

**SERENITY RIDGE
METROPOLITAN DISTRICT NO. 2**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT
DECEMBER 31, 2024**

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT FOR THE YEAR ENDED DECEMBER 31, 2024

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SCOTT C. WRIGHT
CERTIFIED PUBLIC ACCOUNTANT

9591 Mint Lane
Salida, CO 81201
scottwright.cpa@icloud.com
(970) 471-9091

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Serenity Ridge Metropolitan District No. 2
Arapahoe County, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and each major fund of Serenity Ridge Metropolitan District No. 2 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 my 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 Serenity Ridge Metropolitan District No. 2 as of December 31, 2024, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Serenity Ridge Metropolitan District No. 2 and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities 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, 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 Serenity Ridge Metropolitan District No. 2'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

My objective is 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, I:

- 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 Serenity Ridge Metropolitan District No. 2'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Serenity Ridge Metropolitan District No. 2's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

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

operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Serenity Ridge Metropolitan District No. 2's basic financial statements. The supplementary budget comparison schedule identified in the table of contents is presented to supplement the basic financial statements and 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Scott Wright

Salida, Colorado
March 17, 2025

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION DECEMBER 31, 2024

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 815,579
Receivables	1,421,371
Prepaid Items	3,541
Capital Assets Nondepreciable	<u>9,802</u>
Total Assets	<u>2,250,293</u>
LIABILITIES	
Accounts Payable	13,280
Accrued Interest Payable	35,750
Noncurrent Liabilities:	
Due Within One Year	670,000
Due In More Than One Year	<u>15,160,000</u>
Total Liabilities	<u>15,879,030</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>1,413,035</u>
NET POSITION	
Net Investment in Capital Assets (Deficit)	(15,820,198)
Restricted For:	
Emergencies	8,553
Debt Service	684,597
Unrestricted	<u>85,276</u>
Total Net Position (Deficit)	<u><u>\$ (15,041,772)</u></u>

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

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 431,787	\$ -	\$ -	\$ -	\$ (431,787)
Interest and Related Costs on Long-term Debt	452,644	-	-	-	(452,644)
Total Governmental Activities	<u>\$ 884,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(884,431)</u>
General Revenues:					
					1,428,124
					91,221
					<u>67,969</u>
					Total General Revenues
					<u>1,587,314</u>
					Increase (Decrease) in Net Position
					702,883
					Net Position (Deficit) - Beginning of Year (Note 9)
					<u>(15,744,655)</u>
					Net Position (Deficit) - End of Year
					<u><u>\$(15,041,772)</u></u>

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

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2024

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 138,583	\$ 676,996	\$ 815,579
Property Taxes Receivable	129,511	1,291,860	1,421,371
Prepaid Items	3,541	-	3,541
Total Assets	<u>\$ 271,635</u>	<u>\$ 1,968,856</u>	<u>\$ 2,240,491</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 13,280	\$ -	\$ 13,280
Total Liabilities	<u>13,280</u>	<u>-</u>	<u>13,280</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	128,776	1,284,259	1,413,035
Total Deferred Inflows of Resources	<u>128,776</u>	<u>1,284,259</u>	<u>1,413,035</u>
FUND BALANCES			
Nonspendable			
Restricted For:	3,541	-	3,541
TABOR Emergency Reserve	8,553	-	8,553
Debt Service	-	684,597	684,597
Unassigned	117,485	-	117,485
Total Fund Balances	<u>129,579</u>	<u>684,597</u>	<u>814,176</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 271,635</u>	<u>\$ 1,968,856</u>	<u>\$ 2,240,491</u>

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2024

	<u>Total</u>
Total Governmental Fund Balances	\$ 814,176
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
- Capital Assets	<u>9,802</u>
Some liabilities, including bonds, loans and leases payable are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
- Series 2021A-1 Loan Payable	(14,865,000)
- Series 2021A-2 Loan Payable	<u>(965,000)</u>
	<u>(15,830,000)</u>
Accrued interest payable is recognized for governmental activities but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	
	<u>(35,750)</u>
Net Position (Deficit) of Governmental Activities	<u><u>\$ (15,041,772)</u></u>

