

**HORSE CREEK METROPOLITAN DISTRICT
Douglas County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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Independent Auditor's Report

Board of Directors
Horse Creek Metropolitan District
Douglas County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Horse Creek Metropolitan District (District) as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Horse Creek Metropolitan District, as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplemental Information

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information, as listed in the table of contents, does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 15, 2025

BASIC FINANCIAL STATEMENTS

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2024**

ASSETS

| | |
|-------------------------------------|------------|
| Cash and investments - unrestricted | \$ 241,351 |
| Cash and investments - restricted | 537,015 |
| Cash with County Treasurer | 3,856 |
| Prepaid expense | 23,921 |
| Property taxes receivable | 301,692 |
| Total assets | 1,107,835 |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|----------------------------|---------|
| Deferred loss on refunding | 326,675 |
|----------------------------|---------|

LIABILITIES

| | |
|---------------------------|-----------|
| Accounts payable | 1,038 |
| Accrued interest payable | 7,299 |
| Loan payable | |
| Due within one year | 145,000 |
| Due in more than one year | 3,160,000 |
| Total liabilities | 3,313,337 |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|---------|
| Deferred property tax revenue | 301,692 |
| Total deferred inflows of resources | 301,692 |

NET POSITION

| | |
|--------------------|----------------|
| Restricted for: | |
| Emergencies | 3,300 |
| Debt service | 553,643 |
| Unrestricted | (2,737,462) |
| Total net position | \$ (2,180,519) |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2024**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|-----------------------------|-------------------|---------------------------------|---|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| General government | \$ 43,275 | \$ - | \$ - | \$ - | \$ (43,275) |
| Interest and fiscal charges | 110,843 | - | - | - | (110,843) |
| | <u>\$ 154,118</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(154,118)</u> |

General revenues:

Taxes:

| | |
|--------------------------|----------------|
| Property taxes | 578,491 |
| Specific ownership taxes | 43,015 |
| Net investment income | 29,549 |
| Total general revenues | <u>651,055</u> |

Change in net position 496,937

| | |
|--------------------------|-----------------------|
| Net position - beginning | (2,677,456) |
| Net position - ending | <u>\$ (2,180,519)</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2024**

| | General | Debt Service | Total Governmental Funds |
|---|-------------------|-------------------------|---|
| ASSETS | | | |
| Cash and investments - unrestricted | \$ 241,351 | \$ - | \$ 241,351 |
| Cash and investments - restricted | - | 537,015 | 537,015 |
| Cash with County Treasurer | 629 | 3,227 | 3,856 |
| Prepaid expenditures | 3,221 | 20,700 | 23,921 |
| Property tax receivable | 52,016 | 249,676 | 301,692 |
| TOTAL ASSETS | \$ 297,217 | \$ 810,618 | \$ 1,107,835 |
| LIABILITIES | | | |
| Accounts payable | \$ 1,038 | \$ - | \$ 1,038 |
| Total liabilities | 1,038 | - | 1,038 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred property tax revenue | 52,016 | 249,676 | 301,692 |
| Total deferred inflows of resources | 52,016 | 249,676 | 301,692 |
| FUND BALANCES | | | |
| Nonspendable for prepaid expenditures | 3,221 | 20,700 | 23,921 |
| Spendable: | | | |
| Restricted for: | | | |
| Emergencies | 3,300 | - | 3,300 |
| Debt service | - | 540,242 | 540,242 |
| Unassigned | 237,642 | - | 237,642 |
| Total fund balances | 244,163 | 560,942 | 805,105 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 297,217 | \$ 810,618 | |

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

| | |
|---|-----------------------|
| Loan payable | (3,305,000) |
| Accrued interest payable | (7,299) |
| Loss on refunding, net of amortization | 326,675 |
| | (2,985,624) |
| Net position of governmental activities | \$ (2,180,519) |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2024**

