

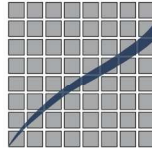
**FALCON AREA WATER &
WASTEWATER AUTHORITY
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2023 AND 2022

**FALCON AREA WATER & WASTEWATER AUTHORITY
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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Falcon Area Water & Wastewater Authority
El Paso County, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Falcon Area Water & Wastewater Authority ("Authority"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority'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 business-type activities of the Authority as of December 31, 2023 and 2022, the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards

generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority'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 Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado

July 25, 2024

BASIC FINANCIAL STATEMENTS

**FALCON AREA WATER & WASTEWATER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 285,380	\$ 147,254
Cash and Cash Equivalents - Restricted	39,073,464	43,258,940
Accounts Receivable - Service	37,683	22,671
Due From Sterling Ranch MD No. 1	-	4,791
Inventory	96,040	139,495
Prepaid Expenses	-	1,403
Total Current Assets	39,492,567	43,574,554
CAPITAL ASSETS, NET		
	90,803,892	90,927,799
Total Assets	\$ 130,296,459	\$ 134,502,353
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,097,977	\$ 187,938
Retainage Payable	6,757	-
Unearned Revenues	-	888
Accrued Interest, Bonds	470,409	470,409
Total Current Liabilities	1,575,143	659,235
LONG-TERM LIABILITIES		
	144,043,201	139,879,151
NET POSITION		
Invested in Capital Assets	(47,810,486)	(47,492,012)
Restricted	39,073,464	43,258,940
Unrestricted	(6,584,863)	(1,802,961)
Total Net Position	(15,321,885)	(6,036,033)
Total Liabilities and Net Position	\$ 130,296,459	\$ 134,502,353

See accompanying Notes to Basic Financial Statements.

FALCON AREA WATER & WASTEWATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
OPERATING REVENUES		
Water Service Fees	\$ 312,340	\$ 298,339
Clean Water Fees	47,117	-
Sewer Service Fees	186,450	159,988
Under Drain Fees	13,644	-
AMR and Billing Services	22,963	40,269
Billing Services Fees	26,807	-
Water and Sewer Administrative Fees	33,635	-
Installation Fees	279,000	17,085
Set-up Fees	-	6,900
Meter Fees	138,105	8,330
New Member Fees	-	3,795
Late Fees and Penalties	7,700	4,890
Other Revenues	4,620	-
Total Operating Revenues	1,072,381	539,596
OPERATING EXPENSES	2,548,185	1,204,741
Total Gross Loss from Operations	(1,475,804)	(665,145)
GENERAL AND ADMINISTRATIVE EXPENSES	140,018	168,994
OPERATING LOSS	(1,615,822)	(834,139)
NONOPERATING REVENUES		
Interest Income	2,124,058	371,848
Total Nonoperating Revenues	2,124,058	371,848
NONOPERATING EXPENSES		
Interest Expense	9,610,796	3,256,440
Paying Agent Fee	5,000	-
Bond Issue Costs	-	2,280,782
Bonds Payable Discount Amortization	194,567	52,965
Total Nonoperating Expenses	9,810,363	5,590,187
LOSS BEFORE CONTRIBUTIONS	(9,302,127)	(6,052,478)
CAPITAL CONTRIBUTIONS		
Capital Fees	16,275	16,445
Total Capital Contributions	16,275	16,445
CHANGE IN NET POSITION	(9,285,852)	(6,036,033)
Net Position - Beginning of Year	(6,036,033)	-
NET POSITION - END OF YEAR	\$ (15,321,885)	\$ (6,036,033)

See accompanying Notes to Basic Financial Statements.