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund	Debt Service Fund	Total
Revenues			
Taxes:			
General Property Taxes	\$ 125,914	\$ 1,302,210	\$ 1,428,124
Specific Ownership Tax	8,043	83,178	91,221
Investment Earnings	15,902	52,067	67,969
	<hr/>	<hr/>	<hr/>
Total Revenues	149,859	1,437,455	1,587,314
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
County Treasurer Fees	1,899	19,636	21,535
General and Administrative	135,498	-	135,498
Operations and Maintenance	274,754	-	274,754
Debt Service:			
Principal	-	655,000	655,000
Interest	-	452,523	452,523
Fiscal Charges	-	1,600	1,600
	<hr/>	<hr/>	<hr/>
Total Expenditures	412,151	1,128,759	1,540,910
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	(262,292)	308,696	46,404
	<hr/>	<hr/>	<hr/>
Fund Balances, Beginning of Year	391,871	375,901	767,772
	<hr/>	<hr/>	<hr/>
Fund Balances, End of Year	\$ 129,579	\$ 684,597	\$ 814,176
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Total</u>
Net Change in Fund Balances - Total Governmental Funds	<u>\$ 46,404</u>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	
- Change in accrued interest payable on outstanding bonds	<u>1,479</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
- Repayment of general obligation loans	<u>655,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 701,404</u></u>

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General Property Taxes	\$ 125,939	\$ 125,939	\$ 125,914	\$ (25)
Specific Ownership Tax	10,000	10,000	8,043	(1,957)
Investment Earnings	10,000	10,000	15,902	5,902
Total Revenues	145,939	145,939	149,859	3,945
Expenditures				
Current:				
General and Administrative:				
Accounting	14,000	31,000	31,529	(529)
Audit	-	-	6,500	(6,500)
County Treasurer's Fees	1,889	1,889	1,899	(10)
Election	-	24,000	432	23,568
Emergency Reserve	4,378	4,378	-	4,378
Insurance / Dues	-	-	1,675	(1,675)
Legal	16,000	16,000	53,408	(37,408)
Management	24,000	-	38,726	(38,726)
Miscellaneous	-	-	3,228	(3,228)
Transfer to Serenity Ridge District No. 1	80,000	80,000	-	80,000
Operations and Maintenance:				
Detention Pond Maintenance	15,000	15,000	2,199	12,801
Irrigation Repairs	12,000	12,000	-	12,000
Landscape Enhancements	25,000	25,000	-	25,000
Landscape Maintenance	45,000	90,733	105,266	(14,533)
Snow Removal	30,000	30,000	2,625	27,375
Trail Maintenance	5,000	5,000	-	5,000
Utilities	-	165,000	164,664	336
Total Expenditures	272,267	500,000	412,151	87,849
Net Change in Fund Balances	(126,328)	(354,061)	(262,292)	91,794
Fund Balances, Beginning of Year	424,578	424,578	391,871	(32,707)
Fund Balances, End of Year	\$ 298,250	\$ 70,517	\$ 129,579	\$ 59,087

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

The financial statements of Serenity Ridge Metropolitan District No. 2 (District No. 2) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of District No. 2's financial statements.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present Serenity Ridge Metropolitan District No. 2 (the primary government). District No. 2 does not have any component units for which District No. 2 is considered financially accountable, nor is it a component unit of any other primary governmental entity.

Primary Government. District No. 2, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by Order and Decree of District No. 2 Court in and for Arapahoe County, recorded on February 2, 2004, and is governed pursuant to provisions of the Colorado Special District Act. District No. 2 was created in conjunction with Serenity Ridge Metropolitan District No. 1 (District No. 1 and, together with District No. 2, the "Districts") as part of a common plan to serve the needs of the Serenity Ridge development. Pursuant to the Districts' Consolidated Service Plan approved by the City Council of the City of Aurora, Colorado on August 4, 2003 (Service Plan), the Districts intend to provide in a cooperative manner certain essential public-purpose services and facilities for the use and benefit of their property owners, inhabitants and taxpayers, all in accordance with the laws of the State of Colorado. The types of services and facilities that the Districts have the power to provide include water, streets, traffic and safety controls, parks, open space and recreation, sanitary sewer, and drainage and storm water improvements. District No. 2's primary revenues are property taxes.

