

FOXHILL METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2023

with

Independent Auditors' Report

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## Independent Auditors' Report

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the Foxhill 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Foxhill Metropolitan District No 1 as of December 31, 2023, and the respective changes in financial position, and where applicable, cash flows thereof 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, 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.

## **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 opinion on the basic financial statements is 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 described in the table of contents is presented for purposes of additional analysis and are 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. The 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.

*Tatton and Company, LLC*

Cedaredge, CO  
September 22, 2025

FOXHILL METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION  
December 31, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 61,978	\$ 44,261	\$ 106,239
Cash - restricted	5,214	23,173	28,387
Due from District No. 2	46,717	22,925	69,642
Accounts Receivable - Fees	10,099	5,811	15,910
Prepaid expenses	1,454	-	1,454
Due from other funds	-	105,396	105,396
Total Current Assets	125,462	201,566	327,028
<b>CAPITAL ASSETS</b>			
Capital assets, net of accumulated depreciation	-	3,581,638	3,581,638
Total Capital Assets	-	3,581,638	3,581,638
Total Assets	125,462	3,783,204	3,908,666
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	14,640	4,174	18,814
Prepaid Assessments	2,410	-	2,410
Due to other funds	105,396	-	105,396
Accrued Interest	-	2,553	2,553
Total Current Liabilities	122,446	6,727	129,173
<b>LONG-TERM LIABILITIES</b>			
Bonds payable in more than one year	-	1,021,000	1,021,000
Total Long-Term Liabilities	-	1,021,000	1,021,000
Total Liabilities	122,446	1,027,727	1,150,173
<b>NET POSITION</b>			
Net investment in capital assets	-	2,560,638	2,560,638
Restricted for:			
Emergency reserve	5,214	-	5,214
Debt service	-	20,620	20,620
Unrestricted	(2,198)	174,219	172,021
Total Net Position (Deficit)	\$ 3,016	\$ 2,755,477	\$ 2,758,493

The notes to the financial statements are an integral part of these statements.

FOXHILL METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government:							
Governmental Activities:							
General government	\$ 176,006	\$ 145,544	\$ -	\$ -	\$ (30,462)	\$ -	\$ (30,462)
Interest and related costs on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>176,006</u>	<u>145,544</u>	<u>-</u>	<u>-</u>	<u>(30,462)</u>	<u>-</u>	<u>(30,462)</u>
Business-type Activities:							
Water - operations	161,102	133,772	-	-	-	(27,330)	(27,330)
Water - depreciation	<u>99,628</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,628)</u>	<u>(99,628)</u>
Total Business-type Activities	<u>260,730</u>	<u>133,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,958)</u>	<u>(126,958)</u>
Total	<u>\$ 436,736</u>	<u>\$ 279,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(30,462)</u>	<u>(126,958)</u>	<u>(157,420)</u>
General Revenues:							
Intergovernmental revenue					42,685	-	42,685
Interest income					<u>28</u>	<u>6,863</u>	<u>6,891</u>
Total General Revenues					<u>42,713</u>	<u>6,863</u>	<u>49,576</u>
Special Items:							
Forgiveness of debt					<u>-</u>	<u>-</u>	<u>-</u>
Total Special Items					<u>--</u>	<u>-</u>	<u>--</u>
Change in Net Position					12,251	(120,095)	(107,844)
Net Position (Deficit) - Beginning					<u>(9,235)</u>	<u>2,875,572</u>	<u>2,866,337</u>
Net Position (Deficit) - Ending					<u>\$ 3,016</u>	<u>\$ 2,755,477</u>	<u>\$ 2,758,493</u>

The notes to the financial statements are an integral part of these statements.

FOXHILL METROPOLITAN DISTRICT NO. 1

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2023

	<u>General</u>
<b>ASSETS</b>	
Cash	\$ 61,978
Cash - restricted	5,214
Due from District No. 2	46,717
Accounts Receivable - Fees	10,099
Prepaid expenses	<u>1,454</u>
Total Assets	<u>\$ 125,462</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 14,640
Prepaid Assessments	2,410
Due to other funds	<u>105,396</u>
Total Liabilities	<u>122,446</u>
<b>FUND BALANCES:</b>	
Nonspendable:	
Prepays	1,454
Restricted:	
Emergencies	5,214
Unreserved	<u>(3,652)</u>
Total Fund Balance	<u>3,016</u>
Total Liabilities and Fund Balance	<u>\$ 125,462</u>

Amounts reported for governmental activities in the Statement of Net Position are the same as above for total fund balance.