FALCON AREA WATER & WASTEWATER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,057,369	\$ 516,925
Payments to Suppliers	(221,709)	(712,849)
Net Cash Provided (Used) by Operating Activities	835,660	(195,924)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Fees	16,275	16,445
Acquisitions and Construction of Capital Assets	(1,377,030)	(91,545,548)
Bond Proceeds, Including Discount	-	138,366,846
Developer Advances	-	209,000
Bond Issue Costs	-	(2,280,782)
Interest Expense	(5,641,313)	(1,535,691)
Paying Agent Fee	(5,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,007,068)	43,230,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Interest and Dividends Received	2,124,058	371,848
Net Cash Provided by Investing Activities	2,124,058	371,848
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,047,350)	43,406,194
Cash and Cash Equivalents - Beginning of Year	43,406,194	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 39,358,844	\$ 43,406,194
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,615,822)	\$ (834,139)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	1,500,937	617,749
(Increase) Decrease in:		
Accounts Receivable	(15,012)	(22,671)
Prepaid Expense	1,403	(1,403)
Due From Sterling Ranch MD No. 1	4,791	(4,791)
Inventory	43,455	(139,495)
Increase (Decrease) in:		
Accounts Payable	910,039	187,938
Retainage Payable	6,757	-
Unearned Revenues	(888)	888
Net Cash Provided (Used) by Operating Activities	\$ 835,660	\$ (195,924)

See accompanying Notes to Basic Financial Statements.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Falcon Area Water & Wastewater Authority (the Authority) was organized on August 21, 2017, in accordance with Section 29-1-204.2, Colorado Revised Statutes, as amended (“C.R.S.”) (the “Authority Act”) and pursuant to an Intergovernmental Agreement For the Establishment of The Falcon Area Water Authority (the “Original Establishment Agreement”), among Sterling Ranch Metropolitan District No. 1 (“Sterling Ranch No. 1”), Sterling Ranch Metropolitan District No. 2 (“Sterling Ranch No. 2”) and Sterling Ranch Metropolitan District No. 3 (“Sterling Ranch No. 3” and together with Sterling Ranch No. 1 and Sterling Ranch No. 2, the “Sterling Ranch Districts”). Under the Original Establishment Agreement, the Sterling Ranch Districts constituted the initial Members of the Authority.

On December 17, 2021, the Sterling Ranch Districts, The Retreat Metropolitan District No. 1 (“Retreat No. 1”) and The Retreat Metropolitan District No. 2 (“Retreat No. 2” and together with Retreat No. 1, the “Retreat Districts,” and together with the Sterling Ranch Districts, the “Members”) entered into an Amended and Restated Intergovernmental Agreement for the Establishment of the Falcon Area Water and Wastewater Authority (the “Amended and Restated Establishment Agreement”). The Amended and Restated Establishment Agreement superseded and replaced the Original Establishment Agreement and, among other things, authorized the provision of wastewater improvements by the Authority and added the Retreat Districts as Members of the Authority.

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority has no employees, and all services are provided by consultant contracts.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the Authority are described as follows:

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used because the Authority’s powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Accounting

The Authority's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets. Tap fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

The Authority distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's purpose of providing water and sanitation services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers cash deposits, certificates of deposit, and highly liquid investments (including restricted and designated investments) with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable consist of water and sewer collection services receivable. Accounts receivable are unsecured and stated at the amount the Authority expects to collect. The Authority maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the Authority's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2023 and 2022, no allowances for doubtful accounts were recorded.

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventory is valued at the lower of cost using the first-in, first-out method or fair market value.

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Equipment	10 Years
Wells	30 Years
Water System	45 Years
Wastewater System	45-50 Years

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in nonoperating revenues (expenses).

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the projects become operational. When projects become operational, the costs are included in capital assets and depreciated over the estimated useful life of the related asset.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the Authority by developers are recorded as capital contributions and additions to the systems at acquisition value when received.

Amortization – Original Issue Discount/Premium

Debt premiums and discounts are amortized over the respective terms of the borrowing using the interest method.

Reclassifications

For comparability, certain 2022 amounts have been reclassified where appropriate to conform with the 2023 financial statement presentation.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2023 and 2022 are classified in the accompanying financial statements as follows:

	2023	2022
Statement of Net Position:		
Cash and Cash Equivalents	\$ 285,380	\$ 147,254
Cash and Cash Equivalents - Restricted	39,073,464	43,258,940
Total Cash and Cash Equivalents	\$ 39,358,844	\$ 43,406,194

Cash and cash equivalents as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Deposits with Financial Institutions	\$ 155,395	\$ 147,254
Investments	39,203,449	43,258,940
Total Cash and Cash Equivalents	\$ 39,358,844	\$ 43,406,194

Deposits with Financial Institutions

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

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

As of December 31, 2023 and 2022, the Authority's cash deposits had a bank balance and a carrying balance of \$155,395 and \$147,254, respectively.

