

**SERRATOGA FALLS METROPOLITAN  
DISTRICT NO. 1**

**TOWN OF TIMNATH, COLORADO**

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**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

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December 31, 2023



**Crady, Puca & Associates**

*Certified Public Accountants & Consultants*

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Serratoga Falls Metropolitan District No. 1 as of and for the year ended December 31, 2023, and related notes to the financial statements, which collectively comprise Serratoga Falls Metropolitan District No. 1's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Serratoga Falls Metropolitan District No. 1 as of December 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the General and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Serratoga Falls Metropolitan District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Serratoga Falls Metropolitan District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Serratoga Falls Metropolitan District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Serratoga Falls Metropolitan District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Serratoga Falls Metropolitan District No. 1's basic financial statements. The individual fund budgetary comparison schedules on pages 26-27 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The individual budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Crady, Puca & Associates*

Aurora, Colorado  
February 10, 2025

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Net Position**  
**December 31, 2023**

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	<b>Total Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 8,771
Cash and investments - restricted	74,087
Due from county treasurer	113
Accounts receivable-homeowners	58,565
Property tax receivable	485,760
Intergovernmental receivable	90,234
Prepays	508
Capital assets:	
Non-depreciable	14,622,881
Depreciable	83,782
<b>Total assets</b>	<u>15,424,701</u>
<b>Liabilities:</b>	
Accounts payable	14,863
Retainage payable	240,488
Developer payable	74,608
Accrued interest	273,580
Bonds and notes payable:	
Due within one year	-
Due in more than one year	15,729,641
<b>Total liabilities</b>	<u>16,333,180</u>
<b>Deferred inflows of resources:</b>	
Unavailable revenue - property tax	485,760
<b>Total deferred inflows of resources</b>	<u>485,760</u>
<b>Net position:</b>	
Net investment in capital assets	-
Restricted for emergencies	13,091
Restricted for capital projects	74,087
Unrestricted	(1,481,417)
<b>Total net position</b>	<u>\$ (1,394,239)</u>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	<b>Total Governmental Activities</b>
<b>Expenditures:</b>	
Governmental activities:	
Audit and legal	\$ 42,713
Management and accounting services	19,544
Electric	21,184
Landscape maintenance and repairs	24,515
Irrigation and drainage system	31,219
Water assessments	5,255
Recreational lease	6,398
Office and administration	7,523
Insurance	5,528
Bad debt expense	1,999
Treasurer fees	135
Depreciation expense	99,707
Bond issuance costs	519,353
Conveyance of assets	2,562,086
Interest expense	874,422
<b>Total expenditures</b>	<u>4,221,581</u>
<b>Program Revenues:</b>	
Irrigation water fees	51,645
Operations fee	123,600
<b>Total program revenues</b>	<u>175,245</u>
<b>Net program income (expense)</b>	(4,046,336)
<b>General Revenues:</b>	
Property tax revenue	6,705
Specific ownership tax	483
Intergovernmental revenue	74,840
Developer contributions	181,980
Interest income	144
<b>Total general revenues</b>	<u>264,152</u>
<b>Change in net position</b>	(3,782,184)
<b>Net position, beginning of year, restated</b>	<u>2,387,945</u>
<b>Net position, end of year</b>	<u>\$ (1,394,239)</u>

