facilities and improvements and for the operation and maintenance of all improvements not dedicated to the City of Colorado Springs, to include providing infrastructure of water, wastewater, streets, landscaping and other improvements for residents and businesses within the Flying Horse subdivision located in the city of Colorado Springs.

The District was formed in conjunction with Flying Horse Metropolitan District No. 2 (District No. 2) and Flying Horse Metropolitan District No. 3 (District No. 3) to serve the needs of the Flying Horse development for the purpose of financing, construction and operation of improvements and infrastructure serving the three districts. The District is responsible for managing the construction, operation and maintenance of all improvements not transferred to the city of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 2 and District No. 3 are not component units of the District.

The District follows Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, 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 operational 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

FLYING HORSE 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 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 within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are homeowner fees and intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than 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 Capital Projects Fund was established to account for financial resources to be used for the acquisition and construction of capital facilities.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The 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, 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 and investments.

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 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 are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with initial individual cost of more than \$5,000 and estimated useful lives in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. At the time of retirement or disposition of depreciable assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in revenues or expenses.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Depreciation expense has been computed on the landscaping, parks and perimeter fencing using the straight-line method over estimated economic useful lives of 20 years and on parks and recreation over estimated economic useful lives of 25 years.

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 of 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.

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 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 government'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.

**FLYING HORSE 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)

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.

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

Statement of Net Position:

Cash and Investments	\$ 6,445
Cash and Investments - Restricted	35,700
Total Cash and Investments	\$ 42,145

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

Deposits with Financial Institutions	\$ 42,145
Total Cash and Investments	\$ 42,145

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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.

As of December 31, 2023, the District's cash deposits had a bank balance and a carrying balance of \$42,145.

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, 2023, the District had no investments.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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	\$ -	\$ 11,336,982	\$ -	\$ 11,336,982
Total Capital Assets, Not Being Depreciated	-	11,336,982	-	11,336,982
Capital Assets, Being Depreciated:				
Parks and Recreation	1,108,526	-	-	1,108,526
Landscaping	3,367,030	-	-	3,367,030
Total Capital Assets, Being Depreciated	4,475,556	-	-	4,475,556
Less Accumulated Depreciation for:				
Accumulated Depreciation - Parks and Rec	(110,853)	(44,341)	-	(155,194)
Accumulated Depreciation - Landscaping	(2,682,553)	(168,352)	-	(2,850,905)
Total Accumulated Depreciation	(2,793,406)	(212,693)	-	(3,006,099)
Total Capital Assets, Being Depreciated, Net	1,682,150	(212,693)	-	1,469,457
Governmental Activities Capital Assets, Net	<u>\$ 1,682,150</u>	<u>\$ 11,124,289</u>	<u>\$ -</u>	<u>\$ 12,806,439</u>

Depreciation expense in the amount of \$212,693 was charged to the general government function.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Other Debts:					
Developer Advance - Operating	\$ 3,193,375	\$ -	\$ -	\$ 3,193,375	\$ -
Developer Advance - Capital	173,401	11,297,632	-	11,471,033	-
Accrued Interest on:					
Developer Advance - Operating	2,403,053	255,469	-	2,658,522	-
Developer Advance - Capital	30,131	625,492	-	655,623	-
Subtotal Other Debts	<u>5,799,960</u>	<u>12,178,593</u>	<u>-</u>	<u>17,978,553</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$ 5,799,960</u>	 <u>\$ 12,178,593</u>	 <u>\$ -</u>	 <u>\$ 17,978,553</u>	 <u>\$ -</u>

Developer Advances

The District has entered into Funding and Reimbursement Agreement with the Developer as follows:

Funding and Reimbursement Agreement for Capital Costs

The District, District No. 2 and District No. 3 entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the Developer. The proceeds from Developer advances have been used primarily to fund the expenditures related to establishing the infrastructure, which has been dedicated to the city of Colorado Springs. The note accrues interest at a rate of 8.00% per annum. As of December 31, 2023, outstanding principal for Capital advances totaled \$11,471,033 and accrued interest due totaled \$655,623.

Funding and Reimbursement Agreement for Operations

The District, District No. 2 and District No. 3 entered into a reimbursement agreement with Classic Development - Flying Horse, LLC (FH), the Developer. The proceeds from Developer advances have been used primarily to fund the expenditures for operating and administrative expenses. These advances accrue interest at a rate of 8.00% per annum. As of December 31, 2023, outstanding principal was \$3,193,375 and accrued interest due to the Developer totaled \$2,658,522.

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2023, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 507,592
Net Investment in Capital Assets	\$ 507,592

Restricted net position includes assets that are 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 a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 35,700
Total Restricted Net Position	\$ 35,700

The District has a deficit in unrestricted net position. The deficit was a result of the District being responsible for the repayment of developer advances issued for operations and maintenance and for public improvements which were conveyed to other governmental entities and which costs were removed from the District’s financial records.

