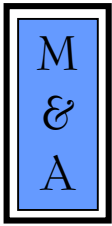


Valagua Metropolitan District
Financial Statements
December 31, 2023

**Valagua Metropolitan District
Financial Statements
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Valagua Metropolitan District
Gypsum, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Valagua Metropolitan District (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Valagua Metropolitan District

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 U.S. 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 U.S. 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Valagua Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison found in Section F, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary item found in Section F is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
July 8, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Valagua Metropolitan District

Management's Discussion and Analysis December 31, 2023

As management of the Valagua Metropolitan District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows with the difference between the amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating, however because the District has conveyed the majority of its capital assets to the Town of Gypsum, it has a substantial negative net position.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes). The government-wide financial statements can be found on pages C1 - C2 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The District has two governmental funds, the General Fund and the Debt Service Fund. The governmental funds provide a

reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental funds financial statements and reconciliations are located on pages C3 - C6 of this report. The District adopts an annual appropriated budget for its General and Debt Service Funds. A budgetary comparison statement has been provided for the General Fund on page E1 and a budgetary comparison schedule for the Debt Service Fund on page F1 to demonstrate compliance with these budgets.

Notes to the Financial Statements: The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 – D12 of this report.

Government-wide Financial Analysis

The following tables show condensed financial information derived from the government-wide financial statements of the District which compares 2023 to 2022:

Valagua Metropolitan District's Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 1,138,232	\$ 718,995
Capital and other non-current assets	1,011,678	1,011,786
Total Assets	<u>2,149,910</u>	<u>1,730,781</u>
Liabilities:		
Current liabilities	1,287	2,497
Long-term liabilities	39,334,914	36,699,483
Total Liabilities	<u>39,336,201</u>	<u>36,701,980</u>
Deferred Inflows	<u>740,724</u>	<u>305,197</u>
Net Position:		
Net Investment In Capital Assets	(11,488,705)	(791,972)
Restricted	5,614	2,324
Unrestricted	(26,443,924)	(34,486,748)
Total Net Position	<u>\$ (37,927,015)</u>	<u>\$ (35,276,396)</u>
Revenues:		
Property and other taxes	\$ 322,697	\$ 312,752
Interest	24,440	7,860
Total Revenues	<u>347,137</u>	<u>320,612</u>
Expenses:		
General government	52,431	47,866
Public works	63,773	61,535
Interest expense	2,881,552	2,687,712
Total Expenses	<u>2,997,756</u>	<u>2,797,113</u>
Change in Net Position	(2,650,619)	(2,476,501)
Net Position - Beginning	(35,276,396)	(32,799,895)
Net Position - Ending	<u>\$ (37,927,015)</u>	<u>\$ (35,276,396)</u>

The District's main activity is servicing the Series 2008 Bonds. In previous years the District also conveyed a portion of its infrastructure to the Town of Gypsum which contributes to the negative net position of the District since only a small portion of the infrastructure but all of the debt from financing the assets is reported by the District.

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The majority of the District's fund balance is reported in the General Fund and is available for future spending by the District.

Budget Variances: During 2023, the District was required to amend the 2023 budget due to fence repair costs which exceeded budget. Budget to actual comparisons are provided on page E1 for the General Fund and page F1 for the Debt Service Fund.

Capital Assets: During 2023 the District assets depreciated by \$55,253 and there were capital additions of \$55,145. For more detail on capital assets see Section III. B. on page D9.

Long-Term Debts: During 2008, the District issued \$21,000,000 in Series 2008 General Obligation Limited Tax Bonds, the proceeds of which were used to repay both the 2006 and 2007 Series bond anticipation notes as well as to provide additional funding for future infrastructure. During 2023 the District made only a small portion of the required interest payments on the debt, which caused the shortfall to add to the balances that is accruing to future years. For more details on long-term debt see page D10.

Economic Conditions and Outlook: The County Assessor reassesses the value of the property in the District effective January 1, of even numbered years. Due to the decline in real estate values within the District, the assessed valuation of the District has declined by 80% since the issuance of the 2008 Bonds. Due to these declines, the mill levy of the District was raised to the maximum of 65 mills (as further adjusted to offset the effects of reduction in assessment rates), which is still inadequate to fund the debt service costs of the District. Additional information related to the decline can be found in the History of Assessed Valuation, Mill Levy and Property Taxes Collected on page F2 of this report.