Investments

The Authority has adopted a formal investment policy that follows state statutes regarding investments.

The Authority generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Authority is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2023 and 2022, the Authority had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	
		<u>2023</u>	<u>2022</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	\$ 39,203,449	\$ 43,258,940
Total		<u>\$ 39,203,449</u>	<u>\$ 43,258,940</u>

COLOTRUST

The Authority invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

COLOTRUST (CONTINUED)

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AA Af/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the Authority records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

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

	Balance December 31, 2022	Additions	Retirements/ Reclassifications	Balance December 31, 2023
Capital Assets, Not Being Depreciated:				
Water Rights	\$ 22,977,311	\$ -	\$ -	\$ 22,977,311
Land and Easements	2,595,152	-	-	2,595,152
Construction in Progress	1,296,746	1,377,030	-	2,673,776
Total Capital Assets, Not Being Depreciated	26,869,209	1,377,030	-	28,246,239
Capital Assets, Being Depreciated:				
Treatment Plant	64,676,339	-	-	64,676,339
Total Capital Assets, Being Depreciated	64,676,339	-	-	64,676,339
Less Accumulated Depreciation For:				
Treatment Plant	(617,749)	(1,500,937)	-	(2,118,686)
Total Accumulated Depreciation	(617,749)	(1,500,937)	-	(2,118,686)
Total Capital Assets, Being Depreciated, Net	64,058,590	(1,500,937)	-	62,557,653
Total Capital Assets, Net	<u>\$ 90,927,799</u>	<u>\$ (123,907)</u>	<u>\$ -</u>	<u>\$ 90,803,892</u>

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4 CAPITAL ASSETS (CONTINUED)

An analysis of the changes in capital assets for the year ended December 31, 2022, follows:

	Balance December 31, 2021	Additions	Retirements/ Reclassifications	Balance December 31, 2022
Capital Assets, Not Being Depreciated:				
Water rights	\$ -	\$ 22,977,311	\$ -	\$ 22,977,311
Future Sewer Taps	-	2,595,152	-	2,595,152
Construction in Progress	-	1,296,746	-	1,296,746
Total Capital Assets, Not Being Depreciated	-	26,869,209	-	26,869,209
Capital Assets, Being Depreciated:				
Treatment Plant	-	64,676,339	-	64,676,339
Total Capital Assets, Being Depreciated	-	64,676,339	-	64,676,339
Less Accumulated Depreciation For:				
Treatment Plant	-	(617,749)	-	(617,749)
Total Accumulated Depreciation	-	(617,749)	-	(617,749)
Total Capital Assets, Being Depreciated, Net	-	64,058,590	-	64,058,590
Total Capital Assets, Net	<u>\$ -</u>	<u>\$ 90,927,799</u>	<u>\$ -</u>	<u>\$ 90,927,799</u>

Depreciation expense for the years ended December 31, 2023 and 2022, was charged to the following operations:

	2023	2022
Treatment Plant	<u>\$ 1,500,937</u>	<u>\$ 617,749</u>
Total Depreciation Expense	<u>\$ 1,500,937</u>	<u>\$ 617,749</u>

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2023 and 2022, was as follows:

	Balance - December 31, 2022	Additions	Retirements	Balance - December 31, 2023	Due Within One Year
Bonds Payable:					
Tap Fee Revenue Bonds					
Series 2022A	\$ 83,575,000	\$ -	\$ -	\$ 83,575,000	\$ -
Tap Fee Revenue Bonds					
Series 2022A - Bond Discount	(1,661,158)	-	194,567	(1,466,591)	-
Subordinate Tap Fee Revenue Bonds,					
Series 2022B	56,505,969	-	-	56,505,969	-
Accrued Interest - Subordinate Tap					
Fee Revenue Bonds, Series 2022B	1,244,702	3,952,278	-	5,196,980	-
Bond Payable					
Subtotal	139,664,513	3,952,278	194,567	143,811,358	-
Loans and Notes from Direct					
Borrowings and Direct					
Placements:					
Developer Advance:					
Principal - SR Land	109,000	-	-	109,000	-
Principal - Classic SRJ	100,000	-	-	100,000	-
Accrued Interest - SR Land	548	9,205	-	9,753	-
Accrued Interest - Classic SRJ	5,090	8,000	-	13,090	-
Loans and Notes					
Payable Subtotal	214,638	17,205	-	231,843	-
Total Long-Term					
Obligations	<u>\$ 139,879,151</u>	<u>\$ 3,969,483</u>	<u>\$ 194,567</u>	<u>\$ 144,043,201</u>	<u>\$ -</u>
	Balance -			Balance -	Due
	December 31,	Additions	Retirements	December 31,	Within
	2021			2022	One Year
Bonds Payable:					
Tap Fee Revenue Bonds					
Series 2022A	\$ -	\$ 83,575,000	\$ -	\$ 83,575,000	\$ -
Tap Fee Revenue Bonds					
Series 2022A - Bond Discount	-	(1,714,123)	52,965	(1,661,158)	-
Subordinate Tap Fee Revenue Bonds,					
Series 2022B	-	56,505,969	-	56,505,969	-
Accrued Interest - Subordinate Tap					
Fee Revenue Bonds, Series 2022B	-	1,244,702	-	1,244,702	-
Bond Payable					
Subtotal	-	139,611,548	52,965	139,664,513	-
Loans and Notes from Direct					
Borrowings and Direct					
Placements:					
Developer Advance:					
Principal - SR Land	-	109,000	-	109,000	-
Principal - Classic SRJ	-	100,000	-	100,000	-
Accrued Interest - SR Land	-	548	-	548	-
Accrued Interest - Classic SRJ	-	5,090	-	5,090	-
Loans and Notes					
Payable Subtotal	-	214,638	-	214,638	-
Total Long-Term					
Obligations	<u>\$ -</u>	<u>\$ 139,826,186</u>	<u>\$ 52,965</u>	<u>\$ 139,879,151</u>	<u>\$ -</u>

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2022A Tap Fee Revenue Bonds

On August 23, 2022, the Authority authorized the issuance of Tap Fee Revenue Bonds, Series 2022A (the Senior Bonds) in the amount of \$83,575,000.

Proceeds of the Senior Bonds

Proceeds from the sale of the Senior Bonds were used to: (i) acquire water rights, well field drilling rights and any and all access easements associated therewith; (ii) acquire existing water and wastewater facilities; (iii) construct new water, wastewater and drainage facilities; (iv) acquire Meridian Sewer Taps; (v) fund capitalized interest; (vi) fund a deposit to the Surplus Fund; and (vii) pay the costs of issuing the Senior Bonds.

Senior Bonds Details

The Senior Bonds bear interest at 6.75% per annum, payable to the extent of Senior Pledged Revenue on June 1 and December 1, beginning on December 1, 2022. Annual mandatory sinking fund principal payments are due annually on each December 1, beginning on December 1, 2026. The Senior Bonds mature on December 1, 2034.

To the extent principal of any Senior Bond is not paid when due, principal shall remain outstanding until the earlier of its payment or the Termination Date and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2062 (the "Termination Date"), regardless of the amount of principal and interest paid prior to the Termination Date.

Optional Redemption of Senior Bonds

The Senior Bonds are subject to redemption prior to maturity, at the option of the Authority, on September 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2027, to August 31, 2028	3.00%
September 1, 2028, to August 31, 2029	2.00
September 1, 2029, to August 31, 2030	1.00
September 1, 2030, and thereafter	0.00

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2022A Tap Fee Revenue Bonds (Continued)

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue derived by the Authority from the following sources:

- (a) the Gross Revenue (water tap fees, water acquisition fees, wastewater tap fees, and investment income from moneys held in water and wastewater reserve fund);
- (b) any other legally available moneys which the Authority determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Gross Revenue is the income and revenues derived by the Authority from the imposition of the Water Tap Fees, the Water Acquisition Fees and the Wastewater Tap Fees.

Surplus Fund

The Senior Bonds are additionally secured by the Surplus Fund. The Surplus Fund will be funded initially from Senior Bond proceeds in the amount of \$8,186,000. The remaining Surplus Fund will be funded from annual Senior Pledged Revenue in excess of the amounts needed to pay annual debt service on the Senior Bonds, up to the Maximum Surplus Amount. Upon issuance of the Senior Bonds, the Maximum Surplus Amount is \$16,715,000, and on each December 2, recalculated as the amount of 20% of the par of the Senior Bonds then outstanding.