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

## **FUND FINANCIAL STATEMENTS**

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2023**

	General Fund	Special Revenue Fund Pumphouse	Special Revenue Fund Operations	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets:</b>						
Cash and investments	\$ 8,771	\$ -	\$ -	\$ -	\$ -	\$ 8,771
Cash and investments - restricted	-	-	-	-	74,087	74,087
Due from county treasurer	113	-	-	-	-	113
Accounts receivable-homeowners	-	11,765	46,800	-	-	58,565
Property tax receivable	97,152	-	-	388,608	-	485,760
Intergovernmental receivable	-	87,035	3,199	-	-	90,234
Due from other funds	46,958	-	45,786	-	-	92,744
Prepays	-	508	-	-	-	508
<b>Total assets</b>	<b>\$ 152,994</b>	<b>\$ 99,308</b>	<b>\$ 95,785</b>	<b>\$ 388,608</b>	<b>\$ 74,087</b>	<b>\$ 810,782</b>
<b>Liabilities:</b>						
Accounts payable	\$ 2,613	\$ 12,250	\$ -	\$ -	\$ -	\$ 14,863
Retainage payable	-	-	-	-	240,488	240,488
Developer payable	-	-	-	-	74,608	74,608
Due to other funds	45,786	31,151	-	-	15,807	92,744
<b>Total liabilities</b>	<b>48,399</b>	<b>43,401</b>	<b>-</b>	<b>-</b>	<b>330,903</b>	<b>422,703</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue - property tax	97,152	-	-	388,608	-	485,760
<b>Total deferred inflows of resources</b>	<b>97,152</b>	<b>-</b>	<b>-</b>	<b>388,608</b>	<b>-</b>	<b>485,760</b>
<b>Fund balance:</b>						
Nonspendable	-	508	-	-	-	508
Restricted for emergencies	5,678	3,699	3,714	-	-	13,091
Restricted for special revenue fund	-	-	92,071	-	-	92,071
Committed for special revenue fund	-	51,700	-	-	-	51,700
Unassigned	1,765	-	-	-	(256,816)	(255,051)
<b>Total fund balance</b>	<b>7,443</b>	<b>55,907</b>	<b>95,785</b>	<b>-</b>	<b>(256,816)</b>	<b>(97,681)</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 152,994</b>	<b>\$ 99,308</b>	<b>\$ 95,785</b>	<b>\$ 388,608</b>	<b>\$ 74,087</b>	<b>\$ 810,782</b>

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

Total fund balance - governmental funds	\$ (97,681)
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.	14,706,663
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(16,003,221)
<b>Net position of governmental activities</b>	<b>\$ (1,394,239)</b>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended December 31, 2023**

	General Fund	Special Revenue Fund Pumphouse	Special Revenue Fund Operations	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>						
Property tax	\$ 6,705	\$ -	\$ -	\$ -	\$ -	\$ 6,705
Specific ownership tax	483	-	-	-	-	483
Irrigation water fees and rental	-	51,645	-	-	-	51,645
Operation fees	-	-	123,600	-	-	123,600
Intergovernmental revenue	-	71,641	3,199	-	-	74,840
Developer contribution income	181,980	-	-	-	-	181,980
Interest income	105	-	-	-	39	144
<b>Total revenues</b>	<b>189,273</b>	<b>123,286</b>	<b>126,799</b>	<b>-</b>	<b>39</b>	<b>439,397</b>
<b>Expenditures:</b>						
Current:						
General government:						
Audit and legal	42,713	-	-	-	-	42,713
Management and accounting services	8,286	11,258	-	-	-	19,544
Electric	-	21,083	101	-	-	21,184
Landscape contract	-	-	2,246	-	-	2,246
Landscape maintenance and repairs	-	-	22,269	-	-	22,269
Irrigation and drainage system	-	31,219	-	-	-	31,219
Water assessments	-	5,255	-	-	-	5,255
Recreational lease	-	-	6,398	-	-	6,398
Office and administration	6,895	-	-	-	628	7,523
Bad debt expense	-	1,999	-	-	-	1,999
Insurance	5,528	-	-	-	-	5,528
Treasurer fees	135	-	-	-	-	135
Debt Service:						
Cost of issuance	-	-	-	-	519,353	519,353
Interest expense	-	-	-	-	1,021,020	1,021,020
Principal payment developer debt	-	-	-	-	13,026,259	13,026,259
Capital Outlay:						
	-	9,230	-	-	2,198,788	2,208,018
<b>Total expenditures</b>	<b>63,557</b>	<b>80,044</b>	<b>31,014</b>	<b>-</b>	<b>16,766,048</b>	<b>16,940,663</b>
<b>Excess of revenue over (under) expenditures</b>	<b>125,716</b>	<b>43,242</b>	<b>95,785</b>	<b>-</b>	<b>(16,766,009)</b>	<b>(16,501,266)</b>
<b>Other financing sources (uses):</b>						
Developer advances	6,500	-	-	-	2,516,773	2,523,273
General obligation bonds issued	-	-	-	-	14,567,000	14,567,000
<b>Total other financing sources (uses)</b>	<b>6,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,083,773</b>	<b>17,090,273</b>
<b>Net change in fund balance</b>	<b>132,216</b>	<b>43,242</b>	<b>95,785</b>	<b>-</b>	<b>317,764</b>	<b>589,007</b>
<b>Fund balance, beginning of year</b>	<b>(124,773)</b>	<b>12,665</b>	<b>-</b>	<b>-</b>	<b>(574,580)</b>	<b>(686,688)</b>
<b>Fund balance, end of year</b>	<b>\$ 7,443</b>	<b>\$ 55,907</b>	<b>\$ 95,785</b>	<b>\$ -</b>	<b>\$ (256,816)</b>	<b>\$ (97,681)</b>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balance of the Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2023**

