

ARABIAN ACRES METROPOLITAN DISTRICT

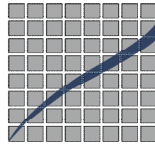
TELLER COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arabian Acres Metropolitan District
Teller County, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Arabian Acres Metropolitan District ("District") as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2024 and 2023, 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 District 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our 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 District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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 16, 2025

ARABIAN ACRES METROPOLITAN DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 1,007,973	\$ 852,913
Cash and investments - restricted	81,600	88,700
Receivable from County Treasurer	1,207	907
Accounts receivable, net	33,757	31,209
Property taxes receivable	159,900	158,439
Prepaid expenses	12,471	-
<u>Total current assets</u>	<u>1,296,908</u>	<u>1,132,168</u>
Non-current assets:		
Capital assets, net	3,962,319	4,093,377
<u>Total non-current assets</u>	<u>3,962,319</u>	<u>4,093,377</u>
<u>Total assets</u>	<u>\$ 5,259,227</u>	<u>\$ 5,225,545</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,301	\$ 8,494
Accrued interest payable	7,427	7,427
Current maturities of bonds and notes payable	149,651	151,947
<u>Total current liabilities</u>	<u>167,379</u>	<u>167,868</u>
Non-current liabilities:		
Bonds and notes payable, net of current portion	1,697,177	1,846,828
<u>Total non-current liabilities</u>	<u>1,697,177</u>	<u>1,846,828</u>
<u>Total liabilities</u>	<u>1,864,556</u>	<u>2,014,696</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property taxes	159,900	158,439
<u>Total deferred inflows of resources</u>	<u>159,900</u>	<u>158,439</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,853,705	2,928,485
Restricted for:		
Debt service	73,000	81,500
Emergency reserve	8,600	7,200
Unrestricted	299,466	35,225
<u>Total net position</u>	<u>3,234,771</u>	<u>3,052,410</u>
<u>Total liabilities, deferred inflows of resources, and net position</u>	<u>\$ 5,259,227</u>	<u>\$ 5,225,545</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
<u>OPERATING REVENUES</u>		
Water sales	\$ 93,742	\$ 86,432
Tap fees	8,000	8,000
Service fees	101,586	106,778
Capital improvement fees	111,956	116,921
Other operating revenues	1,361	2,090
Total operating revenues	<u>316,645</u>	<u>320,221</u>
<u>OPERATING EXPENSES</u>		
Depreciation	131,058	49,132
District management	49,047	55,934
Fees, dues and subscriptions	8,604	8,137
Insurance	-	12,574
ORC fees	42,583	41,513
Other expenses	7,579	4,573
Professional fees	19,462	16,679
Repairs and maintenance	17,033	39,666
Trout Haven refunds	2,414	-
Utilities	8,612	8,529
Total operating expenses	<u>286,392</u>	<u>236,737</u>
Operating income	<u>30,253</u>	<u>83,484</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property taxes	158,984	139,295
Specific ownership taxes	15,172	14,953
County Treasurer fees	(4,606)	(3,992)
Interest income	31,188	22,533
Interest expense	(48,630)	(54,127)
Net non-operating revenues	<u>152,108</u>	<u>118,662</u>
Change in net position	182,361	202,146
Net position, beginning of year	<u>3,052,410</u>	<u>2,850,264</u>
Net position, end of year	<u>\$ 3,234,771</u>	<u>\$ 3,052,410</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from user fees and surcharges	\$ 314,097	\$ 325,335
Cash paid for goods and services	(165,998)	(198,279)
Net cash flows from operating activities	148,099	127,056
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from general and specific tax revenues	169,250	150,261
Net cash flows from non-capital financing activities	169,250	150,261
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on bonds and notes payable	(151,947)	(142,723)
Interest expense	(48,630)	(54,127)
Net cash flows from capital and related financing activities	(200,577)	(196,850)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	31,188	22,533
Net cash flows from investing activities	31,188	22,533
Net change in cash and investments	147,960	103,000
Cash and investments, beginning of year	941,613	838,613
Cash and investments, end of year	<u>\$ 1,089,573</u>	<u>\$ 941,613</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 30,253	\$ 83,484
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Depreciation and amortization	131,058	49,132
(Increase) decrease in operating assets:		
Accounts receivable, net	(2,548)	5,114
Prepaid expenses	(12,471)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	1,807	(10,674)
Net cash flows from operating activities	<u>\$ 148,099</u>	<u>\$ 127,056</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

1. DEFINITION OF REPORTING ENTITY

Arabian Acres Metropolitan District ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in October 2003, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Teller County, Colorado ("County"). The District was organized for the purpose of acquiring the water system for the use and benefit of the District's residents, taxpayers, and property owners; and for providing for the design, purchase, operation, maintenance, and extension of the water system. The District may provide additional services or facilities that may be provided by a metropolitan district, within and outside the District's boundaries, in accordance with its service plan.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District'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.