District No. 2 is governed by an elected Board of Directors which is responsible for setting policy, appointing administrative personnel, and adopting an annual budget in accordance with the provisions of the Colorado Special District Act. District No. 2 has no employees, and all operations and administrative functions are contracted. The more significant accounting policies of District No. 2 are described as follows:

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of District No. 2. The focus of these statements is on the sustainability of

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

District No. 2 as an entity and the change in District No. 2's net position resulting from the current year's activities.

In the Statement of Net Position, District No. 2's financial position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. District No. 2's net position is reported in three parts – net investment in capital assets, restricted and unrestricted.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business segment are offset by program revenues and helps identify the extent to which each is self-financing or draws from the general revenues of District No. 2. Direct expenses are those that are clearly identifiable with a specific function or business segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Fund financial statements report detailed information about District No. 2 with the focus on major funds rather than on reporting funds by type. Separate financial statements are provided for governmental funds. District No. 2 has no proprietary or fiduciary funds. Individual governmental funds are reported as separate columns in the fund financial statements.

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

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). The major sources of revenue which are susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by District No. 2. Expenditures generally are recorded when the liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. District No. 2 uses funds to report results of operations and

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

financial position, and demonstrate compliance with legal, contractual, and regulatory requirements.

District No. 2 reports the following major governmental funds:

- *General Fund* - This is District No. 2's primary operating fund. It is used to account for all activities of District No. 2 not required to be accounted for in another fund.
- *Debt Service Fund* - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

D. Budgets

District No. 2's budget is prepared on a modified accrual basis. All annual appropriations lapse at calendar year-end. Governmental accounting standards require a comparison of the budget to expenditures with an accompanying explanation of the difference between the GAAP basis financial statements and the budget.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools. Colorado State Statutes authorize District No. 2 to invest its excess funds in direct U.S. Government treasury and agency securities, bonds and other obligations of states and political subdivisions, corporate bonds, and local government investment pools. Investments are stated at fair value.

F. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period that will not be recognized as an outflow of the resources (expenditure) until the future period. District No. 2 does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. District No. 2 has one item that qualifies for reporting in this category: unavailable revenue. District No. 2 reports *unavailable revenue* from one source: property taxes. *Unavailable revenue – property taxes* is reported in the government-wide statement of net position and in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

Deferred outflows of resources are presented below the total assets on the government-wide and governmental fund statements. Deferred inflows of resources are presented below the total liabilities on the government-wide and governmental fund statements.

G. Long-term Obligations

In the government-wide statement of net position long-term debt and other long-term obligations are reported as liabilities. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method, which approximates the interest method. Long-term debt payable is reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as debt 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, are reported as debt service expenditures.

H. Property Taxes

Property taxes are levied by District No. 2'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 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to District No. 2. Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

I. Fund Balance

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid/deferred charges) or are required to be maintained intact;
- Restricted fund balance – 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 a government itself, using its highest level of decision-making authority; to be reported as committed,

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is District No. 2's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. District No. 2 considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 7).

J. Net Position

Net position represents the residual of all other elements presented in the statement of net position which equals assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets, including accounts, contract and retainage payables. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by District No. 2 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 2. Legal Compliance - Budgets

No later than October 15, District No. 2's budget officer must submit a proposed budget to the Board of Directors for the upcoming calendar year. The budget presents a complete financial plan by fund and by spending agency. The budget must be described with explanatory schedules or statements classifying expenditures by object and revenues by source. Estimated beginning and ending fund balances must be shown along with three years of comparable data: the prior year's actuals, current year estimates, and appropriations and estimated revenues for the next calendar year. District No. 2 must adopt the budget before certifying its mill levy to the county by the statutory deadline of December 15. The Board of Directors must also enact a resolution to appropriate funds for the ensuing year.