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	<b>Total Governmental Funds</b>
	<hr/>
<b>Net change in fund balance of the governmental funds</b>	\$ 589,007
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or ultimately conveyed to other governmental entities.	(453,775)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. The amount is the net effect of these differences in the treatment of long-term debt.	(4,064,014)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	<hr/> 146,598
<b>Change in net position of governmental activities</b>	<b><hr/><hr/>\$ (3,782,184)</b>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2023**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final</b>
<b>Revenues:</b>				
Property tax	\$ 6,705	\$ 6,705	\$ 6,705	\$ -
Specific ownership tax	402	500	483	(17)
Homeowner operations fees	500	123,600	-	(123,600)
Intergovernmental revenue	4,500	-	-	-
Fees and fines	7,500	7,500	-	(7,500)
Developer contribution	-	-	181,980	181,980
Interest income	-	97	105	8
<b>Total revenues</b>	<u>19,607</u>	<u>138,402</u>	<u>189,273</u>	<u>50,871</u>
<b>Expenditures:</b>				
Current:				
General government:				
Audit and legal	42,500	69,500	42,713	26,787
Management and accounting services	10,500	13,000	8,286	4,714
Design review fees	7,500	7,500	-	7,500
Electric	3,000	500	-	500
Landscape contract	25,000	2,500	-	2,500
Landscape maintenance and repairs	16,000	16,500	-	16,500
Recreational lease	6,721	6,398	-	6,398
Engineers	-	7,500	-	7,500
Office and administration	763	1,371	6,895	(5,524)
Bad debt expense	-	4,150	-	4,150
Election	2,500	-	-	-
Insurance	2,500	5,528	5,528	-
Treasurer fees	134	135	135	-
Contingency	5,000	7,500	-	7,500
<b>Total expenditures</b>	<u>122,118</u>	<u>142,082</u>	<u>63,557</u>	<u>78,525</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(102,511)</u>	<u>(3,680)</u>	<u>125,716</u>	<u>129,396</u>
<b>Other financing sources (uses):</b>				
Developer advance	105,000	6,500	6,500	-
Transfer out	(10,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>95,000</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>(7,511)</u>	<u>2,820</u>	<u>132,216</u>	<u>129,396</u>
<b>Fund balance, beginning of year</b>	<u>23,121</u>	<u>41,601</u>	<u>(124,773)</u>	<u>(166,374)</u>
<b>Fund balance, end of year</b>	<u>\$ 15,610</u>	<u>\$ 44,421</u>	<u>\$ 7,443</u>	<u>\$ (36,978)</u>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund - Pumphouse**  
**For the Year Ended December 31, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
<b>Revenues:</b>				
Irrigation water fees and rental	\$ 30,000	\$ 51,645	\$ 51,645	\$ -
Intergovernmental revenue	54,125	54,125	71,641	17,516
<b>Total revenues</b>	<u>84,125</u>	<u>105,770</u>	<u>123,286</u>	<u>17,516</u>
<b>Expenditures:</b>				
Current:				
General government:				
Management and accounting services	7,500	7,500	11,258	(3,758)
Electric	40,000	20,000	21,083	(1,083)
Irrigation and drainage system	26,000	45,183	31,219	13,964
Utility locates	7,500	-	-	-
Water assessments	8,500	8,356	5,255	3,101
Bad debt expense	-	2,000	1,999	1
Capital outlay	-	-	9,230	(9,230)
<b>Total expenditures</b>	<u>89,500</u>	<u>83,039</u>	<u>80,044</u>	<u>2,995</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(5,375)</u>	<u>22,731</u>	<u>43,242</u>	<u>20,511</u>
<b>Other financing sources (uses):</b>				
Transfer in (out)	10,000	-	-	-
<b>Total other financing sources (uses)</b>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>4,625</u>	<u>22,731</u>	<u>43,242</u>	<u>20,511</u>
<b>Fund balance, beginning of year</b>	<u>12,484</u>	<u>(3,195)</u>	<u>12,665</u>	<u>15,860</u>
<b>Fund balance, end of year</b>	<u>\$ 17,109</u>	<u>\$ 19,536</u>	<u>\$ 55,907</u>	<u>\$ 36,371</u>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund - Operations**  
**For the Year Ended December 31, 2023**