NOTE 7 AGREEMENTS

Intergovernmental Agreement

In 2004, the District (Operating District) entered into an Intergovernmental Agreement (IGA) with District No. 2 and District No. 3 (Financing Districts). The IGA Provides that the District is to operate, maintain, finance, and construct facilities benefiting the three districts, and that District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. This agreement was amended on April 28, 2023.

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 RELATED PARTIES

The Developer of the property which constitutes the District is FH, which is 100% owned by Elite Properties of America, Inc. (EPA). The members of the Board of Directors are officers, employees or associates of EPA and may have conflicts of interest in dealing with the District.

NOTE 9 LAND INCLUSION

On April 28, 2023, the District approved the inclusion of 23 acres of land that were previously included within District No. 2. This land is still subject to payment of property taxes to District No. 2 on its debt service mill levy as well as pledged facilities fees until District No. 2's Series 2020A Senior and Series 2020B Subordinate bonds are repaid.

On April 28, 2023, the District approved the inclusion of 46 acres of land that were previously included within District No. 3. This land is still subject to payment of property taxes to District No. 3 on its debt service mill levy until District No. 3's Series 2019 Bonds are repaid.

Both inclusions were approved on May 2, 2023, by the El Paso District Court.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of losses 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 an 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 the past three fiscal years.

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

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions.

Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. The District's voters approved a ballot issue allowing the District to retain all revenues.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

NOTE 12 LITIGATION AND SUBSEQUENT EVENTS

Litigation

On August 15, 2023, the District filed a lawsuit against District No. 2 and District No. 3 related to breach of the IGA discussed in Note 7. On September 10, 2023, District No. 2 and District No. 3 filed counterclaims against the District.

Settlement Agreement

On September 11, 2024, the District's Board of Directors approved a Settlement Agreement with Flying Horse Metropolitan District No. 2 and Flying Horse Metropolitan District No. 3 (Financing Districts) which will be considered effective when the Financing Districts validly approve the Settlement Agreement at the November 2024 election. Simultaneously with approval of the Settlement Agreement, the Financing Districts shall approve the executed Pledge Agreement (see below).

Subject to valid approval of the Settlement Agreement, the Original Intergovernmental Agreement, Reimbursement Agreement, and Acquisition Agreement shall be terminated and of no further force of effect, along with dismissal of ongoing litigation. The Financing Districts will in turn provide the District with funds to satisfy the 2024 operations. In 2025, the Financing Districts will take responsibility of operations for their individual districts and be required to levy mills as stated in the Pledge Agreement (see below).

FLYING HORSE METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 LITIGATION AND SUBSEQUENT EVENTS (CONTINUED)

Pledge Agreement

On September 11, 2024, the District's Board of Directors approved a Pledge Agreement with Flying Horse Metropolitan District No. 2 and Flying Horse Metropolitan District No. 3 (Financing Districts) which will be considered effective when the Financing Districts validly approve the Pledge Agreement at the November 2024 election.

Subject to valid approval of the Pledge Agreement, the Financing Districts pledge to levy 3.000 mills each year until tax year 2037. The revenue collected, net of fees, will be transferred to the District to pay for operations and repayment of operating developer advances.

The implementation of the Settlement Agreement and Pledge Agreement are uncertain, and the District is unable to estimate the impact the ultimate resolution of this uncertainty will have on its financial statements.

SUPPLEMENTARY INFORMATION

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
DECEMBER 31, 2023**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Accounting	\$ 5,000	\$ 5,000	\$ 1,809	\$ 3,191
Engineering	10,000	10,000	37,541	(27,541)
Legal	5,000	5,000	-	5,000
Capital Outlay	11,000,000	11,500,000	11,297,632	202,368
Total Expenditures	<u>11,020,000</u>	<u>11,520,000</u>	<u>11,336,982</u>	<u>183,018</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,020,000)	(11,520,000)	(11,336,982)	183,018
OTHER FINANCING SOURCES (USES)				
Developer Advance	11,000,000	11,500,000	11,297,632	(202,368)
Transfers From Other Funds	20,000	20,000	39,350	19,350
Total Other Financing Sources (Uses)	<u>11,020,000</u>	<u>11,520,000</u>	<u>11,336,982</u>	<u>(183,018)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**FLYING HORSE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

<u>Year Ended December 31,</u>	<u>Assessed Valuation</u>	<u>Total Mills Levied</u>		<u>Total Property Taxes Levied</u>
		<u>General Operations</u>	<u>Debt Service</u>	
2020/2021	\$ -	-	-	\$ -
2021/2022	-	-	-	-
2022/2023	-	-	-	-
Estimated for Year Ending December 31, 2024	\$ 439,560	10.394	0.000	\$ 4,659

Note:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.

Source: El Paso County Assessor and Treasurer