Basis of accounting

The District'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 capital assets are shown as increases in assets.

The District distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District'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 service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end.

Cash and investments

For purposes of the financial statements, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents. Certificates of deposit with an initial maturity of less than one year are considered to be current assets.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Accounts receivable

Accounts receivable of the District consist of water sales, tap fees, service fees, and capital improvement fees receivable. Accounts receivable are unsecured and are stated at the amount the District expects to collect. The District 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 District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2024 and 2023, management considers accounts receivable to be fully collectable and no allowance for doubtful accounts has been recorded.

Property taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

Capital assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life greater than one year. Such assets are recorded at cost or estimated cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets, which is 40 years.

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

Capital assets which are anticipated to be conveyed to other governmental entities are not depreciated or included in the calculation of net investment in capital assets component of the District's net position.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Revenues and expenses

Operating revenues consist of charges for services and are recognized as earned. Operating expenses include the cost of service, administrative expenses, and depreciation of assets, and are recorded as incurred.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Use of estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date these financial statements were available to be issued.

New accounting pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* ("Statement No. 100"). This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. On January 1, 2024, the District adopted the requirements of Statement No. 100. Management determined the adoption of Statement No. 100 did not have a material impact on the District's financial statements.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2024 and 2023, are classified in the accompanying financial statements as follows:

	<u>2024</u>	<u>2023</u>
Cash and investments	\$ 1,007,973	\$ 852,913
Cash and investments - restricted	81,600	88,700
	<u>\$ 1,089,573</u>	<u>\$ 941,613</u>

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Deposits with financial institutions	\$ 362,968	\$ 539,797
Investments	726,605	401,816
	<u>\$ 1,089,573</u>	<u>\$ 943,636</u>

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. The 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 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.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

As of December 31, 2024, the District's cash deposits had a bank balance of \$361,734 and a carrying balance of \$362,968. As of December 31, 2023, the District's cash deposits had a bank balance of \$534,668 and a carrying balance of \$539,797.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

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

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

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2024, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 471,714
Certificates of deposit	Less than 1 year	254,891
		<u>\$ 726,605</u>

As of December 31, 2023, the District had the following in investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 401,816

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

COLOTRUST EDGE, a variable net asset value ("NAV") local government investment pool, offers weekly liquidity and is managed to approximate a \$10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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 AAf/S1 by FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

Fair value of investments

The District categorizes its fair value measurements within the fair value hierarchy established by US GAAP.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

US GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that are based on inputs not quoted in active markets that can be corroborated by observable market data

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Fair value of assets measured on a recurring basis is as follows as of December 31, 2024:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 254,891	\$ -	\$ 254,891
Liquid asset trust (COLOTRUST) held at cost	\$ -	\$ 254,891	\$ -	254,891
Money market funds, at cost				471,714
Total investments				<u>\$ 726,605</u>

The District did not have any assets measured at fair value as of December 31, 2023.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, is as follows:

	Balance 01-01-24	Additions	Dispositions	Reclassifications	Balance 12-31-24
<u>Governmental activities</u>					
Capital assets, depreciable:					
Water distribution system and equipment	\$ 1,965,264	\$ -	\$ -	\$ 2,516,673	\$ 4,481,937
Total capital assets, depreciable	1,965,264	-	-	2,516,673	4,481,937
Less accumulated depreciation for:					
Water distribution system and equipment	(662,148)	(131,058)	-	-	(793,206)
Total accumulated depreciation	(662,148)	(131,058)	-	-	(793,206)
Capital assets, net	1,303,116	(131,058)	-	2,516,673	3,688,731
Capital assets, not depreciable:					
Land	101,000	-	-	-	101,000
Water rights	172,588	-	-	-	172,588
Construction in progress	2,516,673	-	-	(2,516,673)	-
Capital assets, not depreciable	2,790,261	-	-	(2,516,673)	273,588
Total capital assets, net	\$ 4,093,377	\$ (131,058)	\$ -	\$ -	\$ 3,962,319