| | <u>General</u> | <u>Debt Service</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-------------------------|---|
| REVENUES | | | |
| Property tax | \$ 94,343 | \$ 484,148 | \$ 578,491 |
| Specific ownership tax | 7,015 | 36,000 | 43,015 |
| Net investment income | 8,571 | 20,978 | 29,549 |
| Total revenues | <u>109,929</u> | <u>541,126</u> | <u>651,055</u> |
| EXPENDITURES | | | |
| Current | | | |
| Audit | 4,800 | - | 4,800 |
| Accounting | 11,804 | - | 11,804 |
| Legal | 4,015 | - | 4,015 |
| Management fees | 9,393 | - | 9,393 |
| Insurance | 3,419 | - | 3,419 |
| Directors' fees | 292 | - | 292 |
| County Treasurer's fees | 1,416 | 7,265 | 8,681 |
| Office and miscellaneous | 871 | - | 871 |
| Debt service | | | |
| Loan principal | - | 145,000 | 145,000 |
| Loan interest and other costs | - | 91,425 | 91,425 |
| Total expenditures | <u>36,010</u> | <u>243,690</u> | <u>279,700</u> |
| NET CHANGE IN FUND BALANCES | 73,919 | 297,436 | 371,355 |
| FUND BALANCES - BEGINNING OF YEAR | 170,244 | 263,506 | 433,750 |
| FUND BALANCES - END OF YEAR | <u>\$ 244,163</u> | <u>\$ 560,942</u> | <u>\$ 805,105</u> |

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2024**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

| | |
|---|--------------------------|
| Net change in fund balances - Total governmental funds | <u>\$ 371,355</u> |
| <p>Long-term debt (e.g. bonds, loans) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p> | |
| Payment of loan principal | <u>145,000</u> |
| | <u>145,000</u> |
| <p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | |
| Change in accrued interest payable - loan | 320 |
| Amortization of deferred loss on refunding | <u>(19,738)</u> |
| | <u>(19,418)</u> |
| Change in net position - Governmental activities | <u><u>\$ 496,937</u></u> |

These financial statements should be read only in connection with the accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2024**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget - |
|---|--|-------------------|---|
| REVENUES | | | |
| Property tax | \$ 93,654 | \$ 94,343 | \$ 689 |
| Specific ownership taxes | 5,619 | 7,015 | 1,396 |
| Net investment income | 1,400 | 8,571 | 7,171 |
| Total Revenues | <u>100,673</u> | <u>109,929</u> | <u>9,256</u> |
| EXPENDITURES | | | |
| Audit | 5,700 | 4,800 | 900 |
| Accounting | 14,800 | 11,804 | 2,996 |
| Legal | 10,000 | 4,015 | 5,985 |
| Management fees | 9,900 | 9,393 | 507 |
| Insurance | 3,848 | 3,419 | 429 |
| Directors' fees and taxes | 1,292 | 292 | 1,000 |
| County Treasurer's fees | 1,405 | 1,416 | (11) |
| Office and miscellaneous | 2,000 | 871 | 1,129 |
| Contingency and reserves | 53,020 | - | 53,020 |
| Total Expenditures | <u>101,965</u> | <u>36,010</u> | <u>65,955</u> |
| NET CHANGE IN FUND BALANCE | (1,292) | 73,919 | 75,211 |
| FUND BALANCE - BEGINNING OF YEAR | 104,400 | 170,244 | 65,844 |
| FUND BALANCE - END OF YEAR | <u>\$ 103,108</u> | <u>\$ 244,163</u> | <u>\$ 141,055</u> |

These financial statements should be read only in connection with the
accompanying notes to financial statements.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Horse Creek Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Douglas County, Colorado. The District was established to provide for the design, acquisition, construction, installation and financing of water and sewer facilities, including storm drainage and erosion control, streets and associated improvements, safety protection and park and recreation. All facilities constructed by the District have been conveyed to other governmental entities for perpetual maintenance.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

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

Budgets

In accordance with the State Budget Law, the District'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 District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in total cash.

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 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method, with the unamortized amount included as a component of the debt. Debt issuance costs are treated as a period cost and expensed in the year incurred.

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

Fund Balances – Governmental Funds

The District’s governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

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

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

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

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

| | |
|-------------------------------------|-------------------|
| Cash and investments - Unrestricted | \$ 241,351 |
| Cash and investments - Restricted | 537,015 |
| | <u>\$ 778,366</u> |

Cash and investments as of December 31, 2024 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | <u>\$ 778,366</u> |
|--------------------------------------|-------------------|

Cash Deposits

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 equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2024, the District's cash deposits had a bank balance of \$778,366 and a carrying balance of \$778,366.