If amounts then-held by the Trustee in the Surplus Fund are in excess of the Maximum Surplus Amount, such excess amounts shall be transferred to the Excess Revenue Fund to be applied to redeem the Senior Bonds. As of December 31, 2022, the Maximum Surplus Amount was \$8,250,601.

Events of Default of the Senior Bonds

Events of default occur if the Authority fails to impose the Water Tap Fees, the Water Acquisition Fees, and the Wastewater Tap Fees, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Senior Indenture.

The Authority's long-term obligations mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 5,641,313	\$ 5,641,313
2025	-	5,641,313	5,641,313
2026	6,030,000	5,641,313	11,671,313
2027	7,265,000	5,234,288	12,499,288
2028	7,825,000	4,743,900	12,568,900
2029-2033	51,080,000	14,852,702	65,932,702
2034	11,375,000	767,813	12,142,813
Total	<u>\$ 83,575,000</u>	<u>\$ 42,522,642</u>	<u>\$ 126,097,642</u>

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2022B Subordinate Tap Fee Revenue Bonds

On September 7, 2022 the Authority authorized the issuance of Subordinate Tap Fee Revenue Bonds, Series 2022B (the Subordinate Bonds) in the amount of \$56,505,969.

Proceeds of the Subordinate Bonds

The Subordinate Bonds were issued for the purpose of paying or reimbursing the costs of acquisition of System facilities and paying other costs incurred in connection with the issuance of the Subordinate Bonds.

Subordinate Bonds Details

The Subordinate Bonds bear interest at 7.0% per annum, payable to the extent of Subordinate Pledged Revenue on each December 15, beginning on December 15, 2022. Annual mandatory sinking fund principal payments are due annually on each December 1, beginning on December 1, 2022. The Subordinate Bonds mature on December 15, 2052.

To the extent principal of any Subordinate Bond is not paid when due, principal shall remain outstanding until the earlier of its payment or the Subordinate Termination Date and shall continue to bear interest at the rate then borne by the Subordinate Bond. To the extent interest on any Subordinate Bond is not paid when due, such interest shall remain due and owing, but shall not compound or bear additional interest as a result thereof.

The Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2072 (the "Subordinate Termination Date"), regardless of the amount of principal and interest paid prior to the Termination Date.

Optional Redemption of Subordinate Bonds

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the Authority, at any time upon payment of par, accrued interest, with no redemption premium.

Subordinate Pledged Revenue

Subordinate Pledged Revenue is the moneys derived by the Authority from the following sources:

- 1) the Subordinate Gross Revenue;
- 2) any Future Tap Fee Revenues;
- 3) any Future Authority Financing Proceeds;
- 4) any Excess Operating Revenues; and
- 5) any other legally available moneys which the Authority determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate Gross Revenue is the Gross Revenue remaining after application to the payment of any Senior Bonds.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2022B Subordinate Tap Fee Revenue Bonds (Continued)

Events of Default of the Subordinate Bonds

Events of default occur if the Authority fails to impose the Water Tap Fees, the Water Acquisition Fees, and the Wastewater Tap Fees, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions consistent with normal municipal financing as described in the Subordinate Indenture.

Developer Advances

Reimbursement Agreement for Operations – Classic SRJ, LLC

The Authority has entered into a reimbursement agreement with Classic SRJ, LLC (see note 9). The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses. The note accrues interest at a rate of 8.00% per annum. As of December 31, 2023, outstanding principal was \$100,000 and accrued interest due to the Developer was \$13,090. As of December 31, 2022, outstanding principal was \$100,000 and accrued interest due to the Developer was \$5,090.

Reimbursement Agreement for Operations – SR Land, LLC

The Authority has entered into a reimbursement agreement with SR Land, LLC (see note 9). The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses. The note accrues interest at a rate of 8.00% per annum. As of December 31, 2023, outstanding principal was \$109,000 and accrued interest due to the Developer was \$9,753. As of December 31, 2022, outstanding principal was \$109,000 and accrued interest due to the Developer was \$548.

