

STONE CREEK METROPOLITAN DISTRICT



FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stone Creek Metropolitan District
Douglas County, CO

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of District, as of December 31, 2023, and the respective changes in financial position and the 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of legal compliance and 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 our opinion, the combining and individual nonmajor fund financial statements are 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, as identified in the table of contents. The other information 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 provide any 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.

A handwritten signature in blue ink that reads "Flynn CPA, LLC". The signature is written in a cursive style and is underlined with a single horizontal line.

Castle Pines, Colorado
October 21, 2024

STONE CREEK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 197,330 |
| Cash and investments – restricted | 542,543 |
| Accounts receivable | 51,973 |
| Receivable – specific ownership taxes | 4,575 |
| Property taxes receivable | 705,200 |
| Prepaid expenses | - |
| Land | 165,338 |
| Depreciable capital assets, net | 4,416,445 |
| Total Assets | 6,083,404 |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 37,140 |
| Accrued interest payable | 26,085 |
| Current portion of Series 2023 Bank Loan | 27,500 |
| Series 2023 Bank Loan | 9,655,500 |
| Total Liabilities | 9,746,225 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred property tax revenue | 705,200 |
| NET POSITION (DEFICIT) | |
| Restricted: | |
| Emergency reserves | 23,500 |
| Debt service | 9,002 |
| Capital projects | 498,853 |
| Non-spendable | - |
| Unassigned: | (4,899,376) |
| Net Position (Deficit) | \$ (4,368,021) |

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

**STONE CREEK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2023**

| Functions/Programs | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position | |
|--|--|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General government activities | \$ (423,535) | \$ 483,892 | \$ 63,736 | \$ - | \$ 124,093 |
| Interest and related costs on long-term debt | (1,106,717) | | - | - | (1,106,717) |
| Capital project activities | (203,169) | - | - | - | (203,169) |
| | <u>\$ (1,733,421)</u> | <u>\$ 483,892</u> | <u>\$ 63,736</u> | <u>\$ -</u> | <u>(1,185,793)</u> |
| | | | | | |
| | General Revenues | | | | |
| | Property taxes | | | | 762,646 |
| | Specific ownership taxes | | | | 70,728 |
| | Net investment income | | | | 59,766 |
| | Total general revenue | | | | 893,140 |
| | Change in net position | | | | (292,653) |
| | Net Position (Deficit) – Beginning of Year (As adjusted per Note 7) | | | | (4,075,368) |
| | Net Position (Deficit) – End of Year | | | | \$ (4,368,021) |

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

STONE CREEK METROPOLITAN DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2023

| | General Fund | Debt Service Fund | Capital Project Fund | Total Government Funds |
|---|-------------------|-------------------|----------------------|------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 197,330 | \$ - | \$ - | \$ 197,330 |
| | - | - | - | - |
| Cash and investments - Restricted | 23,500 | 5,190 | 513,853 | 542,543 |
| Property accounts receivable | 51,973 | - | - | 51,973 |
| Receivable - specific ownership tax | 763 | 3,812 | - | 4,575 |
| Accounts receivable - special assessments due from Treasurer | - | - | - | - |
| Property taxes receivable | 186,600 | 518,600 | - | 705,200 |
| Prepaid expenses | - | - | - | - |
| TOTAL ASSETS | \$ 460,166 | \$ 527,602 | \$ 513,853 | \$ 1,501,621 |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 12,597 | \$ - | \$ 15,000 | \$ 27,597 |
| Property accounts - credits balances | 9,543 | - | - | 9,543 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred property tax revenue | 186,600 | 518,600 | - | 705,200 |
| FUND BALANCES | | | | |
| Restricted: | | | | |
| Emergencies (TABOR) | 23,500 | - | - | 23,500 |
| Debt service | - | 9,002 | - | 9,002 |
| Capital projects | - | - | 498,853 | 498,853 |
| Non-spendable | - | - | - | - |
| Unrestricted | 227,926 | - | - | 227,926 |
| TOTAL FUND BALANCES | 251,426 | 9,002 | 498,853 | 759,281 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 460,166 | \$ 527,602 | \$ 513,853 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds | | | | |
| Land | | | | 165,338 |
| Property, structures and equipment, net | | | | 4,416,445 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: | | | | |
| Series 2023 Bank Loan | | | | (9,683,000) |
| Accrued interest payable | | | | (26,085) |
| Net position of governmental activities | | | | \$ (4,368,021) |