Investments

The District's formal investment policy is to follow Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2024, the District had no investments.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

Restricted Cash and Investments

At December 31, 2024, cash deposits in the amount of \$537,015 are restricted for debt service in accordance with the Series 2021 Loan.

NOTE 4 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2024.

| | <u>Balance at December 31, 2023</u> | <u>New Issues</u> | <u>Retirements</u> | <u>Balance at December 31, 2024</u> | <u>Due Within One Year</u> |
|-------------------|---|-----------------------|--------------------|---|------------------------------------|
| 2021 Taxable Loan | \$ 3,450,000 | \$ - | \$ 145,000 | \$ 3,305,000 | \$ 145,000 |

Taxable (Convertible to Tax-Exempt) Loan, Series 2021

On July 20, 2021, the District entered into a Loan Agreement with NBH Bank (the 2021 Loan), in the amount of \$3,730,000. The proceeds were used to advance refund the 2013 Bonds. The 2021 Loan matures on December 1, 2040, payable in varying amounts beginning December 1, 2021 with an interest rate of 3.25%, payable semi-annually on June 1 and December 1. The 2021 Loan may be converted to Tax-Exempt upon submission of Tax-Exempt Reissuance Opinion from Bond Counsel to the Lender at which time the interest rate would be 2.65%. As of January 1, 2024, the 2021 Loan was converted to Tax-Exempt.

The 2021 Loan is secured by and payable solely from Pledged Revenue, which includes: (i) property taxes derived from the Required Mill Levy net of the cost of collection, (ii) Specific Ownership Taxes attributable to the Required Mill Levy, and (iii) any other legally available monies which the District determines to be treated as Pledged Revenue. The 2021 Loan may be prepaid on or after December 1, 2026, in whole or in part with no prepayment fee.

Events of Default & Remedies

The 2021 Loan outlines the Events of Default as follows: a) District fails or refuses to impose the Required Mill Levy or apply the Pledged Revenue, b) moneys in the Revenue Fund are insufficient to pay the interest and/or principal on the Loan, or any other amount payable to the Lender when due, c) the District fails to observe or perform any of the material covenants, agreements, duties or conditions on the part of the District in the loan agreement, d) any representation or warranty made by the District to the lender proves to be untrue or incomplete in any material respect when made, e) the pledged of Pledged Revenue, the collateral, or any other security interest created hereunder fails to be fully enforceable with the priority required hereunder or thereunder, f) any judgement or court order for the payment of money exceeding any applicable insurance coverage by more than \$100,000 in the aggregate is rendered against the District and the District fails to vacate, bond, stay, contest, pay or satisfy such judgement or court order for 30 days, g) change occurs in the financial or operation conditions of the District which will have a materially adverse impact on the ability to generate the Pledged Revenue, h)The District

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

shall commence any case, proceeding, or other action under any existing or future law of any jurisdiction relating to bankruptcy.

Upon occurrence of any event of default, the Lender at its option, may do any one of the following in addition to the application of the Default Rate (current interest rate plus 3.00%) a) exercise any and all remedies available hereunder; b) apply all amounts constituting Collateral to the amounts due; c) proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Lender; d) take any other action or exercise any other remedy available under the Financing Documents, at law or in equity, however, except for the application of the Default Rate, no remedy will for any Event of Default consisting solely of failure to pay principal and interest when due due to the Pledged Revenue is limited in accordance with the terms and acceleration shall not be an available remedy.

The District's long-term obligations will mature as follows:

| Year Ending, | Principal | Interest | Total |
|---------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 145,000 | \$ 87,583 | \$ 232,583 |
| 2026 | 155,000 | 83,740 | 238,740 |
| 2027 | 155,000 | 79,632 | 234,632 |
| 2028 | 165,000 | 75,525 | 240,525 |
| 2029 | 180,000 | 71,153 | 251,153 |
| 2030-2034 | 1,025,000 | 279,972 | 1,304,972 |
| 2035-2039 | 1,235,000 | 132,632 | 1,367,632 |
| 2040 | 245,000 | 6,492 | 251,492 |
| | <u>\$ 3,305,000</u> | <u>\$ 816,729</u> | <u>\$ 4,121,729</u> |

NOTE 5 – DEBT AUTHORIZATION

On May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$17,000,000 at an interest rate not to exceed 12% per annum.