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

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

	Balance 01-01-23	Additions	Dispositions	Reclassifications	Balance 12-31-23
Governmental activities					
Capital assets, depreciable:					
Water distribution system and equipment	\$ 1,965,264	\$ -	\$ -	\$ -	\$ 1,965,264
Total capital assets, depreciable	1,965,264	-	-	-	1,965,264
Less accumulated depreciation for:					
Water distribution system and equipment	(613,016)	(49,132)	-	-	(662,148)
Total accumulated depreciation	(613,016)	(49,132)	-	-	(662,148)
Capital assets, net	1,352,248	(49,132)	-	-	1,303,116
Capital assets, not depreciable:					
Land	101,000	-	-	-	101,000
Water rights	172,588	-	-	-	172,588
Construction in progress	2,516,673	-	-	-	2,516,673
Capital assets, not depreciable	2,790,261	-	-	-	2,790,261
Total capital assets, net	\$ 4,142,509	\$ (49,132)	\$ -	\$ -	\$ 4,093,377

Depreciation expense for the years ended December 31, 2024 and 2023 totaled \$131,058 and \$49,132, respectively.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2024:

	Balance 01-01-24	Additions	Repayments / Amortization	Balance 12-31-24	Due Within One Year
Bonds payable:					
Series 2007 Bonds	\$ 815,000	\$ -	\$ (85,000)	\$ 730,000	\$ 85,000
Total bonds payable	815,000	-	(85,000)	730,000	85,000
Other long-term obligations:					
NRWA Note Payable	18,883	-	(10,669)	8,214	8,214
CWCB Note Payable	154,598	-	(21,237)	133,361	21,221
CWRD Note Payable	1,010,294	-	(35,041)	975,253	35,216
Total other long-term obligations	1,183,775	-	(66,947)	1,116,828	64,651
Total long-term obligations	\$ 1,998,775	\$ -	\$ (151,947)	\$ 1,846,828	\$ 149,651

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ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

The following is a summary of long-term debt of the District during the year ended December 31, 2023:

	Balance 01-01-23	Additions	Repayments / Amortization	Balance 12-31-23	Due Within One Year
Bonds payable:					
Series 2007 Bonds	\$ 895,000	\$ -	\$ (80,000)	\$ 815,000	\$ 85,000
Total bonds payable	895,000	-	(80,000)	815,000	85,000
Other long-term obligations:					
NRWA Note Payable	26,654	-	(7,771)	18,883	10,669
CWCB Note Payable	174,654	-	(20,056)	154,598	21,237
CWRD Note Payable	1,045,190	-	(34,896)	1,010,294	35,041
Total other long-term obligations	1,246,498	-	(62,723)	1,183,775	66,947
Total long-term obligations	\$ 2,141,498	\$ -	\$ (142,723)	\$ 1,998,775	\$ 151,947

Series 2007 Water Revenue Refunding Bonds

On March 28, 2007, the District issued Series 2007 Water Revenue Refunding Bonds ("Series 2007 Bonds") for the purpose of: (i) advancing the refund of certain outstanding obligations of the District and (ii) funding the reserve account. The Series 2007 bonds were issued in the amount of \$1,425,000; \$455,000 were issued as serial bonds and \$970,000 were issued as term bonds. The serial bonds carried interest rates of 4.05% to 4.40% per annum and matured between December 1, 2014 and December 1, 2021. The term bonds carry an interest rate of 5.00% per annum and mature on December 1, 2030. The term bonds are subject to mandatory sinking fund redemption in prescribed amounts before the maturity dates.

The District is required to maintain a debt service reserve account to be used for the payment of principal and interest of the Series 2007 Bonds in the event that the District has not provided the trustee with sufficient funds to make the required payment.