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
<b>Revenues:</b>				
Operations fee	\$ -	\$ -	\$ 123,600	\$ 123,600
Intergovernmental revenue	-	-	3,199	3,199
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>126,799</u>	<u>126,799</u>
<b>Expenditures:</b>				
Current:				
General government:				
Electric	-	-	101	(101)
Landscape contract	-	-	2,246	(2,246)
Landscape maintenance and repairs	-	-	22,269	(22,269)
Recreational lease	-	-	6,398	(6,398)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>31,014</u>	<u>(31,014)</u>
<b>Net change in fund balance</b>	-	-	95,785	95,785
<b>Fund balance, beginning of year</b>	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,785</u>	<u>\$ 95,785</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

# SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2023

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### 1. Summary of Significant Accounting Policies

The accounting policies of the Serratoga Falls Metropolitan District No. 1 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of such significant policies consistently applied in the preparation of the financial statements.

#### **Reporting Entity**

The District was formed in May 2006, as a quasi-municipal corporation and political subdivision of the State of Colorado, and is governed by a five-member elected Board of Directors pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized concurrently with Serratoga Falls Metropolitan District Nos. 2 and 3 (District Nos. 2-3), collectively referred to as the Districts. The Districts' service area is located in the Town of Timnath, Larimer County, Colorado. The Districts were formed to provide public improvements to be dedicated to the Town of Timnath, Colorado or other governmental entities or retained by the Districts for the use and benefit of the residents and visitors of the Districts.

The District was originally intended to serve as the operating district with District Nos. 2-3 intended to serve as the financing districts. In April 2016, District No. 2 amended and restated, the Districts' original service plan with respect to its operations with an Amended and Restated Service Plan. Additionally, at this time the District and District No. 2 entered into an Intergovernmental Agreement (2016 IGA), under which District No. 2 shall be responsible to operate and maintain services for the public improvements constructed for the use and benefits of taxpayers of District No.2. In August 2022, the District and District No. 2 entered into a First Amendment to the Intergovernmental Agreement (2022 IGA) under which they further revised certain responsibilities as outlined therein.

Also, in April 2016, the Town approved an Amended and Restated Service Plan for the District and District No. 3, which reflected the independent operation of District No. 2. In November 2021, the Town approved the Amendment to the Amended and Restated Service Plan for the District and District No. 3 ("2021 Service Plan"). The 2021 Service Plan reflected the fact that the boundaries of the District and District No. 3 had been revised and, going forward, each District would finance, construct, manage and operate public improvements within its boundaries. In May 2023, the District and District No. 3 entered into an Amended and Restated Inter-District Intergovernmental Agreement (2023 IGA) to reflect their revised operating relationship under the 2021 Service Plan. Under the 2023 IGA, the District and District No. 3 shall be individually responsible for design, acquisition, installation, construction, relocation, funding, financing, operation, and maintenance of public improvements within each respective district except as outlined therein.

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

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

**Reporting Entity (continued)**

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

**Basis of Presentation**

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period with the exception of irrigation water fees and fines and operation fees. Irrigation water fees and fines and operation fees are recognized when the fee is billed. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exceptions to this general rule are that principal and interest on general long-term debt are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

The District reports the following major governmental funds:

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

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

**Special Revenue Fund – Operations** - accounts for restricted fees received from homeowners required to be used for operation and maintenance expenses, including to maintain publicly-owned landscaping, drainage facilities, fulfill the District's easement-related obligations and to shovel and maintain sidewalks.

**Debt Service Fund** – accounts for all financial resources that are restricted, committed or assigned to expenditures for debt service.

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

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

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

**Deposits and Investments**

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

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

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

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

**Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs. At December 31, 2023, the District did not hold any investments required to be reported under fair value.