Request for Information: This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Valagua Metropolitan District, c/o Marchetti & Weaver, LLC, 28 Second Street, Unit 213, Edwards, CO 81632, (970) 926-6060.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Valagua Metropolitan District
Statement of Net Position
December 31, 2023

Assets:	
Cash and cash equivalents	392,592
Amounts due from Eagle County	1,279
Property taxes receivable	740,724
Prepaid expenses	3,637
Capital assets, net	1,011,678
Total Assets	2,149,910
 Liabilities:	
Current liabilities due in less than one year:	
Accounts payable	1,287
Accrued interest payable	18,334,914
Bonds payable	2,900,000
Non-current liabilities due in excess of one year:	
Bonds payable	18,100,000
Total Liabilities	39,336,201
 Deferred Inflow of Resources:	
Property tax revenue	740,724
Total Deferred Inflow of Resources	740,724
 Net Position:	
Net investment in capital assets	(11,488,705)
Restricted for debt service	2,344
Restricted for emergencies	3,270
Unrestricted	(26,443,924)
Total Net Position	(37,927,015)

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

**Valagua Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	391,242	1,350	392,592
Amounts due from Eagle County	285	994	1,279
Property taxes receivable	160,494	580,230	740,724
Prepaid expenses	3,637	-	3,637
Total Assets	<u>555,658</u>	<u>582,574</u>	<u>1,138,232</u>
Liabilities, Deferred Inflow of Resources,			
Liabilities:			
Accounts payable	1,287	-	1,287
Total Liabilities	<u>1,287</u>	<u>-</u>	<u>1,287</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	160,494	580,230	740,724
Total Deferred Inflow of Resources	<u>160,494</u>	<u>580,230</u>	<u>740,724</u>
Fund Balances:			
Nonspendable	3,637	-	3,637
Restricted for debt service	-	2,344	2,344
Restricted for emergencies	3,270	-	3,270
Unassigned	386,970	-	386,970
Total Fund Balances	<u>393,877</u>	<u>2,344</u>	<u>396,221</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>555,658</u>	<u>582,574</u>	<u>1,138,232</u>

The accompanying notes are an integral part of these financial statements.

**Valagua Metropolitan District
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2023**

Governmental Funds Total Fund Balance 396,221

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

Details of these amounts are as follows:

Capital assets	1,835,182	
Accumulated depreciation	<u>(823,504)</u>	
		1,011,678

Long-term liabilities, including bonds payable and leases payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Bonds payable	(21,000,000)	
Accrued interest payable	<u>(18,334,914)</u>	
		<u>(39,334,914)</u>

Net Position of Governmental Activities (37,927,015)

**Valagua Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	67,985	237,210	305,195
Specific ownership taxes	3,899	13,603	17,502
Interest	21,565	2,875	24,440
Total Revenues	<u>93,449</u>	<u>253,688</u>	<u>347,137</u>
Expenditures:			
General government	45,303	7,128	52,431
Public works	63,665	-	63,665
Debt service			
Interest	-	246,121	246,121
Total Expenditures	<u>108,968</u>	<u>253,249</u>	<u>362,217</u>
Net Change in Fund Balances	(15,519)	439	(15,080)
Fund Balances - Beginning	<u>409,396</u>	<u>1,905</u>	<u>411,301</u>
Fund Balances - Ending	<u><u>393,877</u></u>	<u><u>2,344</u></u>	<u><u>396,221</u></u>

The accompanying notes are an integral part of these financial statements.

Valagua Metropolitan District
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended December 31, 2023

Net change in fund balances for total governmental funds (15,080)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital additions	55,145	
Depreciation expense	<u>(55,253)</u>	(108)

The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (2,635,431)

Change in Net Position of Governmental Activities (2,650,619)

NOTES TO THE FINANCIAL STATEMENTS

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

The Valagua Metropolitan District (the "District") was established on November 22, 2003, as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed to construct and acquire systems for water, sanitation, storm drainage, streets, safety, transportation, landscaping, parks and recreation, telecommunication, pest control, fire protection, and public improvements in an area of approximately 963 acres of land in the Town of Gypsum in Eagle County, Colorado.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

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

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Parks and recreation	15-20
Roads and easements	15
Water	20
Sewer	20

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements.