The following table reflects the authorized but unissued indebtedness as of December 31, 2024:

| | Authorized May 4, 2004 Election | Authorization Used | Remaining at December 31, 2024 |
|------------------------------|--|-------------------------------|---|
| Street improvements | \$ 3,340,000 | \$ 3,340,000 | \$ - |
| Water supply | 1,670,000 | 1,670,000 | - |
| Sanitary supply | 490,000 | 490,000 | - |
| Operations and maintenance | 500,000 | - | 500,000 |
| Bond refunding | 5,500,000 | 4,940,000 | 560,000 |
| Intergovernmental agreements | 5,500,000 | - | 5,500,000 |
| | <u>\$17,000,000</u> | <u>\$ 10,440,000</u> | <u>\$ 6,560,000</u> |

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

The 2021 Taxable Loan was issued at lower interest rates than the rate borne by the prior bonds therefore, no additional voter authorization was required for the issuance of this debt. In addition, the District's Service Plan imposes a debt limitation of \$5,500,000 with respect to indebtedness of the District. As of December 31, 2024, the District has \$3,305,000 of general obligation debt outstanding therefore limiting the District to \$2,195,000 of additional debt payable that it is entitled under the Service Plan to issue.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances is not determinable.

NOTE 6 - FUND EQUITY

At December 31, 2024, the District reported the following classifications of fund equity:

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$3,221 and Debt Service Fund in the amount of \$20,700 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$3,300 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). The restricted fund balance in the Debt Service Fund in the amount of \$540,242 is to be used exclusively for debt service requirements (see Note 4).

NOTE 7 - NET POSITION

The District's net position consists of two components – restricted and unrestricted. Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The District's restricted net position as of December 31, 2024 is as follows:

Restricted net position:

| | |
|---------------------------------|-------------------|
| Emergency reserves (see Note 9) | \$ 3,300 |
| Debt service | 553,643 |
| | <u>\$ 556,943</u> |

The District has negative unrestricted net position at December 31, 2024. This deficit amount was a result of the District being responsible for repayment of debt issued for public improvements conveyed to other governmental entities.

**HORSE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 8 - 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) as of December 31, 2024. 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, public officials' liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and fund 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 9 - 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 that apply to the State of Colorado and all local governments.

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.

On May 4, 2004, the District's electors authorized the District to increase taxes \$100,000 annually, without limitation to rate, to pay the District's administration, operations, maintenance, landscape maintenance and other expenses in fiscal year 2004 and subsequent years. Additionally, District's electors authorized the District to retain and spend the full amount of all taxes, tap fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law to be imposed or collected by the District and any other revenues or income lawfully received by the District during 2002 and each year thereafter, without limitation by Article X, Section 20 of the Colorado Constitution.

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

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**HORSE CREEK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2024**

| | Original and Final Budgeted Amounts | Actual | Variance with Final Budget - |
|---|--|-------------------|---|
| REVENUES | | | |
| Property taxes | \$ 386,959 | \$ 484,148 | \$ 97,189 |
| Specific ownership taxes | 23,218 | 36,000 | 12,782 |
| Net investment income | 200 | 20,978 | 20,778 |
| Total Revenues | <u>410,377</u> | <u>541,126</u> | <u>130,749</u> |
| EXPENDITURES | | | |
| Current | | | |
| County Treasurer's fees | 5,804 | 7,265 | (1,461) |
| Debt service | | | |
| Loan principal | 145,000 | 145,000 | - |
| Loan interest | 91,425 | 91,425 | - |
| Paying agent and other fees | 2,200 | - | 2,200 |
| Contingency | 3,500 | - | 3,500 |
| Total expenditures | <u>247,929</u> | <u>243,690</u> | <u>4,239</u> |
| EXCESS REVENUE OVER (UNDER) EXPENDITURES | <u>162,448</u> | <u>297,436</u> | <u>134,988</u> |
| NET CHANGE IN FUND BALANCE | 162,448 | 297,436 | 134,988 |
| FUND BALANCE - BEGINNING OF YEAR | <u>249,892</u> | <u>263,506</u> | <u>13,614</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 412,340</u> | <u>\$ 560,942</u> | <u>\$ 148,602</u> |