Pledged revenues

The Series 2007 Bonds are secured by and payable from the pledged revenues consisting of monies derived by the District from the following sources, net of any collection costs: (a) revenues, net of operation and maintenance expenses, derived from the District's water system and (b) mill levy revenue derived from the imposition of ad valorem property taxes by the District. The Series 2007 Bonds are also secured by amounts held by the trustee in the reserve fund. Mill levy revenue means revenues resulting from the imposition of ad valorem property taxes imposed by the District for the payment of the Series 2007 Bonds, including specific ownership taxes.

Optional redemption

The Series 2007 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Events of default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture:

- i. Payment of the principal on any bond is not made by the District when due.
- ii. Payment of the interest on any bond is not made by the District when due.

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ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

iii. The District defaults in the performance of any other of its material covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 50% in aggregate principal amount of the bonds then outstanding.

iv. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

Upon the occurrence and continuance of an event of default, the trustee may protect and enforce the rights of any owner by proper legal or equitable remedy deemed most effectual including, without limitation, mandamus, specific performance of any covenants, injunctive relief, or requiring the board of directors to act as if it were the trustee of an express trust, or any combination of such remedies; provided however, that acceleration of any payments due with respect to any bond will not be a remedy available to the owner of any such bond.

The District's long-term obligations on the Series 2007 Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 85,000	\$ 36,500	\$ 121,500
2026	90,000	32,250	122,250
2027	95,000	27,750	122,750
2028	100,000	23,000	123,000
2029	105,000	18,000	123,000
2030	255,000	12,750	267,750
Total	\$ 730,000	\$ 150,250	\$ 880,250

NRWA note payable

On April 6, 2013, the District entered into a loan that was later amended on March 23, 2014 in the amount of \$99,284 in order to ensure an adequate water supply. The note payable to National Rural Water Association Revolving Loan Fund ("NRWA") is due in monthly installments of \$924 with a stated interest rate of 3.00% per annum, maturing on July 1, 2025. The note is secured with an interest in the assets of the District in the amount of the principal balance.

Following is a summary of the District's future debt service requirements of the NRWA note payable:

Year Ending December 31, 2024	Principal	Interest	Total
2025	\$ 8,214	\$ 103	\$ 8,317

CWCB note payable

On June 21, 2019, the District entered into a note payable that was later amended on May 1, 2020 with the Colorado Water Conservation Board ("CWCB") for up to \$214,460. The note bears interest at 1.85% per annum and is secured by an interest in the revenues of the District. Principal and interest shall be payable annually in equal payments. All principal, interest, and late charges, if any, remaining unpaid will be due and payable on or before the maturity date of May 1, 2030. The CWCB note payable requires the District to maintain one-tenth of the annual payment on the CWCB note payable in reserve.

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ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Following is a summary of the District's future debt service requirements of the CWCB note payable:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 21,221	\$ 2,467	\$ 23,688
2026	21,613	2,075	23,688
2027	22,013	1,675	23,688
2028	22,421	1,267	23,688
2029	22,835	853	23,688
2030	23,258	430	23,688
Total	\$ 133,361	\$ 8,767	\$ 142,128

CWRD note payable

On June 15, 2020, the District entered into a loan with Colorado Water Resources & Power Development Authority ("CWRD") in the amount of \$1,500,000 to rehabilitate the existing distribution system, construct a new storage tank, and improve the existing storage and treatment facilities. The note payable is due in full on or before the maturity date November 1, 2050, with a stated interest rate of 0.5% per annum. The CWRD note payable requires the District to maintain a 110% debt service requirement in revenue and requires the District to maintain an operation and maintenance reserve fund. The loan includes \$400,000 in principal forgiveness upon issuance.

Following is a summary of the District's future debt service requirements of the CWRD note payable:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 35,216	\$ 4,803	\$ 40,019
2026	35,393	4,627	40,020
2027	35,570	4,449	40,019
2028	35,748	4,283	40,031
2029	35,927	4,092	40,019
2030 - 2034	182,350	17,751	200,101
2035 - 2039	186,960	13,135	200,095
2040 - 2044	191,687	8,406	200,093
2045 - 2049	196,534	3,547	200,081
2050	39,868	116	39,984
Total	\$ 975,253	\$ 65,209	\$ 1,040,462

Debt authorization

As of December 31, 2024, the District's debt authorized, authorization used, and amounts authorized but unissued are as follows:

	Electoral Authorization	Service Plan Authorization
Amount authorized	\$ 1,425,000	\$ 1,425,000
Authorization used: Series 2007 Bonds	(1,425,000)	(1,425,000)
Authorized but unissued indebtedness	\$ -	\$ -

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

On November 5, 2002, the District's voters authorized the issuance of indebtedness at an interest rate not to exceed 12%. The amended service plan set the maximum mill levy at 24 mills.