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

STONE CREEK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2023

| | General Fund | Debt Service Fund | Capital Project Fund | Total Government Funds |
|--|-------------------|---------------------|----------------------|------------------------|
| REVENUES | | | | |
| Property taxes | \$ 127,106 | \$ 635,540 | \$ - | \$ 762,646 |
| Specific ownership taxes | 11,788 | 58,940 | - | 70,728 |
| Maintenance assessments | 471,661 | - | - | 471,661 |
| Late fee income | 5,940 | - | - | 5,940 |
| Covenant violation fine income | - | - | - | - |
| Reimb expenses - collection costs | - | - | - | - |
| Net investment income | 57 | 59,709 | - | 59,766 |
| Cielo Metro District cost share contributions | 63,736 | - | - | 63,736 |
| Other income | 6,291 | - | - | 6,291 |
| Total Revenues | 686,579 | 754,189 | - | 1,440,768 |
| EXPENDITURES | | | | |
| General and administration | 151,868 | - | 1,975 | 153,843 |
| Landscape maintenance - parks & open spaces | 90,091 | - | - | 90,091 |
| Capital asset maintenance | 10,679 | - | - | 10,679 |
| Pool & clubhouse maintenance and operation | 123,362 | - | - | 123,362 |
| Other district expenses | 3,732 | - | - | 3,732 |
| Trash hauling services | 43,803 | - | - | 43,803 |
| Debt service | | | | |
| Direct and indirect collection costs | - | 15,537 | - | 15,537 |
| Interest payments on Series 2018A Bonds | - | 500,866 | - | 500,866 |
| Principal payments on Series 2018A Bonds | - | 8,265,000 | - | 8,265,000 |
| Principal payments on Series 2018B Bonds | - | 1,195,000 | - | 1,195,000 |
| Interest payments on Series 2018B Bonds | - | 638,855 | - | 638,855 |
| Debt refinance services | - | 458,031 | - | 458,031 |
| Major capital projects | - | - | 15,000 | 15,000 |
| Total Expenditures | 423,535 | 11,073,289 | 16,975 | 11,513,799 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 263,044 | (10,319,100) | (16,975) | (10,073,031) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Fund Transfers In / (Out) | (6,518) | (500,000) | 506,518 | - |
| Proceeds from Series 2023 Bank Loan | - | 9,683,000 | - | 9,683,000 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 256,526 | (1,136,100) | 489,543 | (390,031) |
| FIND BALANCES – BEGINNING | (5,100) | 1,145,102 | 9,310 | 1,149,312 |
| FUND BALANCES – END OF YEAR | \$ 251,426 | \$ 9,002 | \$ 498,853 | \$ 759,281 |

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

**STONE CREEK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
12-Month Period Ended
December 31, 2023**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|--|----|-----------|
| Net change in fund balances – Total government funds | \$ | (390,031) |
|--|----|-----------|

The issuance of long-term debt (e.g., bonds) provides 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.

| | | |
|--|--|-------------|
| Issuance of Series 2023 Bank Loan | | (9,683,000) |
| Repayment of Series 2018A Bonds | | 8,265,000 |
| Repayment of Series 2018B Bonds | | 1,195,000 |
| Accrued interest payoff - Series 2018A Bonds | | 35,960 |
| Accrued interest payoff - Series 2018B Bonds | | 496,697 |

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:

| | | |
|--|--|-----------|
| Depreciation expense on property, structures and equipment | | (186,194) |
|--|--|-----------|

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.

| | | |
|--|--|----------|
| Change in accrued interest on 2023 Bank Loan | | (26,085) |
|--|--|----------|

| | | |
|---|-----------|------------------|
| Changes in net position of governmental activities | \$ | (292,653) |
|---|-----------|------------------|