**Receivables**

Accounts receivable-homeowners consist of homeowner irrigation, operation and other miscellaneous fees due at December 31, 2023. The District considers all accounts receivable-homeowners collectible at December 31, 2023.

Intergovernmental receivables consist of funds due from District No. 2 and No. 3 to operate and maintain public improvements in the service area as part of an intergovernmental agreement, Note 4.

**Property Taxes**

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

Property taxes are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. These amounts are recorded as revenue in the subsequent year when they are available or collected.

**Prepays**

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

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

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

**Capital Assets**

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

Normal maintenance and repairs that do not add value to assets or materially extend the life of assets are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the capital assets. Depreciation is reported as a current charge in the statement of activities. Capital assets are depreciated using the straight-line method over the estimated useful lives ranging from 10-20 years for non-potable irrigation system and 10 years for landscaping.

The District conveyed certain assets to other governmental entities during the year in the amount of \$2,562,086.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In the current year, the District did not have any items in this reporting category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time frame. In the current year, the District had one item that qualified for reporting in this category, unavailable revenue - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Leases**

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

**Long-Term Obligations**

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

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

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

**Fund Balance**

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

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

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

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

*Assigned fund balance.* This classification reflects the amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. At December 31, 2023, the District has not adopted a policy designating District personnel to determine amounts that may be assigned.

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

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

**Net Position**

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

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

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

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

**Use of Estimates**

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

**2. Stewardship, Compliance, and Accountability**

**Budgets and Budgetary Accounting**

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

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

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

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

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

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end. The special revenue fund – operations fund exceeded budgeted expenditures by \$31,014 as the costs were budgeted for in the general fund. Additionally, the capital projects fund exceeded budgeted expenditures by \$505,226 due to additions of construction in progress related to infrastructure within the District.

**2. Stewardship, Compliance, and Accountability (continued)**

**TABOR Amendment - Revenue and Spending Limitation Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20 commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. Spending and revenue limits are determined based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service, federal grants and sales of assets). The District has reserved a portion of its December 31, 2023 year-end fund balance in the General Fund and Special Revenue Funds for emergencies as required under TABOR totaling \$13,091, which is the approximate required reserve for each fund at December 31, 2023.

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

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

**3. Detailed Notes on the Funds**

**Deposits and Investments**

At December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

Cash and investments	\$ 8,771
Cash and investments - restricted	<u>74,087</u>
	<u>\$ 82,858</u>

At December 31, 2023, the District held \$82,858 in deposits at financial institutions.

**Cash Deposits**

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2023**

**3. Detailed Notes on the Funds (continued)**

**Cash Deposits (continued)**

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

**Investments**

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. At December 31, 2023, the District does not hold any investments.

**Capital Assets**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance, restated	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 12,424,093	\$ 2,198,788	\$ -	\$ 14,622,881
Capital assets, not being depreciated	<u>12,424,093</u>	<u>2,198,788</u>	<u>-</u>	<u>14,622,881</u>
Capital assets being depreciated:				
Non-potable irrigation system	2,982,294	9,230	(2,885,023)	106,501
Landscape	381,989	-	-	381,989
Capital assets being depreciated	<u>3,364,283</u>	<u>9,230</u>	<u>(2,885,023)</u>	<u>488,490</u>
Less: accumulated depreciation				
Non-potable irrigation system	(347,814)	(57,264)	322,937	(82,141)
Landscape	(280,124)	(42,443)	-	(322,567)
Total accumulated depreciation	<u>(627,938)</u>	<u>(99,707)</u>	<u>322,937</u>	<u>(404,708)</u>
Capital assets being depreciated, net	<u>2,736,345</u>	<u>(90,477)</u>	<u>(2,562,086)</u>	<u>83,782</u>
Capital assets, net	<u>\$ 15,160,438</u>	<u>\$ 2,108,311</u>	<u>\$ (2,562,086)</u>	<u>\$ 14,706,663</u>

Depreciation expense of \$99,707 was charged to general government.