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December, 31 2023 and 2022, the Authority had net investment in capital assets calculated as follows:

	2023	2022
Net Investment in Capital Assets:		
Capital Assets, Net	\$ 90,803,892	\$ 90,927,799
Noncurrent Portion of Long-Term Obligations	<u>(138,614,378)</u>	<u>(138,419,811)</u>
Net Investment in Capital Assets	<u>\$ (47,810,486)</u>	<u>\$ (47,492,012)</u>

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 NET POSITION (CONTINUED)

Restricted assets include net position that are restricted for use either externally by creditors, granters, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December, 31 2023 and 2022 as follows:

	2023	2022
Restricted Net Position:		
Debt Service	\$ 15,757,208	\$ 20,456,281
Capital Project	23,316,256	22,802,659
Net Investment in Capital Assets	\$ 39,073,464	\$ 43,258,940

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

NOTE 7 AGREEMENTS

Facilities Funding and Acquisition Agreements – Classic SRJ, LLC

On May 31, 2022, the Authority entered into a Facilities Funding and Acquisition Agreement (Agreement) with Classic SRJ, LLC that will allow the Developer to advance the Authority funds necessary to construct and complete public improvements, which will be constructed and completed by the Authority. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the Authority to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the Authority or on behalf of the Authority prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The Authority agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the Authority. This Agreement evidences an intent to reimburse Developer hereunder, but this Agreement shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the Authority in its absolute discretion.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 7 AGREEMENTS (CONTINUED)

Facilities Funding and Acquisition Agreements – SR Land, LLC

On May 31, 2022, the Authority entered into a Facilities Funding and Acquisition Agreement (Agreement) with SR Land, LLC that will allow the Developer to advance the Authority funds necessary to construct and complete public improvements, which will be constructed and completed by the Authority. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the Authority to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the Authority or on behalf of the Authority prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The Authority agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the Authority. This Agreement evidences an intent to reimburse Developer hereunder, but this Agreement shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the Authority in its absolute discretion.

Facilities Funding and Acquisition Agreements – Timberridge Development Group, LLC

On May 31, 2022, the Authority entered into a Facilities Funding and Acquisition Agreement (Agreement) with Timberridge Development Group, LLC that will allow the Developer to advance the Authority funds necessary to construct and complete public improvements, which will be constructed and completed by the Authority. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the Authority to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the Authority or on behalf of the Authority prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The Authority agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the Authority. This Agreement evidences an intent to reimburse Developer hereunder, but this Agreement shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the Authority in its absolute discretion.

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 AGREEMENTS (CONTINUED)

Facilities Funding and Acquisition Agreements – SR Water, LLC

On May 31, 2022, the Authority entered into a Facilities Funding and Acquisition Agreement (Agreement) with SR Water, LLC that will allow the Developer to advance the Authority funds necessary to construct and complete public improvements, which will be constructed and completed by the Authority. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the Authority to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the Authority or on behalf of the Authority prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The Authority agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the Authority. This Agreement evidences an intent to reimburse Developer hereunder, but this Agreement shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the Authority in its absolute discretion.

Facilities Funding and Acquisition Agreements – SR Sewer, LLC

On May 31, 2022, the Authority entered into a Facilities Funding and Acquisition Agreement (Agreement) with SR Sewer, LLC that will allow the Developer to advance the Authority funds necessary to construct and complete public improvements, which will be constructed and completed by the Authority. The Developer, in its sole discretion may, but shall not be obligated to, advance funds to the Authority to pay the costs of public improvements and any management, operating, and administrative expenses. Any sums advanced to the Authority or on behalf of the Authority prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The Authority agrees to repay the Developer along with a simple interest of 8% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the Authority. This Agreement evidences an intent to reimburse Developer hereunder, but this Agreement shall not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple fiscal year financial obligation, and the making of any reimbursement hereunder shall be at all times subject to annual appropriation by the Authority in its absolute discretion.

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 7 AGREEMENTS (CONTINUED)

Intergovernmental Agreement

On September 11, 2014 (and amended on February 20, 2020 and November 9, 2021), Sterling Ranch Metropolitan District No. 1 (Sterling Ranch) entered into an intergovernmental agreement (IGA) with Meridian Service Metropolitan District (Meridian) under which Meridian will treat and deliver Sterling Ranch wastewater to the Cherokee Metropolitan District/Meridian Wastewater Treatment Plant (CM Plant) from Meridian's sewer lift station. Sterling Ranch will pay Meridian a connection fee prior to service, a monthly wastewater services fee, and ongoing tap sewer tap fees through 2024.