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

**STONE CREEK METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023**

| | Amended Budget | Actual Amounts | Positive / (Negative) Variance with Amend Budget |
|--|-------------------|-------------------|---|
| REVENUES | | | |
| Property taxes | \$ 127,112 | \$ 127,106 | \$ (6) |
| Specific ownership taxes | 11,440 | 11,788 | 348 |
| Maintenance assessments | 473,760 | 471,661 | (2,099) |
| Cielo Metro District cost share contributions | 57,679 | 63,736 | 6,057 |
| Late fee income | 5,000 | 5,940 | 940 |
| Net investment income | - | 57 | 57 |
| Other income | - | 6,291 | 6,291 |
| Total Revenues | <u>674,991</u> | <u>686,579</u> | <u>11,588</u> |
| EXPENDITURES | | | |
| General and administration | 134,352 | 151,868 | (17,516) |
| Landsscape maintenance - parks & open spaces | 118,500 | 90,091 | 28,409 |
| Capital asset maintenance | 23,242 | 10,679 | 12,563 |
| Pool and clubhouse maintenance and operation | 162,097 | 123,362 | 38,735 |
| Other district expenses | 23,000 | 3,732 | 19,268 |
| Trash hauling services | 50,000 | 43,803 | (6,197) |
| Total Expenditures | <u>511,191</u> | <u>423,535</u> | <u>75,262</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>163,800</u> | <u>263,044</u> | <u>99,244</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | (20,000) | (6,518) | 13,482 |
| Total Other Financing Sources (Uses) | <u>(20,000)</u> | <u>(6,518)</u> | <u>13,482</u> |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER | <u>143,800</u> | <u>256,526</u> | <u>112,726</u> |
| FUND BALANCE – BEGINNING OF YEAR | <u>-</u> | <u>(5,100)</u> | <u>(5,100)</u> |
| FUND BALANCE – END OF YEAR | <u>\$ 143,800</u> | <u>\$ 251,426</u> | <u>\$ 107,626</u> |

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

**STONE CREEK METROPOLITAN DISTRICT
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023**

| | Amended Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|-------------------|-------------------|--|
| GENERAL AND ADMINISTRATION | | | |
| District management and accounting fees | \$ 69,000 | \$ 68,654 | \$ 346 |
| Administrative costs | 1,400 | 7,395 | (5,995) |
| Audit fees | 5,500 | 5,500 | - |
| Collection fees – County Treasurer | 1,907 | 1,907 | - |
| Board of Directors’ fees | - | - | - |
| Insurance | 6,165 | 3,469 | 2,696 |
| Legal fees | 45,000 | 40,344 | 4,656 |
| Indirect Cost Allocation | - | - | - |
| Board election expenses | 2,615 | 24,599 | (21,984) |
| Contingency | 2,765 | - | 2,765 |
| Total General and Administration | \$ 134,352 | \$ 151,868 | \$ (17,516) |
| LANDSCAPING MAINTENANCE - PARKS & OPEN SPACES | | | |
| Ground maintenance fees | \$ 80,000 | \$ 29,813 | \$ 50,187 |
| Tree maintenance & replacement | - | 2,700 | (2,700) |
| Sprinkler & backflow repairs | 6,500 | 32,334 | (25,834) |
| Sprinklers – water | 20,000 | 5,124 | 14,876 |
| Sprinklers – electricity | 2,000 | - | 2,000 |
| Landscaping projects | 2,500 | 17,540 | (15,040) |
| Detention pond maintenance | - | 1,975 | (1,975) |
| Miscellaneous landscape costs | 7,500 | 605 | 6,895 |
| Total Landscaping Maintenance | \$ 118,500 | \$ 90,091 | \$ 28,409 |
| CAPITAL ASSET MAINTENANCE | | | |
| Perimeter fence maintenance | \$ 1,000 | \$ - | \$ 1,000 |
| Playground maintenance | - | 225 | (225) |
| Monument sign maintenance | 5,000 | 121 | 4,879 |
| Insurance property | 17,242 | 10,333 | 6,909 |
| Total Capital Asset Maintenance | \$ 23,242 | \$ 10,679 | \$ 12,563 |
| POOL & CLUBHOUSE MAINT AND OPERATION | | | |
| Pool maintenance fees | \$ 20,000 | \$ 18,246 | \$ 1,754 |
| Pool chemicals | 7,500 | 16,088 | (8,588) |
| Pool repairs | 3,500 | 453 | 3,047 |
| Clubhouse cleaning services | 7,000 | 13,500 | (6,500) |
| Electricity | - | 5,546 | (5,546) |
| Gas - pool heating | 18,000 | 4,420 | 13,580 |
| Water and sewer | 3,591 | 4,237 | (646) |
| Internet services | 2,400 | 5,316 | (2,916) |
| Clubhouse maintenance and repairs | 5,500 | 4,164 | 1,336 |
| Clubhouse dumpster services | 8,000 | 2,459 | 5,541 |
| Fitness Equipment Lease Payments | 18,120 | 18,119 | 1 |
| Snow removal - Parking lot & sidewalks | 5,000 | 2,590 | 2,410 |
| Property insurance | 10,486 | 10,486 | - |
| Legal Services - Clubhouse/Pool | 13,000 | - | 13,000 |
| Management services - Clubhouse/Pool | 37,000 | 11,950 | 25,050 |
| Accounting services - Clubhouse/Pool | 3,000 | 5,788 | (2,788) |
| Total Pool & Clubhouse Maint and Operation | \$ 162,097 | \$ 123,362 | \$ 38,735 |
| OTHER DISTRICT EXPENSES | | | |
| Snow removal | \$ 20,000 | \$ 2,590 | \$ 17,410 |
| Vandalism | - | - | - |
| Park and recreation events | 3,000 | 1,142 | 1,858 |
| Covenant enforcement | - | - | - |
| Total Other District Expenses | \$ 23,000 | \$ 3,732 | \$ 19,268 |