The notes to the financial statements are an integral part of these statements.

FOXHILL METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	<u>General</u>
<b>REVENUES</b>	
Intergovernmental revenue	\$ 42,685
Interest income	<u>28</u>
Total Revenues	<u>42,713</u>
<b>PROGRAM REVENUES</b>	
District fees	140,490
Transfer fees	<u>5,054</u>
Total Program Revenues	<u>145,544</u>
Net Program Income (Expense)	<u>145,544</u>
<b>EXPENDITURES</b>	
District management, accounting, enforcement, etc	48,070
Audit	10,265
Community events	6,618
Dues and subscriptions	685
Election	3,102
Insurance	15,284
Landscape maintenance	10,726
Legal	41,082
Miscellaneous	9,364
Office	2,147
Setup and transfer fees	4,729
Trash Fees	16,786
Utilities	<u>7,148</u>
Total Expenditures	<u>176,006</u>
NET CHANGE IN FUND BALANCES	12,251
<b>FUND BALANCES (DEFICIT):</b>	
BEGINNING OF YEAR	<u>(9,235)</u>
END OF YEAR	<u>\$ 3,016</u>

The notes to the financial statements are an integral part of these statements.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## STATEMENT OF NET POSITION PROPRIETARY FUND December 31, 2023

### ASSETS

#### CURRENT ASSETS

Cash	\$	44,261
Cash - restricted		23,173
Accounts receivable - customer		5,811
Due from District No. 2		22,925
Due from other funds		105,396
Total Current Assets		<u>201,566</u>

#### CAPITAL ASSETS

Capital assets, net of accumulated depreciation		<u>3,581,638</u>
Total Capital Assets		<u>3,581,638</u>

Total Assets		<u>3,783,204</u>
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### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable		4,174
Accrued Interest		2,553
Total Current Liabilities		<u>6,727</u>

#### LONG-TERM LIABILITIES

Bonds payable in more than one year		<u>1,021,000</u>
Total Long-Term Debt		<u>1,021,000</u>

Total Liabilities		<u>1,027,727</u>
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### NET POSITION

Net investment in capital assets		2,560,638
Restricted for:		
Debt service		23,173
Unrestricted		<u>171,666</u>
Total Net Position (Deficit)	\$	<u><u>2,755,477</u></u>

The notes to the financial statements are an integral part of these statements.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended December 31, 2023

OPERATING REVENUES	
User fees	\$ 59,072
Connection fees and meter sets	<u>5,000</u>
Total Operating Revenues	<u>64,072</u>
OPERATING EXPENSES	
Depreciation	99,628
Meter reading services	528
Miscellaneous expense	562
Potable water monitoring	25,956
Potable water testing	7,657
Potable water repairs	14,381
Utilities	<u>29,598</u>
Total Operating Expenses	<u>178,310</u>
INCOME (LOSS) FROM OPERATIONS	<u>(114,238)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,863
System development fees	69,700
Interest expense	<u>(82,420)</u>
Total Nonoperating Revenues (Expenses)	<u>(5,857)</u>
NET INCOME (LOSS) - CHANGE IN NET POSITION	(120,095)
NET POSITION (DEFICIT) - BEGINNING OF YEAR	<u>2,875,572</u>
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 2,755,477</u>