**Long-Term Obligations**

Changes in long-term obligations for the year ended December 31, 2023 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Direct Borrowings:					
Developer advances	\$ 11,665,627	\$ 2,523,273	\$ (13,026,259)	\$ 1,162,641	\$ -
Private Placement Note:					
2023A Bonds	-	14,567,000	-	14,567,000	-
Governmental activities					
long-term debt	<u>\$ 11,665,627</u>	<u>\$ 17,090,273</u>	<u>\$ (13,026,259)</u>	<u>\$ 15,729,641</u>	<u>\$ -</u>

**3. Detailed Notes on the Funds (continued)**

**Authorized Debt**

At December 31, 2023, the District had total authorized debt of \$240 million of which \$15,729,641 has been issued, leaving an authorized but unissued balance of \$224,270,359, including debt refinancing of \$40 million. Under the 2021 Service Plan, the District has total authorized debt of \$25,000,000, of which \$15,729,641 has been issued by the District, leaving an authorized but unissued balance of \$9,270,359, not including debt refinancing. As noted below, the District has \$10,433,000 available in authorized but unissued debt, and \$1,162,641 of this total authorized but unissued amount is expected to be used to pay down the outstanding developer debt, thus resulting in an anticipated unissued balance of \$9,270,359.

**Senior General Obligation Limited Tax Bonds, Series 2023A and Subordinate General Obligation Limited Tax (Convertible to Tax-Exempt) Bonds, Series 2023B**

On December 20, 2023, the District issued its \$25,000,000 maximum aggregate par amount of private placement bonds with an affiliate of the Developer. The District issued a maximum aggregate par amount of \$16,245,000 Senior General Obligation Limited Tax Bonds, Series 2023A ("2023A Senior Bonds") and a maximum aggregate par amount of \$8,755,000 Subordinate General Obligation Limited Tax (Convertible to Tax-Exempt) Bonds, Series 2023B ("2023B Subordinate Bonds" and together with the 2023A Senior Bonds, the "Bonds"). Bonds were issued as draw down bonds for the purpose of reimbursing the costs of public improvements of the District and paying issuance costs. At December 31, 2023, the District had drawn \$14,567,000 of the 2023A Senior Bonds and can draw the remaining \$10,433,000 in future periods. Advances on the Bonds shall be made in the amount of \$100,000 or any integral in excess thereof.

The 2023A Senior Bonds bear interest at 7.5%, calculated on the basis of a 360-day year of twelve 30-day months, payable annually on each December 1, commencing on December 1, 2024, to the extent pledged revenue is available, maturing on December 1, 2063. The 2023B Subordinate Bonds bear interest at a rate of 7.57%, calculated on the basis of a 360-day year of twelve 30-day months, payable annually on December 15, commencing on December 15, 2024, to the extent that pledged revenue is available, maturing on December 15, 2063.

The Bonds are cash flow bonds and are subject to mandatory sinking fund redemption commencing on December 1, 2024 for the 2023A Senior Bonds and December 15, 2024 for the 2023B Subordinate Bonds, to the extent of moneys on deposit, if any, in the respective Bond fund on October 16th for the 2023A Senior Bonds and November 15<sup>th</sup> for the 2023B Subordinate Bonds. Amounts shall be applied first to interest and then to principal after accrued interest has been paid.

The are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2030, and on any date thereafter, upon payment of principal and accrued interest with redemption premiums ranging from 0% to 3%.

**3. Detailed Notes on the Funds (continued)**

**Senior General Obligation Limited Tax Bonds, Series 2023A and Subordinate General Obligation Limited Tax (Convertible to Tax-Exempt) Bonds, Series 2023B (continued)**

The Bonds are secured by pledged revenues which include property tax revenue, specific ownership taxes collected as a result of the required mill levy, and other legally available moneys which the District determines, in its sole discretion, to credit the respective bond fund. The senior mill levy is 40 mills (as adjusted), or less sufficient to fund the principal and interest. The subordinate mill levy is 40 mills (as adjusted) less the amount imposed for the senior mill levy or lesser amount to generate sufficient funds to pay debt service on the 2023A Senior Bonds. The combined required mill levy shall not be more than 40 mills, adjusted for changes in the method of calculating assessed valuations.

Events of default as defined in respective indentures of trust for Bonds include (1) failure by the District to impose the necessary required mill levy or apply the proceeds thereof as required by the trust indenture, (2) default by the District in performance or observance of any other covenants on the part of the District in the indenture, and failure to remedy after notice, and (3) the District files a petition under federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the bonds. Failure to pay principal and interest on the Bonds when due shall not, of itself, constitute an event of default. Remedies available in the event of default include receivership, suit for judgement, and Mandamus or other suit. The District's obligation to repay the Bonds shall terminate December 31, 2063 regardless of the amount of principal and interest paid prior to the termination date.