OTHER INFORMATION

**HORSE CREEK METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
Year Ended December 31, 2024**

| <u>Year Ended December 31,</u> | <u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u> | <u>Mills Levied</u> | | <u>Property Taxes</u> | | <u>Percentage Collected to Levied</u> |
|--|---|---------------------|-------------|-----------------------|------------------|---|
| | | <u>General</u> | <u>Debt</u> | <u>Levied</u> | <u>Collected</u> | |
| 2008 | \$ 9,525,170 | 3.000 | 29.000 | \$ 304,805 | \$ 313,520 | 102.9% |
| 2009 | \$ 10,717,510 | 3.000 | 29.000 | \$ 342,961 | \$ 342,263 | 99.8% |
| 2010 | \$ 11,625,790 | 4.000 | 29.000 | \$ 383,651 | \$ 384,413 | 100.2% |
| 2011 | \$ 11,727,870 | 4.000 | 29.000 | \$ 387,019 | \$ 386,189 | 99.8% |
| 2012 | \$ 10,943,850 | 4.000 | 29.000 | \$ 361,147 | \$ 361,545 | 100.1% |
| 2013 | \$ 10,940,990 | 4.000 | 29.000 | \$ 361,148 | \$ 361,055 | 100.0% |
| 2014 | \$ 11,300,889 | 4.000 | 29.000 | \$ 372,930 | \$ 372,930 | 100.0% |
| 2015 | \$ 11,325,730 | 4.000 | 24.000 | \$ 317,121 | \$ 317,122 | 100.0% |
| 2016 | \$ 13,276,140 | 4.000 | 21.000 | \$ 331,904 | \$ 331,850 | 100.0% |
| 2017 | \$ 13,268,210 | 6.407 | 18.593 | \$ 331,705 | \$ 331,706 | 100.0% |
| 2018 | \$ 13,890,980 | 6.407 | 18.593 | \$ 347,275 | \$ 347,140 | 100.0% |
| 2019 | \$ 13,887,280 | 6.407 | 18.593 | \$ 347,182 | \$ 347,183 | 100.0% |
| 2020 | \$ 15,115,450 | 6.407 | 18.593 | \$ 377,887 | \$ 377,836 | 100.0% |
| 2021 | \$ 15,283,500 | 6.407 | 18.593 | \$ 382,087 | \$ 382,088 | 100.0% |
| 2022 | \$ 16,152,550 | 6.191 | 18.593 | \$ 400,324 | \$ 400,326 | 100.0% |
| 2023 | \$ 15,739,860 | 6.191 | 18.593 | \$ 390,096 | \$ 390,098 | 100.0% |
| 2024 | \$ 20,812,060 | 4.500 | 23.093 | \$ 574,267 | \$ 574,269 * | 100.0% |
| Estimated for year ending December 31, 2025 | \$ 20,806,330 | 2.500 | 12.000 | \$ 301,692 | | |

* - Excludes funds received during the year from SB22-238/ 23B-001 of \$4,222.

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

**HORSE CREEK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2024**

\$3,730,000

Taxable (Convertible to Tax-Exempt) Loan

Dated July 20, 2021

Interest Rate of 3.25% (Taxable)

Principal Due December 1

Interest Due June 1 and December 1

| Year Ending December 31, | Principal | Interest | Total |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 145,000 | \$ 87,583 | \$ 232,583 |
| 2026 | 155,000 | 83,740 | 238,740 |
| 2027 | 155,000 | 79,632 | 234,632 |
| 2028 | 165,000 | 75,525 | 240,525 |
| 2029 | 180,000 | 71,153 | 251,153 |
| 2030 | 190,000 | 66,382 | 256,382 |
| 2031 | 195,000 | 61,347 | 256,347 |
| 2032 | 205,000 | 56,180 | 261,180 |
| 2033 | 205,000 | 50,748 | 255,748 |
| 2034 | 230,000 | 45,315 | 275,315 |
| 2035 | 225,000 | 39,220 | 264,220 |
| 2036 | 245,000 | 33,257 | 278,257 |
| 2037 | 250,000 | 26,765 | 276,765 |
| 2038 | 260,000 | 20,140 | 280,140 |
| 2039 | 255,000 | 13,250 | 268,250 |
| 2040 | 245,000 | 6,492 | 251,492 |
| | \$ 3,305,000 | \$ 816,729 | \$ 4,121,729 |