The notes to the financial statements are an integral part of these statements.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 62,268
Payments to suppliers	<u>(84,830)</u>
Net Cash Provided (Required) by Operating Activities	<u>(22,562)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES	
Transfers from other funds	<u>(13,736)</u>
Net Cash Provided (Required) by Noncapital Financing Activities	<u>(13,736)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on long-term debt	(368,000)
Interest payments on long-term debt	(83,340)
System Development Fees	<u>69,700</u>
Net Cash Provided (Required) by Capital and Related Financing Activities	<u>(381,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>6,863</u>
Net Cash Provided (Required) by Investing Activities	<u>6,863</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(411,075)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>478,509</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 67,434</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Net income (loss) from operations	\$ (114,238)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	
Depreciation	99,628
Changes in Assets and Liabilities:	
Accounts payable	(6,148)
Accountst receivable	<u>(1,804)</u>
Net Adjustments	<u>91,676</u>
NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES	<u>\$ (22,562)</u>

The notes to the financial statements are an integral part of these statements.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Intergovernmental revenue	\$ -	\$ 42,685	\$ 42,685
Interest income	-	28	28
District fees	138,600	140,490	1,890
Transfer fees	-	5,054	5,054
	<hr/>	<hr/>	<hr/>
Total Revenues	138,600	188,257	49,657
<b>EXPENDITURES</b>			
District management, accounting, enforcement, etc	39,000	48,070	(9,070)
Audit	7,500	10,265	(2,765)
Community events	20,000	6,618	13,382
Dues and subscriptions	791	685	106
Election	5,000	3,102	1,898
Insurance	14,770	15,284	(514)
Landscape maintenance	16,500	10,726	5,774
Legal	20,000	41,082	(21,082)
Miscellaneous	50	9,364	(9,314)
Office	-	2,147	(2,147)
Setup and transfer fees	-	4,729	(4,729)
Trash Fees	-	16,786	(16,786)
Utilities	3,500	7,148	(3,648)
Contingency	5,000	-	5,000
	<hr/>	<hr/>	<hr/>
Total Expenditures	132,111	176,006	(43,895)
 NET CHANGE IN FUND BALANCE	 6,489	 12,251	 5,762
 FUND BALANCE (DEFICIT):			
BEGINNING OF YEAR	<hr/> 141	<hr/> (9,235)	<hr/> (9,376)
END OF YEAR	<hr/> <u>\$ 6,630</u>	<hr/> <u>\$ 3,016</u>	<hr/> <u>\$ (3,614)</u>

The notes to the financial statements are an integral part of these statements.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

### Note 1: Summary of Significant Accounting Policies

The accounting policies of the Foxhill Metropolitan District No. 1("the District"), located in Douglas County, Colorado, (the "County"), conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

#### Definition of Reporting Entity

The District was organized on December 14, 2005, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was formed along with Foxhill Metropolitan District No. 2 ("District No. 2") (together the "Districts"). The Districts were established to finance and construct certain public improvements and an irrigation water distribution system for the Foxhill development located near Franktown, Colorado. The District's primary revenues are intergovernmental revenues, assessment and fees, and user fees. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB Statement No. 61, The Financial Reporting Entity: Omnibus, which amended GASB Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the most part, the effect of interfund activity has been removed from these statements.

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District 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 and proprietary funds. Major individual governmental funds and major individual enterprise 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are intergovernmental revenue, assessments and fees, user fees and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

The District reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities associated with providing potable and non-potable (irrigation) water services to the citizens of the District.

The Enterprise Fund accounts for the operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

# FOXHILL METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements December 31, 2023

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations. Operating revenues consist of charges to customers for services provided. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions. The District's proprietary fund consists of the Water Fund.

In the current year, \$22,925 of revenue restricted for the Water Enterprise Fund, which is a separate legal entity from the District, was inadvertently utilized in the District No. 2 Debt Service Fund. Additionally in previous years, \$46,717 of revenue from the District No. 1 General Fund was inadvertently utilized in the District No. 2 Debt Service Fund. This activity has since been corrected subsequent to the year under audit for the Water Enterprise Fund.

### Budgetary Accounting

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

The District's General Fund over-expended its appropriations by \$41,690 and the Water Fund over-expended its appropriations by \$186,484, which may be a violation of State Budget Law.

### Statement of Net Position

For purposes of the statement of cash flows, the District considers deposits with a maturity of three months or less to be cash equivalents.

### Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

### Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

User fees and User Fees Receivable

The District extends credit to property owners within the District for potable and irrigation water usage and other fees. User fees receivables are reviewed by District Management on a regular basis. It is the District's policy to certify past due user fees receivables annually with the Douglas County Treasurer for collection. In addition, the District may file a lien upon or foreclose on the owner's property for past due user accounts receivables.

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. As of December 31, 2023, the District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. As of December 31, 2023, the District has no items that qualify for reporting in this category.

Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of any bond premium or discount where applicable.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method.

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water system	40 years
Equipment	7 years

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$1,454 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$5,214 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

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Notes to Financial Statements  
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Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets - consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash

As of December 31, 2023, cash is classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$106,239
Cash and investments – restricted	<u>28,387</u>
	<u>\$134,626</u>

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

Deposits with Financial Institutions	<u>\$134,626</u>
--------------------------------------	------------------

Deposits

Custodial Credit Risk

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

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

The District does not have a formal policy for deposits.

The District does not have any investments at December 31, 2023.

Note 3: Capital Assets

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

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
<u>Business Type Activities:</u>				
<u>Capital assets being depreciated:</u>				
Water storage tank	\$ 313,852	\$ -	\$ -	\$ 313,852
Pumping station	1,037,360			1,037,360
Infrastructure - water system	1,584,848			1,584,848
Wells	914,084	-	-	914,084
Meter equipment	<u>23,628</u>	<u>-</u>	<u>-</u>	<u>23,628</u>
Total capital assets being depreciated:	3,873,772	-	-	3,873,772
<u>Accumulated depreciation:</u>				
Water storage tank	(15,692)	(7,846)	-	(23,538)
Pumping station	(51,868)	(25,934)		(77,802)
Infrastructure - water system	(79,242)	(39,621)		(118,863)
Wells	(45,704)	(22,852)	-	(68,556)
Meter equipment	<u>-</u>	<u>(3,375)</u>	<u>-</u>	<u>(3,375)</u>
Total accumulated depreciation	<u>(192,506)</u>	<u>(99,628)</u>	<u>-</u>	<u>(292,134)</u>
Net capital assets being depreciated:	<u>3,681,266</u>	<u>(99,628)</u>	<u>-</u>	<u>3,581,638</u>
Business type assets, net	<u>\$ 3,681,266</u>	<u>\$ (99,628)</u>	<u>\$ -</u>	<u>\$ 3,581,638</u>

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2023:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>	<u>Current</u> <u>Portion</u>
<u>Revenue Bonds</u>					
Series 2020 Bonds	\$ 1,389,000	\$ -	\$ 368,000	\$ 1,021,000	\$ -
	<u>\$ 1,389,000</u>	<u>\$ -</u>	<u>\$ 368,000</u>	<u>\$ 1,021,000</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2023, is as follows:

In December 2020, the District issued Water Enterprise Revenue Bonds - Series 2020 ("Series 2020 Bonds") in the amount of \$2,575,000. The Water Bonds were issued to fund the repayment to Foxhill Development, Inc. for the irrigation water improvements. The Water Bonds require annual principal payment on December 15 and semi-annual interest payments on June 15 and December 15 of each year with a final payment due December 1, 2030. The Water Bonds carry an interest rate of 6%.

In conjunction with the issuance of the Water Bonds, the District and District No. 2 entered into a Pledge Agreement under which District No. 2 agreed to pledge the amounts received from the Water Tap Fees pursuant to the Water System Tap Fee Resolution to the Water Activity Enterprise created within the District. District No.2, while the Water Bonds are outstanding, shall impose Water Tap Fees equal to \$30,000 per dwelling. The Pledged Revenues are pledged for the payment of the annual Water Bonds debt service requirements.

As such, the funds held in the Water Tap Fee bank account are considered to be restricted.

Due to the uncertainty of the timing of the principal and interest on the Series 2020 Bonds, a schedule of the estimated timing of these payments is not available.

Events of Default as defined in the Series 2020 Bond Resolution are 1) the Issuer fails to deposit the Pledged Revenue as required under the Bond Resolution; 2) the Issuer defaults in the performance of any other of its covenants in the Bond Resolution, and such default continues for 60 days after written notice specifying such default and requiring the same be remedied is given to the Issuer by the Owner; or 3) the Issuer files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligations represented by the Series 2020 Bonds. Due to the limited nature of the Pledged Revenues, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default hereunder. Acceleration of the Series 2020 Bonds shall not be an available remedy for an Event of Default.