**Developer Advance**

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

On January 5, 2021 the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement for Serratoga Falls Metropolitan District No. 3 between the District, District No. 3 and the Developer and Serratoga Falls, LLC (SFLLC) the former Developer (Amended Reimbursement Agreement) for outlining reimbursable costs related to the development of District No. 3. The Amended Reimbursement Agreement replaced the Reimbursement Agreement in its entirety with respect to District No. 3. Interest under this agreement shall commence at the date of transfer of the public improvements to District No. 3 or other governmental entity or the date of the advance at 7% per annum. District No. 3's obligation under this agreement shall terminate at the earlier of repayment in full or December 31, 2057, whichever occurs first. The District has no reimbursement obligation under this agreement.

**3. Detailed Notes on the Funds (continued)**

**Developer Advance (continued)**

On November 16, 2023, the District entered into an Amended and Restated Advance, Acquisition and Reimbursement Agreement for Public Improvements Serratoga Falls Metropolitan District No. 1 among the District, the Developer, Kitchel Lake F3, LLC (“KLF3 LLC”), and Kitchel Lake F3 Development Corporation (“F3 Development”) to amend and restate the Reimbursement Agreement with regards to the District and to acknowledge boundary changes and the corresponding changes in responsibilities between the District and District No. 3. as well as the assignment to Front Range Securities LLC (the “Investor”) of any and all rights which they have or may claim reimbursement from the District.

At December 31, 2023, unpaid accrued interest under the developer advances amounted to \$240,197.

**4. Agreements**

**Inter-District Intergovernmental Agreement – District No. 3**

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

Consistent with the 2021 Service Plan, in April 2023, the District and District No. 3 entered into a Memorandum of Understanding (MOU) as a temporary agreement to be replaced by a permanent Amended and Restated Intergovernmental Agreement (Future IGA) to be negotiated by and between the Districts after the May 2023 election.

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

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

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

# SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2023

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### 4. Agreements (continued)

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

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

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

At December 31, 2023, amounts under this agreement amounted to \$53,240, all of which is due to the District at December 31, 2023 and is included in intergovernmental receivable.

#### **Inter-District Intergovernmental Agreement – District No. 2**

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

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

Under the 2022 IGA, District No. 2 has agreed to continue to pay a percentage of shared costs for the Pump House, however, these costs will be determined based on a new allocation percentage to include the actual volume of non-potable water used by District No. 2 up to a maximum of 50 acre-feet per year. Amounts in excess of 50 acre-feet per year will be billed as outlined in the 2022 IGA.

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

District No. 2 shall have access to Kitchel Reservoir upon payment of 14.44% of the annual lease price for the year of access, but must notify the District no later than November 15 of the prior year. District No. 2 did not elect access during 2023.

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2023**

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**4. Agreements (continued)**

**Inter-District Intergovernmental Agreement – District No. 2 (continued)**

At December 31, 2023, revenue under the 2022 IGA amounted to \$21,600, all of which is due to the District at December 31, 2023. District No. 2 has not paid the 2022 balance, therefore, \$36,994 is due under this agreement and is also included in intergovernmental receivable.

**5. Interfund Receivables, Payables and Transfers**

The composition of interfund balances, due from/to other funds at December 31, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund – Pumphouse</u>	
General Fund	\$ -	\$ 15,807	\$ 31,151	\$ 46,958
Special Revenue Fund- Operations Fund	45,786	-	-	45,786
	<u>\$ 45,786</u>	<u>\$ 15,807</u>	<u>\$ 31,151</u>	<u>\$ 92,744</u>

At December 31, 2023, the outstanding balances between the funds is the result of the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**6. Short-term Leases**

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

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

Year Ended December 31, 2024	\$ 6,526
Total	<u>\$ 6,526</u>

Short-term lease cost under this agreement for 2023 amounted to \$6,398.

# SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1

## Notes to Financial Statements

December 31, 2023

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### 7. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public official's liability, property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the year ended December 31, 2023, the Pool has made no distributions nor required additional contributions from the District.