The Board of Directors is authorized to transfer budgeted amounts between line items. Expenditures may not legally exceed budgeted appropriations at the fund level. The Board of Directors must approve any amendments that increase total expenditures in a supplemental appropriation. There was one supplemental budget amendment in 2024.

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

Note 3. Deposits and Investments

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

Cash and Cash Equivalents	<u>\$ 815,579</u>
Total	<u>\$ 815,579</u>

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

Deposits With Financial Institutions	\$ 2,050
Deposits With Local Government Investment Pools	<u>813,529</u>
Total	<u>\$ 815,579</u>

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, District No. 2 would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

District No. 2's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act (PDPA). The FDIC insures the first \$250,000 of District No. 2's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The Colorado Public Deposit Protection Act (PDPA) requires that cash be deposited in eligible public depositories and that deposits 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 with District No. 2 being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA. District No. 2 had no demand deposit balances at year end.

Local Government Investment Pools

Local government investment pools are trusts established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the trusts. A designated custodial bank serves as custodian pursuant to a custodian agreement. The custodian acts as safekeeping agent for the trusts' 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 trusts.

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District No. 2 invests its surplus funds in the Colorado Local Government Liquid Asset Trust's COLOTRUST PLUS+ fund. The PLUS+ fund may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities as well as in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. COLOTRUST is a stable \$1.00 net asset value (NAV) fund that offers daily liquidity.

Investments

Credit Risk. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government. State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. District No. 2 has no investment policy that would further limit its investment choices.

Presented below is the minimum rating, as required by Colorado State Statutes, for investments held by District No. 2 as of December 31, 2024.

Ratings <u>S&P</u>	Local Government <u>Investment Pools</u>
AAAm	<u>\$813,529</u>

Interest Rate Risk. District No. 2 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. District No. 2 places no limit on the amount it may invest in any one issuer. As discussed above, District No. 2 invests its surplus funds in Colorado Local Government Liquid Asset Trust's COLOTRUST PLUS+ fund. The investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. At December 31, 2024, District No. 2 had an investment of \$813,529 for both market and carrying value.

Fair Value of Investments. District No. 2 measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2024, District No. 2 had no investments measured at fair value and had the following investments measured at net asset value:

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<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
COLOTRUST	\$ 813,529
Total	<u>\$ 813,529</u>

At December 31, 2024, there were no unrealized losses reflective of changes in the fair market value of investments.

Note 4. Capital Assets

Prior to the fiscal year being reported, all public improvements constructed by District No. 2 have been conveyed to the City of Aurora, Colorado. On March 14, 2024, various tracts of land were transferred to District No. 2 from District No. 1 pursuant to the dissolution of District No. 1 further described in Note 8. Per GASB 69, District No. 2 recognized these tracts of land at their carrying values as of the beginning of the fiscal year.

	Balance January 1, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2024</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 9,802	\$ -	\$ -	\$ 9,802
Total Capital Assets, Not Being Depreciated	<u>9,802</u>	<u>-</u>	<u>-</u>	<u>9,802</u>
Total Capital Assets, Net	<u>\$ 9,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,802</u>

Note 5. Long-term Debt

Series 2021A-1 Taxable (Converting to Tax Exempt) Limited General Obligation Refunding Loan. On November 5, 2021, District No. 2 entered into a loan agreement with Key Government Finance, Inc. (Lender) in order to issue a \$16,320,000 Series 2021A-1 Taxable (Converting to Tax Exempt) Limited General Obligation Refunding Loan (2021A-1 Loan) to advance refund District No. 2's outstanding Series 2018A and 2018B General Obligation Refunding and Improvement Bonds. The net proceeds, in combination with other District resources, were placed in an irrevocable trust and used to purchase U.S. Government securities for the purpose of generating sufficient resources to make all future debt service payments on the \$16,246,000 of outstanding Series 2018A and 2018B Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$2,288,004, whereby a Deferred Charge on Refunding of Debt was recorded and set up to be amortized over the remaining life of the refunded debt. In December, 2023, the 2018A and 2018B Bonds were fully redeemed, the irrevocable trust account closed and the unamortized value of the deferred charge in the amount of \$2,103,693 was fully written off.