6. Deferred Outflows and 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items to report in this 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

7. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to Board of Directors.

E. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

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 in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

B. TABOR 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. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending (excluding bonded debt service). Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$3,270, which is the approximate required reserve, at December 31, 2023.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

On November 4, 2003 the District voters approved an election question allowing the District to retain and spend revenues it received in 2003 and in all subsequent years, without regard to any spending, revenues-raising, or other limitations contained within TABOR.

The District's management believes it is in compliance with the financial provisions of TABOR.

C. Authorized But Unissued Debt

In November 2003, the District's voters authorized the issuance of up to \$21,000,000 of debt for public improvements. During 2008, the District issued bonds in the amount of \$21,000,000 pursuant to this authorization and has \$0 in remaining authorized but unissued indebtedness as of December 31, 2023.

III. Detailed Notes on all Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the District's demand deposits was \$12,607 at year end.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District diversifies its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	<u>Standard & Poors Rating</u>	<u>Carrying Amounts</u>	<u>Term to Maturity</u>	
			<u>Less than one year</u>	<u>More than one year</u>
<i>Deposits:</i>				
Checking and savings	Not rated	12,607	12,607	-
<i>Investments:</i>				
Investment pool	AAAm	379,985	379,985	-
		<u>392,592</u>	<u>392,592</u>	<u>-</u>

At December 31, 2023, the District had the following recurring measurements:

<u>Investments Measured at Amortized Cost</u>	<u>Total</u>
CSAFE	379,732

The District had invested \$379,732 in CSAFE, an investment vehicle established for local government entities in Colorado to pool surplus funds. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal functions of CSAFE. Substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE. CSAFE carries a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. CSAFE operates like a 2a7-like external investment pool in the fair value hierarchy established by GASB 72. The underlying investments held by CSAFE, and the District's investment in CSAFE, are valued at amortized cost which approximates fair value. There are no limitations on withdrawals.

The District had invested \$253 in UMB Corporate Trust Services for its debt and bond proceeds. The UMB investments consisted of funds held in CSAFE and money market accounts. There is no custodial, interest rate or foreign currency risk exposure.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Infrastructure to be conveyed	788,377	-	-	788,377
Capital assets, being depreciated:				
Roads/easements	87,637	-	-	87,637
Water system	282,157	-	-	282,157
Sewer system	420,676	-	-	420,676
Parks and recreation	224,911	55,145	(23,721)	256,335
Total capital assets	<u>1,803,758</u>	<u>55,145</u>	<u>(23,721)</u>	<u>1,835,182</u>
Less accumulated depreciation for:				
Roads/easements	78,701	5,842	-	84,543
Water system	211,621	14,108	-	225,729
Sewer system	315,509	21,034	-	336,543
Parks and recreation	186,141	14,269	(23,721)	176,689
Total accumulated depreciation	<u>791,972</u>	<u>55,253</u>	<u>(23,721)</u>	<u>823,504</u>
Net Capital Assets	<u>1,011,786</u>	<u>(108)</u>	<u>-</u>	<u>1,011,678</u>

Depreciation and amortization expense and capital outlay expenditures are classified by function as follows:

	Capital Outlay	Depreciation Expense
Public Works	<u>55,145</u>	<u>55,253</u>
	<u>55,145</u>	<u>55,253</u>

At fiscal year-end December 31, 2023, the District considers the \$788,377 balance as infrastructure to be conveyed; these assets consists of underlying water and sewer construction during the initial development of the District. The intent is to convey the infrastructure to another government once development is more substantially complete. The assets are being treated as construction in progress during this time and are not being depreciated.

Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)

III. Detailed Notes on all Funds (continued)

C. Long-term Debt

The District had the following long-term debt outstanding during the fiscal year:

1. General Obligation Refunding Bonds, Series 2008

\$21,000,000 General Obligation Refunding Bonds, Series 2008, dated June 20, 2008, with interest of 7.75% payable semiannually on June 1 and December 1 of each year. Principal payments are due annually on December 1 of each year, beginning in 2014.