On May 21, 2022, Sterling Ranch assigned the IGA to the Authority. Sterling Ranch assigned and transferred to the Authority all of Sterling Ranch's rights, terms, conditions, obligations, title and interest in, to and under the IGA and Meridian irrevocably consents to such assignment and transfer. Sterling Ranch agrees to indemnify and hold the Authority harmless from and against any and all liabilities, losses, claims, damages, actions, suits, costs and expenses (including, but not limited to, reasonable fees and disbursements of counsel through appeal) related to or arising out of the IGA prior to the effective date or arising from Sterling Ranch's actions or inaction related to the IGA or this assignment. During the year ended December 31, 2023, the Authority paid \$47,117 for Clean Water Fees and \$0 of sewer tap fees pursuant to the IGA. During the year ended December 31, 2022, the Authority paid \$36,120 for Clean Water Fees and \$4,126,115 of sewer tap fees pursuant to the IGA.

NOTE 8 RECEIVABLES

Receivables as of December, 31 2023 and 2022 for the Authority's activities are as follows:

	2023	2022
Accounts Receivable - Service Billings	\$ 30,686	\$ 22,671
Accounts Receivable - Other	6,997	-
Due From Sterling Ranch MD No. 1	-	4,791
Total	\$ 37,683	\$ 27,462

NOTE 9 RELATED PARTY

The Developers of the property which constitute the Districts that are Members of the Authority (see Note 1) are Classic SRJ, LLC; Timberridge Development Group, LLC; SR Land, LLC; SR Water, LLC and SR Sewer, LLC. Members of the Board of Directors of the Authority are employees, owners or otherwise associated with the Developers. Accordingly, the Developers may have conflicts of interest in dealing with the Authority and balances due and transactions between the Developers and the Authority are considered to be related party balances and transactions.

FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 RELATED PARTY (CONTINUED)

During the year ended December 31, 2022, the Authority acquired water and sewer infrastructure and related assets from SR Water, LLC and SR Sewer, LLC for \$75,000,000 (see Note 4). The Authority also has Developer Advance agreements and balances with the Developers (see Note 5).

NOTE 10 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; or acts of God.

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

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

**FALCON AREA WATER & WASTEWATER AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

The Authority's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

SUPPLEMENTARY INFORMATION

FALCON AREA WATER & WASTEWATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING EXPENSES		
Billing	\$ 28,985	\$ 41,391
Meters	50,930	3,250
Meters - Maintenance	9,240	-
Meters - Fiber Cable	91,650	-
Installation Fee Reimbursement	7,700	-
Consulting	-	9,250
Utilities	30,743	13,712
Utilities Residential Sewer	194,066	26,671
Clean Water Fee	59,400	36,120
Electricity	-	8,683
Treatment Supplies	18,963	10,223
Treatment Costs	43,650	56,837
Fuel	55,107	178,334
Contract Services	77,462	10,108
Storm Drainage	-	52,159
Engineering	379,352	88,115
Sewer	-	52,139
Depreciation and Amortization	1,500,937	617,749
Total Operating Expenses	<u>\$ 2,548,185</u>	<u>\$ 1,204,741</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	\$ 63,821	\$ 27,027
Auditing	5,400	-
Dues and Membership	417	200
Insurance	1,978	4,888
District Management	364	2,796
Legal	61,177	132,385
Miscellaneous	3,932	98
Organizational Costs	-	1,600
Website	2,929	-
Total General and Administrative Expenses	<u>\$ 140,018</u>	<u>\$ 168,994</u>
NONOPERATING EXPENSES		
Interest Expense	\$ 9,610,796	\$ 3,256,440
Paying Agent Fee	5,000	-
Bond Issue Costs	-	2,280,782
Bonds Payable Discount Amortization	194,567	52,965
Total Nonoperating Expenses	<u>\$ 9,810,363</u>	<u>\$ 5,590,187</u>