The interest rate on the 2021A-1 Loan will be (i) the taxable fixed rate of 3.67% prior to the tax-exempt reissuance date and (ii) the tax-exempt fixed rate of 2.71% on and after the tax-exempt reissuance date. Interest is payable semi-annually on June 1 and December 1. The

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

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2021A-1 Loan is secured by the 2021A-1 Pledged Revenue consisting of the funds derived by District No. 2 from the following sources, after payment of any costs of collection: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; (iii) any PILOT Revenue; and (iv) any other legally available moneys which District No. 2 determines in its sole discretion to apply as 2021A-1 Pledged Revenue. District No. 2 may, at its option, prepay the 2021A-1 Loan in whole, or, with consent of the Lender, in part, on any date upon payment to the Lender of the principal amount and accrued interest to date, with no prepayment fee or premium. All optional prepayments shall be applied first against the principal payment due on the maturity date, and then in inverse order of maturity.

As discussed above, the Series 2021A-1 Loan was initially issued bearing taxable interest. On the tax-exempt reissuance date, the Series 2021A-1 Loan is deemed reissued being tax-exempt interest. Due to Internal Revenue Service rebate issues, the Series 2021A-1 Loan was not able to be converted on the original reissuance date of September 15, 2023. Therefore, an additional amount of interest was due on the Series 2021A-1 Loan in the amount of \$5,779 for the period from the revised reissuance date of December 15, 2023 through the semi-annual interest payment date of June 1, 2024.

Series 2021A-2 Tax Exempt Limited General Obligation Loan. On November 5, 2021, District No. 2 entered into a loan agreement with Key Government Finance, Inc. (Lender) in order to issue a \$1,075,000 Series 2021A-2 Tax Exempt Limited General Obligation Loan (2021A-2 Loan) to fund public improvement costs. The interest rate on the 2021A-2 Loan is the tax-exempt fixed rate of 2.71% through maturity. Interest is payable semi-annually on June 1 and December 1 with annual principal payments due December 1 each year. District No. 2 may, at its option, prepay the 2021A-2 Loan in whole, or, with consent of the Lender, in part, on any date upon payment to the Lender of the principal amount and accrued interest to date, with no prepayment fee or premium. The 2021A-2 Loan is secured by the 2021A-2 Pledged Revenue consisting of the funds derived by District No. 2 from the following sources, after payment of any costs of collection: (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; (iii) any PILOT Revenue; and (iv) any other legally available moneys which District No. 2 determines in its sole discretion to apply as 2021A-2 Pledged Revenue.

Required Mill Levy. Pursuant to the 2021A-1 and 2021A-2 Loan Agreements entered into with the Lender, District No. 2 is required to certify a mill levy that will generate property tax revenues of not less than the Debt Requirements for the next Fiscal Year, but (i), not in excess of 45.29 mills less the amount of the Operations Mill Levy. The Operations Mill Levy is defined as the number of mills necessary to produce the dollar amount of the Operations Deduction for the collection year. The Operations Deduction is defined as the amount reasonably determined by District No. 2 as being necessary to pay or reimburse District No. 2's operations and maintenance expenses, but not in excess of the following: (i) for levy year 2021 (for collection in 2022), the amount of \$125,000, and (ii) for each levy year thereafter, an additional 1%.

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General obligation loans currently outstanding at December 31, 2024, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Government - Refunding	2.71%	\$ 14,865,000
General Government - Public Improvements	2.71%	<u>965,000</u>
 Total		 <u>\$ 15,830,000</u>

Annual debt service requirements to maturity for general obligation loans outstanding at December 31, 2024, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 670,000	\$ 428,992	\$ 1,098,992
2026	710,000	410,836	1,120,836
2027	730,000	391,596	1,121,596
2028	775,000	371,812	1,146,812
2029	795,000	350,809	1,145,809
2030 - 2034	4,520,000	1,410,826	5,930,826
2035 - 2039	5,220,000	1,000,787	6,220,787
2040 - 2041	<u>2,410,000</u>	<u>163,800</u>	<u>2,573,800</u>
 Total	 <u>\$ 15,830,000</u>	 <u>\$ 4,529,458</u>	 <u>\$ 20,359,458</u>

Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Loans Payable:</i>					
Series 2021A-1 GO Loan	\$ 15,480,000	\$ -	\$ 615,000	\$ 14,865,000	\$ 630,000
Series 2021A-2 GO Loan	<u>1,005,000</u>	<u>-</u>	<u>40,000</u>	<u>965,000</u>	<u>40,000</u>
 Total Long-term Liabilities	 <u>\$ 16,485,000</u>	 <u>\$ -</u>	 <u>\$ 655,000</u>	 <u>\$ 15,830,000</u>	 <u>\$ 670,000</u>

Debt Authorization Limit. The limit on the District's ability to issue Debt is set forth in its Service Plan as \$18,200,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue Debt in excess of the Service Plan Debt Issuance Limit. The amount of debt authorization remaining within the Service Plan Debt Issuance Limit for the District is \$2,118,503 (the Remaining Service Plan Authority).

<u>Service Plan Debt Issuance Limit</u>	<u>Previous Debt Issuances</u>	<u>Remaining Service Plan Authority</u>
\$18,200,000	-	\$2,118,503

On November 4, 2003, District electors voted to authorize debt issuance in an amount not to exceed \$54,500,000 at an interest rate not to exceed 18% per annum as follows:

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

Purpose	Debt Authorized	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Authorized but Unused
		Used, 2004 Bonds	Used, 2014 Loan	Used, 2018A Bonds	Used, 2018A Bonds	Contingent Refunding 2018A Bonds	Used, 2018B Bonds	Used, 2021A-1 Loan	
Streets	\$ 6,700,000	\$ 2,334,590	\$ 528,707	\$ 1,870,816	\$ -	\$ 739,481	\$ -	\$ 417,074	\$ 809,332
Safety Prot.	1,000,000	-	-	-	-	-	-	-	1,000,000
Water	2,200,000	647,550	146,583	373,819	-	147,760	-	83,338	800,950
Sanitation	2,500,000	1,013,162	229,428	571,729	-	225,988	-	127,459	332,234
Park & Rec.	14,600,000	2,754,698	623,780	2,005,635	-	792,771	-	447,129	7,975,987
Operations	500,000	-	-	-	-	-	-	-	500,000
Refunding	27,000,000	-	-	-	9,833,001	-	16,320,000	-	846,999

In the future, the District may issue a portion or all of the Remaining Service Plan Authority for purposes of providing public improvements to support development as it occurs within the District's service area.

Any increase in the debt limit issuance of debt over the Service Plan Debt Issuance Limit will be considered a material modification of the Service Plan which would require approval from the City of Aurora.

Note 6. Risk Management

District No. 2 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. District No. 2 maintains commercial insurance for significant insurable risks. District No. 2 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.

District No. 2 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.

Note 7. Commitments, Contingencies and Agreements

District Facilities Construction and Service Agreement. On April 21, 2004, District No. 2 and District No. 1 entered into a District Facilities Construction and Service Agreement, as amended on February 5, 2018 (District Facilities Agreement). The District Facilities Agreement designates District No. 1 as the "Operating District", and District Mo. 2 as the "Taxing District." The District Facilities Agreement, as well as the Service Plan provides that the Operating District will own, (subject to transfers to other governmental entities) operate,

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NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

maintain and construct the facilities benefiting both Districts and that the Taxing District will pay all costs related to the construction, operation and maintenance of such facilities through the imposition of taxes and facility fees which will be transferred to the Operating District on an ongoing basis. In addition, the District Facilities Agreement authorized District No. 2 to transfer the proceeds of the 2018A Bonds and 2018B Bonds in accordance with certain agreements that have since been satisfied. The District Facilities Agreement is hereby terminated as a result of the Omnibus Agreement (as defined below) entered into between District No. 1 and District No. 2 and the dissolution of District No. 1 as discussed in 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 which 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.