The Bonds were issued to pay off the 2006 and 2007 Limited Tax General Obligation Bond Anticipation Notes, to pay off the obligation to the District's Developer for costs incurred during construction, to provide additional funding for future infrastructure, and to cover the issuance costs and funding of required reserves.

Pursuant to the Indenture of Trust, the District is required to levy a minimum of 30 mills and a maximum of 50 mills for payment of the bonds, both of which are subject to adjustments for changes in the assessment ratio as set by the Colorado legislature.

In the event that the revenues generated from the 30-mill minimum levy are insufficient to pay the upcoming years' debt service, rather than increasing the mill levy, the District has the option to transfer funds previously designated for capital projects to cover such shortfall, thus allowing the mill levy to stay lower than would otherwise be required. However, beginning in 2012, no funds were available for this purpose.

In the event that the revenues generated by the Required Mill Levy, combined with other pledged revenues, and amounts available in the Capital Projects Fund, Bond Fund, Surplus Fund and Debt Service Guaranty Fund, if any, are insufficient to pay the debt service when due, unpaid principal shall remain outstanding and unpaid interest shall compound semiannually on each scheduled interest payment date until December 1, 2037. If any unpaid amounts remain on December 1, 2037, the final maturity date of the Bonds, the District is required to continue to levy the Required Mill Levy until such time as all balances are brought current. Due to the limited nature of the pledged revenue for repayment of the Bonds, so long as the District imposes the Required Mill Levy and applies the pledged revenue as required by the Indenture of Trust, the inability to pay the principal or interest on the Bonds when due shall not, in and of itself, constitute an event of default.

During 2014, the District drew down all of its Bond reserve accounts and became unable to meet its annual debt service obligations. In 2023, \$2,635,431 of interest and \$495,000 of principal was unable to be paid, bringing the accumulated past due balance for interest to \$18,199,289 and past due principal to \$2,310,000.

**Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

2. Debt Service Requirements

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	Principal	Interest	Total
2024	2,900,000	19,826,789	22,726,789
2025	655,000	1,402,750	2,057,750
2026	770,000	1,351,988	2,121,988
2027	850,000	1,292,313	2,142,313
2028	980,000	1,226,438	2,206,438
2029 - 2033	6,730,000	4,813,913	11,543,913
2034 - 2037	8,115,000	1,637,963	9,752,963
Total	21,000,000	31,552,154	52,552,154

The District had the following changes in long-term obligations for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
G.O. Bonds, Series 2008	21,000,000	-	-	21,000,000	2,900,000
Total bonds payable:	21,000,000	-	-	21,000,000	2,900,000

IV. Other Information

A. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees.

The District is a member of the Colorado Special Districts Property and Liability Pool (the "Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. The Pool provides coverage for property claims and liability coverage claims and workers' compensation. Settled claims have not exceeded this coverage in the past three years.

**Valagua Metropolitan District
Notes to the Financial Statements
December 31, 2023
(continued)**

IV. Other Information (continued)

A. Risk Management (continued)

Colorado Special Districts Property and Liability Pool (continued)

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

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2023 (the latest audited information available) is as follows:

Assets	81,143,798
Liabilities	58,670,068
Capital and surplus	22,473,730
Total	81,143,798
Revenues	29,593,851
Underwriting expenses	31,416,477
Underwriting gain (loss)	(1,822,626)
Other Income	1,695,393
Net income (loss)	(127,233)

B. Related Party – Shades of Green Lawn Maintenance

Beginning in April 2022, the District contracted with Shades of Green Lawn Maintenance (“Shades of Green”) for landscape maintenance and weed control. Shades of Green is currently owned by a board member for the District. The original agreement ended in October 2022, but automatically renews each year until the agreement fully expires in 2024. For the year ending December 31, 2023, the District paid \$5,220 to Shades of Green. The owner of Shades of Green abstains from all board decisions regarding agreements with their company.