FALCON AREA WATER & WASTEWATER AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES AND FUNDS AVAILABLE –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual	Variance - Positive (Negative)
REVENUES			
Water Service Fees	\$ 339,911	\$ 312,340	\$ (27,571)
Clean Water Fees	-	47,117	47,117
Sewer Service Fees	173,712	186,450	12,738
Under Drain Fees	-	13,644	13,644
AMR and Billing Services	40,425	22,963	(17,462)
Billing Services Fees	-	26,807	26,807
Water and Sewer Administrative Fees	11,288	33,635	22,347
Installation Fees	147,735	279,000	131,265
Meter Fees	122,155	138,105	15,950
Late Fees and Penalties	4,830	7,700	2,870
Other Revenues	-	4,620	4,620
Water Tap Fees	2,601,163	-	(2,601,163)
Capital Fees	21,000	16,275	(4,725)
Interest Income	153,158	2,124,058	1,970,900
Total Revenues	<u>3,615,377</u>	<u>3,212,714</u>	<u>(402,663)</u>
EXPENDITURES			
General and Administrative:			
Accounting	75,000	63,821	11,179
Auditing	-	5,400	(5,400)
Dues and Membership	-	417	(417)
Insurance	1,500	1,978	(478)
District Management	20,000	364	19,636
Legal	75,000	61,177	13,823
Miscellaneous	3,500	3,932	(432)
Website	-	2,929	(2,929)
Subtotal	<u>175,000</u>	<u>140,018</u>	<u>34,982</u>
Operations and Maintenance:			
Billing	50,000	28,985	21,015
Meters	72,030	50,930	21,100
Meters - Maintenance	-	9,240	(9,240)
Meters - Fiber Cable	-	91,650	(91,650)
Installation Fee Reimbursement	147,735	7,700	140,035
Utilities	20,000	30,743	(10,743)
Utilities Residential Sewer	-	194,066	(194,066)
Clean Water Fee	45,000	59,400	(14,400)
Treatment Supplies	12,000	18,963	(6,963)
Treatment Costs	12,000	43,650	(31,650)
Fuel	-	55,107	(55,107)
Contract Services	20,000	77,462	(57,462)
Storm Drainage	50,000	-	50,000
Engineering	100,000	379,352	(279,352)
Sewer	75,000	-	75,000
Contingency	31,235	-	31,235
Subtotal	<u>635,000</u>	<u>1,047,248</u>	<u>(412,248)</u>
Debt Service:			
Repay Developer Advances	130,474	-	130,474
Paying Agent Fee	-	5,000	(5,000)
Bond Interest	5,641,313	5,641,313	-
Subtotal	<u>5,771,787</u>	<u>5,646,313</u>	<u>125,474</u>
Capital Projects:			
Capital Outlay - Purchased Infrastructure	20,653,175	1,377,030	19,276,145
Subtotal	<u>20,653,175</u>	<u>1,377,030</u>	<u>19,276,145</u>
Total Expenditures	<u>27,234,962</u>	<u>8,210,609</u>	<u>19,024,353</u>
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES	(23,619,585)	(4,997,895)	18,621,690
Funds Available - Beginning of Year	<u>41,228,387</u>	<u>42,915,319</u>	<u>1,686,932</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 17,608,802</u>	<u>\$ 37,917,424</u>	<u>\$ 20,308,622</u>

**FALCON AREA WATER & WASTEWATER AUTHORITY
SCHEDULE OF RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	Actual
Funds Available are Defined as Follows:	
Current and Noncurrent Assets	
Restricted and Unrestricted Current Assets	\$ 39,492,567
Less Current Liabilities and Deferred Inflow of Resources	(1,575,143)
Funds Available	\$ 37,917,424
Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses, and Changes in Net Position:	
Revenue (Budgetary Basis)	\$ 3,212,714
Total Revenue Per Statement of Revenues, Expenses, and Changes in Net Position	3,212,714
Expenditures (Budgetary Basis)	8,210,609
Depreciation and Amortization	1,500,937
Bond Interest	3,969,483
Capital Outlay	(1,377,030)
Bonds Payable Discount Amortization	194,567
Total Expenses Per Statement of Revenues, Expenses, and Changes in Net Position	12,498,566
Change in Net Position Per Statement of Revenues, Expenses, and Changes in Net Position	\$ (9,285,852)