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

STONE CREEK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
12-Month Period Ended December 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Stone Creek Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 25, 2014, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a service plan approved by Douglas County (County) in September 2014. The District's service area is approximately 252 acres located entirely within Douglas County, Colorado and is comprised of 331 single family homes on the west side of South Parker Road and south of Scott Avenue. The District was established to provide financing for the design, acquisition, construction and installation of water, sanitation, street improvements, parks and recreational facilities, television relay and translation, mosquito control and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was created to provide certain essential public-purpose facilities for the use and benefit of all its anticipated residents and taxpayers of real property located within the boundaries of the District.

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 organizations 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 organizations 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 has no employees and all operations and administrative functions are contracted.

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 significant accounting policies of the District are 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

Separate financial statements are provided for governmental funds. 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.

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 District 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 taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

Budgets

In accordance with Colorado State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate 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.

Actual expenditures in the Debt Service Fund and Capital Project Fund exceeded budgeted amounts. This may be a violation of State law.

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 fund's average equity balance in the total cash.

The District has no investments as of December 31, 2023.

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 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 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.

Specific Ownership Taxes

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the county. In 2023, the District's share of Specific ownership taxes received from the County was equal to approximately 9.3% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Operations Fee

On February 01, 2019, the District adopted the Amended and Restated Resolution Regarding the Imposition of District Fees at the rate of \$120/month per house on each of the 331 homes within the District. The purpose of the fee is to fund the following services provided by the District to its residents: (1) weekly trash collection services, (2) maintenance of public parks and open spaces, (3) public recreation events and (4) maintenance and operation of a community pool and clubhouse.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2023 are comprised of property taxes due from Douglas County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements

represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District has assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets that are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets.

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

Equipment Lease

In June 2017, GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The District's lease of exercise equipment is considered a financing purchase and is not subject to accruals as defined by this standard.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- **Non-spendable fund balance** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.
- **Restricted fund balance** – The portion of a fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- **Committed fund balance** – The portion of a fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the

Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

- **Assigned fund balance** – The portion of a fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- **Unassigned fund balance** – The residual portion of a fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:

| | |
|-------------------------------------|-------------------|
| Cash and investments – unrestricted | \$ 197,330 |
| Cash and investments – restricted | 542,543 |
| Total cash and investments | \$ 739,873 |

Cash and investments as of December 31, 2023 consist of the following:

| | |
|--------------------------------------|-------------------|
| Deposits with financial institutions | \$ 739,873 |
| Investments | - |
| Total cash and investments | \$ 739,873 |

Deposits with Financial Institutions

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

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

At December 31, 2023, the District's cash deposits had a bank balance of \$735,793 and carrying balance of \$739,873.

Investments

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

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

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

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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

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

NOTE 4 – CAPITAL ASSETS & LAND

An analysis of the changes in capital assets for the 12-month period ended December 31, 2023, follows:

| | <u>Balance at Dec. 31, 2022</u> | <u>Additions</u> | <u>Dedications</u> | <u>Balance at Dec. 31, 2023</u> | <u>Accumulated Depreciation</u> |
|---------------------------|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------------|
| Clubhouse - structure | \$ 1,800,000 | \$ - | \$ - | \$ 1,800,000 | (\$ 121,411) |
| Clubhouse - equipment | 119,000 | - | - | 119,000 | (17,000) |
| Pool - structure | 1,200,000 | - | - | 1,200,000 | (40,000) |
| Pool - equipment | 41,300 | - | - | 41,300 | (7,260) |
| Parking lot | 90,000 | - | - | 90,000 | (2,875) |
| Sidewalks | 740,000 | - | - | 740,000 | (18,500) |
| Detention pond structures | 125,000 | - | - | 125,000 | (3,125) |
| Monument signs and tower | 135,000 | - | - | 135,000 | (9,000) |
| Pavilions (4 count) | 213,000 | - | - | 213,000 | (10,650) |
| Park benches and tables | 27,000 | - | - | 27,000 | (2,700) |
| Playground equipment | 170,000 | - | - | 170,000 | (11,334) |
| Total | \$ 4,660,300 | \$ - | \$ - | \$ 4,660,300 | (\$ 243,855) |