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

Note 5: District Service Fee

In April 2019, the District amended the District Service Fee, originally imposed in 2017, to establish an annual fee that would encompass District services including operations and administration, covenant enforcement, architectural review, and maintenance. The District Service Fee is to be calculated on an annual basis during the District's annual budget process.

Note 6: Tax, Spending and Debt Limitations

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

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

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.

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 may require judicial interpretation.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, Section 24-10-101, et seq., C.R.S., the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

FOXHILL METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements  
December 31, 2023

The District pays annual premiums to the Pool for auto, public officials liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Lease/Purchase Agreement – Potable Water Rights

In 2017, the District entered into a Lease/Purchase Agreement ("Lease Agreement") with DCLA-2, LLC ("Lessor"), related party, under which the District will lease with the option to purchase water rights to provide potable water to serve the residential lots, open space and landscaping located with the boundaries of the Districts.

The Lease Agreement automatically renews for consecutive one-year terms coinciding with the fiscal year of the District.

The District shall have an option to the purchase the water rights utilized by the District upon proper appropriations and subject to the availability of funds by the District. The purchase price for such water rights shall be the fair market value not to exceed the fair market value as determined by an independent third-party appraisal.

Under the terms of the Lease Agreement, the District shall pay the Lessor a monthly fee based upon the amount of water used by the District. The monthly fee is to be negotiated based upon a formula that most effectively and efficiently provides the necessary water to provide service to all lots with the Districts.

Since the inception of the Lease Agreement, the monthly fee has not been determined, and the District has not remitted the monthly fee to the Lessor, nor has the Lessor requested the monthly fee.

SUPPLEMENTARY INFORMATION

# FOXHILL METROPOLITAN DISTRICT NO. 1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - PROPRIETARY FUND

For the Year Ended December 31, 2023

	Original <u>Final Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
User fees	\$ 92,400	\$ 59,072	\$ (33,328)
Connection fees and meter sets	23,700	5,000	(18,700)
Interest income	-	6,863	6,863
System development fees	<u>210,000</u>	<u>69,700</u>	<u>(140,300)</u>
Total Revenues	<u>326,100</u>	<u>140,635</u>	<u>(185,465)</u>
<b>EXPENDITURES</b>			
Operations:			
Insurance	8,440	-	8,440
Meter reading services	500	528	(28)
Miscellaneous expense	-	562	(562)
Potable water monitoring	89,323	25,956	63,367
Potable water testing	-	7,657	(7,657)
Potable water repairs	-	14,381	(14,381)
Utilities	30,000	29,598	402
Contingency	5,275	-	5,275
Debt Service:			
Principal payments on long-term debt	210,000	368,000	(158,000)
Interest payments on long-term debt	<u>-</u>	<u>83,340</u>	<u>(83,340)</u>
Total Expenditures	<u>343,538</u>	<u>530,022</u>	<u>(186,484)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	(17,438)	(389,387)	(371,949)
<b>FUNDS AVAILABLE:</b>			
BEGINNING OF YEAR	<u>324,285</u>	<u>586,779</u>	<u>262,494</u>
END OF YEAR	<u>\$ 306,847</u>	<u>\$ 197,392</u>	<u>\$ (109,455)</u>
Funds available computed as follows:			
Current assets		\$ 201,566	
Current liabilities		<u>(4,174)</u>	
		<u>\$ 197,392</u>	

The notes to the financial statements are an integral part of these statements.

**FOXHILL METROPOLITAN DISTRICT NO. 1**

**RECONCILIATION OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND**

For the Year Ended December 31, 2023

Excess of revenues over expenditures	\$ (389,387)
Add principal payments which are not an expense	368,000
Add accrued interest which is a revenue	920
Deduct depreciation which is an expense	<u>(99,628)</u>
Changes in Net Assets per Statement Revenues, Expenses and Changes in Net Position	<u><u>\$ (120,095)</u></u>

The notes to the financial statements are an integral part of these statements.