6. NET POSITION

The District has net position consisting of: 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 balance of debt that is attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2024 and 2023, the District had net investment in capital assets as follows:

	<u>2024</u>	<u>2023</u>
Net investment in capital assets:		
Capital assets, net	\$ 3,962,319	\$ 4,093,377
Related long-term obligations	<u>(1,108,614)</u>	<u>(1,164,892)</u>
Net investment in capital assets	<u>\$ 2,853,705</u>	<u>\$ 2,928,485</u>

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Restricted net position:		
Debt service (Note 5)	\$ 73,000	\$ 81,500
Emergency reserve (Note 8)	<u>8,600</u>	<u>7,200</u>
	<u>\$ 81,600</u>	<u>\$ 88,700</u>

Unrestricted net assets consist of net assets that do not meet the definition of net investment in capital assets or restricted net assets.

7. RISK MANAGEMENT

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

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

8. TAX, SPENDING, AND DEBT LIMITATIONS

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2024

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. On November 5, 2002, the District's voters approved a ballot issue allowing the District to retain all revenues.

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

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 District's management believes a significant portion of its operations qualifies for this exclusion.

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

9. SUBSEQUENT EVENTS

Subsequent to December 31, 2024, the District entered into a construction contract for public improvements in the amount of \$114,000 in addition to other costs to be incurred related to the project.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

ARABIAN ACRES METROPOLITAN DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET COMPARED TO ACTUAL - BUDGETARY
BASIS
YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance
<u>OPERATING REVENUES</u>			
Water sales	\$ 80,000	\$ 93,742	\$ (13,742)
Tap fees	-	8,000	(8,000)
Service fees	100,000	101,586	(1,586)
Capital improvement fees	110,000	111,956	(1,956)
Other operating revenues	-	1,361	(1,361)
Total operating revenues	<u>290,000</u>	<u>316,645</u>	<u>26,645</u>
<u>OPERATING EXPENDITURES</u>			
Contingency	55,000	-	55,000
District management	56,000	49,047	6,953
Fees, dues and subscriptions	9,500	8,604	896
Insurance	14,000	-	14,000
ORC fees	48,000	42,583	5,417
Other expenses	19,700	7,579	12,121
Professional fees	19,625	19,462	163
Purchased services	10,000	-	10,000
Repairs and maintenance	40,000	17,033	22,967
Trout Haven refunds	-	2,414	(2,414)
Utilities	12,000	8,612	3,388
Total operating expenditures	<u>283,825</u>	<u>155,334</u>	<u>128,491</u>
<u>NON-OPERATING REVENUES (EXPENDITURES)</u>			
Property taxes	158,977	158,984	7
Specific ownership taxes	11,128	15,172	4,044
County Treasurer fees	(4,769)	(4,606)	163
Interest income	-	31,188	31,188
Interest expense	(46,125)	(48,630)	(2,505)
Debt principal payments	(154,451)	(151,947)	2,504
Total non-operating revenues and expenditures	<u>(35,240)</u>	<u>161</u>	<u>35,401</u>
Excess (deficit) of revenue over expenditures - budgetary basis	<u>\$ (29,065)</u>	<u>\$ 161,472</u>	<u>\$ 163,892</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

ARABIAN ACRES METROPOLITAN DISTRICT
RECONCILIATION OF AMOUNTS FROM US GAAP BASIS TO BUDGETARY BASIS
DECEMBER 31, 2024

The accompanying supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 17 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2024 is presented below.

<u>Total revenues per financial statements</u>	<u>\$ 521,989</u>
<u>Total actual revenues and receipts per the budget</u>	<u>\$ 521,989</u>
<u>Total expenses and capital expenditures per financial statements</u>	<u>\$ 339,628</u>
Add:	
<u>Debt principal payments</u>	<u>151,947</u>
Less:	
<u>Depreciation and amortization</u>	<u>(131,058)</u>
<u>Total actual expenses and capital expenditures per the budget</u>	<u>\$ 360,517</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.