REQUIRED SUPPLEMENTARY INFORMATION

Valagua Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance Positive (Negative)
Revenues:				
Property taxes	67,986	67,986	67,985	(1)
Specific ownership taxes	3,400	3,400	3,899	499
Interest	3,000	3,000	21,565	18,565
Total Revenues	<u>74,386</u>	<u>74,386</u>	<u>93,449</u>	<u>19,063</u>
Expenditures:				
General government:				
Office overhead	4,125	4,125	2,060	2,065
Legal	6,000	6,000	6,516	(516)
Audit and accounting	24,900	24,900	26,854	(1,954)
Insurance	3,800	3,800	3,342	458
Director's fees	1,100	1,100	875	225
Treasurer's fees	2,040	2,040	2,043	(3)
Operating	399	399	363	36
Agent fees	3,250	3,250	3,250	-
Contingency	20,000	20,000	-	20,000
Public works:				
Road, fence, and path maintenance	10,000	65,000	60,365	4,635
Weed and pest control	3,100	3,100	3,300	(200)
Total Expenditures	<u>78,714</u>	<u>133,714</u>	<u>108,968</u>	<u>24,746</u>
Net Change in Fund Balance	(4,328)	(59,328)	(15,519)	43,809
Fund Balance - Beginning	<u>400,274</u>	<u>409,396</u>	<u>409,396</u>	-
Fund Balance - Ending	<u><u>395,946</u></u>	<u><u>350,068</u></u>	<u><u>393,877</u></u>	<u><u>43,809</u></u>

SUPPLEMENTARY INFORMATION

Valagua Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)
Revenues:			
Property taxes	237,211	237,210	(1)
Specific ownership taxes	11,861	13,603	1,742
Interest	10,500	2,875	(7,625)
Total Revenues	<u>259,572</u>	<u>253,688</u>	<u>(5,884)</u>
Expenditures:			
General government:			
Treasurer fees	7,117	7,128	(11)
Contingency	10,000	-	10,000
Debt service:			
Interest	242,245	246,121	(3,876)
Total Expenditures	<u>259,362</u>	<u>253,249</u>	<u>6,113</u>
Net Change in Fund Balance	210	439	229
Fund Balance - Beginning	<u>1,767</u>	<u>1,905</u>	<u>138</u>
Fund Balance - Ending	<u><u>1,977</u></u>	<u><u>2,344</u></u>	<u><u>367</u></u>

**Valagua Metropolitan District
History of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2023**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected to Levied
			Levied	Collected	
2005	92,780	15.000	1,392	1,392	100.0%
2006	476,220	15.000	7,143	7,143	100.0%
2007	6,947,610	40.000	277,904	275,640	99.2%
2008	22,295,170	40.000	891,807	894,512	100.3%
2009	22,517,030	45.000	1,013,266	469,675*	46.4%
2010	15,199,950	45.000	683,998	665,238	97.3%
2011	14,863,100	45.000	668,840	482,780**	72.2%
2012	5,613,380	65.000	364,870	565,164**	154.9%
2013	5,678,390	65.000	369,096	369,087	100.0%
2014	3,131,800	65.000	203,568	203,566	100.0%
2015	3,111,430	65.000	202,243	202,236	100.0%
2016	3,296,630	65.000	214,281	198,351***	92.6%
2017	3,059,270	65.000	198,853	198,376	99.8%
2018	3,741,670	66.356****	248,282	247,235	99.6%
2019	3,730,220	66.390	247,649	247,648	100.0%
2020	4,472,370	66.308	296,554	296,526	100.0%
2021	4,461,980	66.311	295,878	276,129	93.3%
2022	4,471,640	66.655	298,057	296,667	99.5%
2023	4,532,370	67.337	305,196	305,195	100.0%
2024	10,699,630	69.229	740,724		

NOTES:

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

*During 2009, abatements totaling \$535,770 were approved by the Eagle County Board of Equalization, which when netted out of collections of \$1,013,266 show a substantial decrease in collections.

**During 2011, the original developer did not remit property taxes due in the amount of \$184,657 because they were in bankruptcy. These taxes were remitted in 2012.

***During 2016, Abatements totaling \$15,377 were approved by the Eagle County Board of Equalization, which when netted out of collections of \$214,281 show a decrease in collections.

**** Beginning in 2018, as required under the terms of the 2008 Bonds, the debt service mill levy of the District was adjusted to offset the effects of changes in the calculation of assessed valuation.