The District owns and maintains approximately 165.3 acres of public open spaces located within the District. The District has recorded the public land and related water rights at a nominal value of \$165,300.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2023:

| | Balance at Dec. 31, 2022 | Additions | Retirements | Balance at Dec. 31, 2023 | Due within one year |
|---|-----------------------------|---------------------|-----------------------|-----------------------------|------------------------|
| Series 2018A G.O. Bonds | \$ 8,265,000 | \$ - | (\$ 8,265,000) | \$ - | \$ - |
| Accrued Interest – Series 2018A G.O. Bonds | 35,960 | 464,906 | (500,866) | - | - |
| Series 2018B G.O. Bonds | 1,195,000 | - | (1,195,000) | - | - |
| Accrued Interest – Series 2018B G.O. Bonds | 496,697 | 142,158 | (638,855) | - | - |
| 2023 Bank Loan | - | 9,683,000 | - | 9,683,000 | 27,500 |
| Accrued Interest – 2023 Bank Loan | - | 26,085 | - | 26,085 | 26,085 |
| Total | \$ 9,992,657 | \$10,316,149 | (\$10,599,721) | \$ 9,709,085 | \$ 53,585 |

Details regarding the District's long-term obligations are as follows:

Series 2023 Bank Loan

On December 13, 2023, the District borrowed \$9,683,000 from Zions Bank for the purpose of refinancing its 2018 General Obligation Limited Tax Bonds and funding \$500,000 in additional public park and recreational facilities. The Series 2023 Loan is due December 1, 2053. Interest on the Loan is 5.50% and is adjusted every five years beginning on December 01, 2030 to a rate that is the greater of (a) the sum of the 5-Year U.S. Treasury Rate plus 250 basis points, multiplied by 80%, or (b) 4.752%. Interest is payable semi-annually on June 1st and December 1st and principal payments are payable December 1st each year. The Series 2023 Loan is secured by the Pledged Revenues and all moneys and earnings thereon. Pledged Revenues consists of revenues collected by the District from the imposition of the Required Mill Levy.

The proceeds from the Series 2023 Bank Loan were used as follows:

| | |
|---|-------------------|
| Bond proceeds | \$ 9,683,000 |
| District cash | 1,314,740 |
| Less: | |
| Refund the Series 2018A Bonds | (8,170,000) |
| Refund the Series 2018B Bonds | (1,195,000) |
| Accrued interest on 2018A Bonds | (35,960) |
| Accrued interest on 2018B Bonds | (638,855) |
| Redemption premium – Series 2018A Bonds | (245,100) |
| Redemption premium – Series 2018B Bonds | (35,850) |
| Legal, accounting and other costs of issuance | (177,081) |
| Miscellaneous | 106 |
| Net bond proceeds available for funding costs of public improvements | \$ 500,000 |

The Series 2023 Loan is subject to redemption prior to maturity, at the option of the District on December 13, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

| Date of Redemption | Redemption Premium (%) | Redemption Premium (\$) |
|--------------------------------|------------------------|-------------------------|
| Dec. 13, 2023 to Dec. 01, 2026 | 3.0% | \$ 290,490 |
| Dec. 02, 2026 to Dec. 01, 2028 | 1.0% | \$ 96,830 |
| Dec. 01, 2028 and thereafter | 0.0% | \$ - |

The Series 2023 Loan is secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the specific ownership tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal and interest on the Loan as the same becomes due and payable but not to exceed 50 mills as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since September 23, 2014. As of September 23, 2014, the ratio was 7.96%. The ratio for 2023 was 6.95%, which caused the Maximum Required Mill Levy for debt service for 2023 to be 57.266.