### 8. Related Party

All members of the Board of Directors are associated with the Developer and may have conflicts of interest in dealing with the District. The District has a funding agreement with the Developer and issued the Bonds with an affiliate of the Developer as noted in Note 3. Management believes that all potential conflicts, if any, have been disclosed to the Board.

### 9. Reconciliation of Government-Wide and Fund Financial Statements

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

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

Capital assets of \$15,111,371 less accumulated depreciation of \$404,708 or a net book value of \$14,706,663 are not financial resources and therefore are not reported in the funds.

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

Developer advances	\$	(1,162,641)
2023A Senior Bonds		(14,567,000)
Accrued interest on developer advances and bonds		(273,580)
Net adjustment	\$	<u>(16,003,221)</u>

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Notes to Financial Statements**  
**December 31, 2023**

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**9. Reconciliation of Government-Wide and Fund Financial Statements (continued)**

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

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

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

Capital outlay	\$ 2,208,018
Conveyance of assets	(2,562,086)
Depreciation expense	(99,707)
Net adjustment	<u>\$ (453,775)</u>

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

2023A Senior Bonds issuance	\$ (14,567,000)
Developer advances	(2,523,273)
Principal payment on developer advances	13,026,259
	<u>\$ (4,064,014)</u>

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference is as follows:

Interest on long-term debt	<u>\$ 146,598</u>
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**10. Restatement**

During the year, the District discovered that it had received contributed assets from District No. 2 in 2016 which had not been properly reflected on the government-wide financial statements. The effect of the change on net position is noted below, there is no effect on fund balance:

Net position at December 31, 2022, as originally reported	\$ (2,260,142)
Contributed capital assets	(127,803)
Net position at December 31, 2022, as restated	<u>\$ (2,387,945)</u>

**11. Subsequent Events**

On December 19, 2024, the District and District No. 2 entered into a Second Amendment to the Intergovernmental Agreement (Second Amended IGA). Under the Second Amended IGA, each District agrees to operate and maintain certain public improvements as outlined in the new agreement and the District is relieved of its maintenance responsibilities and has released District No. 2 of payment of its share of the pumphouse costs in 2022 and 2023 and the amount due to the District related to the new irrigation meter at the pumphouse. Additionally, the monument and landscaping entryway will be conveyed from the District to District No. 2.

## **SUPPLEMENTARY INFORMATION**

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended December 31, 2023**

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Final</b>
<b>Revenues:</b>			
Property tax	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>			
Current:			
General government:			
Treasurer fees	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**SERRATOGA FALLS METROPOLITAN DISTRICT NO. 1**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended December 31, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final</u>
<b>Revenues:</b>				
Tap fees	\$ 706,822	\$ 706,822	\$ -	\$ (706,822)
Interest	-	-	39	39
<b>Total revenues</b>	<u>706,822</u>	<u>706,822</u>	<u>39</u>	<u>(706,783)</u>
<b>Expenditures:</b>				
Current:				
General government:				
Management and accounting services	-	54,000	-	54,000
Tap fees	706,822	706,822	-	706,822
Office and administration	-	-	628	(628)
Debt service:				
Cost of issuance	-	500,000	519,353	(19,353)
Interest	-	-	1,021,020	(1,021,020)
Principal	-	-	13,026,259	(13,026,259)
Capital outlay:	20,000,000	15,000,000	2,198,788	12,801,212
<b>Total expenditures</b>	<u>20,706,822</u>	<u>16,260,822</u>	<u>16,766,048</u>	<u>(505,226)</u>
<b>Excess of revenues over (under) expenditures</b>	(20,000,000)	(15,554,000)	(16,766,009)	(1,212,009)
<b>Other financing sources (uses):</b>				
Developer advances	20,000,000	15,505,400	2,516,773	(12,988,627)
General obligation bonds issued	-	-	14,567,000	14,567,000
<b>Total other financing sources (uses)</b>	<u>20,000,000</u>	<u>15,505,400</u>	<u>17,083,773</u>	<u>1,578,373</u>
<b>Net change in fund balance</b>	-	(48,600)	317,764	366,364
<b>Fund balance, beginning of year</b>	176	176	(574,580)	(574,756)
<b>Fund balance, end of year</b>	<u>\$ 176</u>	<u>\$ (48,424)</u>	<u>\$ (256,816)</u>	<u>\$ (208,392)</u>

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