As discussed in Note 5, on November 4, 2003, a majority of qualified electors voted to authorize District No. 2 to enter into one or more multiple fiscal year obligations, evidenced by an intergovernmental agreement, for the financing of public improvements, and to allow District No. 2 to collect, retain and spend all revenues in excess of TABOR spending, revenue raising or other limitations.

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. District No. 2 has established an emergency reserve for the year ended December 31, 2024, in the amount of \$8,553.

District No. 2'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 interpretation of how to calculate Fiscal Year Spending limits may require judicial interpretation.

Note 8. Deficit Net Position

As of December 31, 2024, District No. 2 reported a deficit net position of \$15,041,772 in its government-wide financial statements. District No. 2 has incurred general obligation debt for the construction of public improvements within District No. 2. All of these improvements have been deeded or transferred to other local governmental entities. These entities have assumed the responsibility for continued maintenance of these improvements. These assets no longer belong to District No. 2 but still exist for the benefit and use of the taxpayers of District No. 2.

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

GASB 34 requires netting the debt acquired to purchase assets against those assets District No. 2 still holds title to, which creates the net deficit as of December 31, 2024.

Note 9. Dissolution of District No. 1

Description of the Dissolution of District No. 1. The Boards of each of the Districts determined that it is in the best interests of the residents and taxpayers within the Districts that District No. 1 be dissolved and that District No. 2 assume any and all obligations of District No. 1, resulting in a more efficient and economical provision of services. On March 13, 2024 the District entered into an Omnibus Assignment and Assumption Agreement between Serenity Ridge Metropolitan District Nos 1 and 2 (Omnibus Agreement), whereby District No. 1 assigned its rights and responsibilities with respect to all of its agreements, contracts or obligations and transferred all of its operations, assets, and liabilities to District No. 2.

Consideration Transferred. By Assignment and Bill of Sale, effective March 13, 2024, District No. 1 transferred all improvements and other tangible assets to District No. 2 and by Bargain and Sale Deed, recorded on March 27, 2024 in the Real Property Records of Arapahoe County at Reception No. E4017826, District No. 1 transferred real property to District No. 2 without financial compensation.

District No. 1 was dissolved by Order and Decree Dissolving District recorded on November 25, 2024 in the Real Property Records of Arapahoe County at Reception No. E4077350.

Recognition of Assets and Liabilities. Per GASB 69, District No. 2 recognized the assets and liabilities of District No. 1 at their carrying amounts as of the beginning of the fiscal year. The following is a summary of the net assets transferred:

<u>Description</u>	<u>Amount (\$)</u>
Cash and Cash Equivalents	\$ 9,487
Capital Assets (Net)	<u>9,802</u>
Total Assets	<u>\$ 19,289</u>
Accounts Payable	<u>\$ (1,108)</u>
Net Position Acquired	<u>\$ 18,181</u>

Impact on Financial Statements. The dissolution resulted in an increase of \$18,181 in District No. 2's net position. Maintenance and operations of public improvements and facilitation of the payment of debt have been integrated into District No. 2, and financial activity from the combination date onward is included in District No. 2's financial statements.

SUPPLEMENTARY INFORMATION

SERENITY RIDGE METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General Property Taxes	\$ 1,302,463	\$ 1,302,463	\$ 1,302,210	\$ (253)
Specific Ownership Taxes	65,000	65,000	83,178	18,178
Investment Earnings	10,000	10,000	52,067	42,067
	1,377,463	1,377,463	1,437,455	59,992
Expenditures				
Current:				
County Treasurer Fees	19,537	19,537	19,636	(99)
Audit	7,000	7,000	-	7,000
Miscellaneous	2,500	2,500	-	2,500
Debt Service:				
Principal	655,000	655,000	655,000	-
Interest	433,329	453,000	452,523	477
Fiscal Charges	6,200	6,200	1,600	4,600
	1,123,566	1,143,237	1,128,759	14,478
Net Change in Fund Balances	253,897	234,226	308,696	74,470
Fund Balances, Beginning of Year	348,246	348,246	375,901	27,655
Fund Balances, End of year	\$ 602,143	\$ 582,472	\$ 684,597	\$ 102,125

See independent auditor's report.