Outstanding bond principal and interest on the Senior Bonds mature as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------|---------------------|----------------------|----------------------|
| 2024 | \$ 27,500 | \$ 532,565 | \$ 560,065 |
| 2025 | 25,000 | 531,053 | 556,053 |
| 2026 | 35,000 | 529,678 | 564,678 |
| 2027 | 40,000 | 527,753 | 567,753 |
| 2028 | 55,000 | 525,553 | 580,553 |
| 2029-2033 | 720,000 | 2,557,363 | 3,277,363 |
| 2034-2038 | 1,310,000 | 2,280,163 | 3,590,163 |
| 2039-2043 | 1,800,000 | 1,868,763 | 3,668,763 |
| 2044-2047 | 2,440,000 | 1,306,663 | 3,746,663 |
| 2048-2053 | 3,230,500 | 552,338 | 3,782,838 |
| Total | \$ 9,683,000 | \$ 11,211,892 | \$ 20,894,892 |

The District's detail debt service schedule for its Senior Bonds is provided on page 26.

Events of Default – Series 2023 Bank Loan

The following events are considered events of default under the 2023 Loan Agreement: (1) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Loan Agreement, (2) the District fails to pay the principal or interest on the Loan when due, (3) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Loan Agreement or other Financing Documents and fails to remedy the same after notice thereof is provided to the District by the Bank or (4) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bank Loan. Failure to pay the principal of or interest on the Bank Loan when due shall not, of itself, constitute an Event of Default if the District has levied the Required Mill Levy, complied with all covenants and conditions of the Bank Loan and remitted all Pledged Revenues to the Bank. Available remedies for an Event of Default

are (1) exercise any and all remedies available under the Custodial Agreement; or (b) take any other action or remedy available under the other Financing Documents or any other document, or at law or in equity. Acceleration of the repayment of the Bank Loan is not an available remedy for an Event of Default.

Exercise Equipment Lease Purchase Agreement

On May 10 2021, the District financed the purchase of 12 fitness equipment (located in the clubhouse) with Alliance Funding Group, Inc. The purchase price of the equipment was \$79,067. The lease term is 60 months (ending May 2026) at an effective annual interest rate of 5.50% and the monthly payments are \$1,510. The District will retain ownership of all equipment once the lease is paid in full.

Debt Authorization

Debt Authorization – Service Plan

The District’s Service Plan, which was approved by Douglas County on September 23, 2014, authorizes the District to issue up to \$18 million in debt at an interest rate not to exceed 12% and repayment of such debt, including any refinancing of such debt, shall not be over a period in excess of 30 years from the date the District first issues any debt.

The District’s Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District’s total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 50 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2004. As of September 23, 2014, the ratio was 7.96%. The ratio for 2023 was 6.95%, which caused the District’s Maximum Mill Levy for debt service for 2023 to be 57.266.

As of December 31, 2023, total remaining debt issuance authorization under the District’s Amended and Restated Service Plan is as follows:

| | |
|---|---------------------|
| Authorized maximum debt issuance per Service Plan | \$ 18,000,000 |
| Less: | |
| 2018A Senior Bonds | (8,275,000) |
| 2018B Subordinate Bonds | (1,195,000) |
| Equipment Lease | (79,067) |
| Unused, authorized debt issuance as of Dec. 31, 2023 | \$ 8,450,933 |

Debt Authorization – TABOR

On November 4, 2014, the District's electors authorized the issuance of indebtedness at an interest rate not to exceed 12% in an amount not to exceed \$198,000,000 for infrastructure improvements, \$18,000,000 for operations and \$18,000,000 for refunding the District's debt.

The District's authorized but unissued indebtedness in the following amounts allocated for the following purposes is as follows:

| | Authorized Nov. 2014 Election | Voter Authorization Used | | | Remaining Authorization |
|--------------------------------------|-------------------------------------|--------------------------|--------------------|---------------------|----------------------------|
| | | 2018 Bonds | Equipment Lease | 2023 Bank Loan | |
| Street improvements | \$ 18,000,000 | \$ 2,327,346 | \$ - | \$ - | \$ 15,672,654 |
| Park and recreational facilities | 18,000,000 | 607,073 | 79,067 | 500,000 | 16,813,860 |
| Storm drainage & sewer facilities | 18,000,000 | 5,789,511 | - | - | 12,210,489 |
| Water supply facilities | 18,000,000 | 16,998 | - | - | 17,983,002 |
| Transportation facilities | 18,000,000 | - | - | - | 18,000,000 |
| Mosquito control facilities | 18,000,000 | - | - | - | 18,000,000 |
| Traffic safety protection facilities | 18,000,000 | 729,072 | - | - | 17,270,928 |
| Fire protection facilities | 18,000,000 | - | - | - | 18,000,000 |
| Television relay facilities | 18,000,000 | - | - | - | 18,000,000 |
| Security service facilities | 18,000,000 | - | - | - | 18,000,000 |
| Operations and maintenance | 18,000,000 | - | - | - | 18,000,000 |
| Intergovernmental agreements | 18,000,000 | - | - | - | 18,000,000 |
| Subtotal | 216,000,000 | 9,470,000 | 79,067 | 500,000 | 205,950,933 |
| Refunding of debt | 18,000,000 | - | - | 9,183,000 | 8,817,000 |
| Total | \$234,000,000 | \$ 9,470,000 | \$ 79,067 | \$ 9,683,000 | \$214,767,933 |

Per C.R.S 32-1-1101(2), the remaining, unused debt issuance authorization obtained from the District's electors will expire in November 2034 - 20 years after the original debt authorization election.

NOTE 6 – CONTINGENT OBLIGATIONS

The District has entered into three contingent obligation agreements with the Developers (as defined in Note 9). The District has neither registered nor filed a notice of claim of exemption regarding these contingent obligation agreements with the Colorado Securities Commissioner ("Commissioner"). Interpretative Order No. 06-IN-001 issued by the Commissioner provides that neither a registration application nor notice of claim of exemption is required to be filed with the Commissioner for a contractual obligation to repay a developer for advanced funds if such obligation provides that it is not transferable. None of these contingent obligation agreements are transferrable to third parties. The contingent obligations of the District contemplated in the agreements identified below are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution. The following contingent obligations exist, but are not necessarily owing, as of December 31, 2023:

Operation Funding Agreement. Effective as of December 15, 2014, the District entered into an Operation Funding Agreement, as amended most recently on November 18, 2020 (the OFA), with Choke Cherry Investors, LLC (the Developer) whereby the Developer agreed to advance funds to the District for the payment of operation and maintenance expenses, up to a stated "Shortfall Amount" of \$380,000, on a periodic basis as needed for the fiscal years 2014-2021 (Operations Advances).

Simple interest accrues on Operations Advances at the rate of the current Bond Buyer 20-Bond GO Index plus 4% per annum, however, in no event is such interest to exceed 8.0% per annum. The District's obligation to reimburse Operations Advances does not constitute a multiple fiscal year financial obligation, and the making of any reimbursement thereof is subject to annual appropriation by the District in its absolute discretion.

The obligations of Developer to advance funds expired on December 31, 2021. In the event the District has not reimbursed the Developer for any Operations Advances on or before December 31, 2051, any amount of principal and accrued interest outstanding on such date is deemed to be forever discharged and satisfied in full.

On April 4, 2022, the District and Developer entered into the Seventh Amendment to the OFA. In consideration of the Shortfall Funding Agreement (explained below), the Developer agreed to waive all accrued interest and future accrual of interest on outstanding Developer advances and to subordinate its right to repayment of the Developer advances under the OFA to the repayment of the Builder Advances under the Shortfall Funding Agreement.

For the 12-month period ended December 31, 2023, District payments made under the OFA is as follows:

| | Principal |
|---------------------------------------|-------------------|
| Beginning Balance (Jan. 01, 2023) | \$ 350,797 |
| Payments to the Developer | - |
| Ending Balance (Dec. 31, 2023) | \$ 350,797 |

Facilities Acquisition Agreement. The District and the Developer entered into a Facilities Acquisition Agreement (the Original FAA), with an effective date of August 4, 2016, setting forth the rights, obligations and procedures with respect to the District acquiring Developer-Constructed public infrastructure and the District reimbursing the Developer up to a maximum of \$16 million for costs related to organizing the District and constructing public infrastructure. The District acknowledged in the Original FAA that the Developer has incurred expenses for the organization of the District (Organization Expenses) and the District is authorized to reimburse the Developer for the Organization Expenses. Simple interest accrues on organization costs and construction costs claimed by the Developer at a per annum rate of the lesser of (1) the rate of the current Bond Buyer 20-Bond GO Index plus 4% per annum or (2) 8.0%.

The Original FAA does not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation, and the making of any reimbursement thereunder will be at all times subject to annual appropriation by the District.

On April 4, 2022, the District entered into an Amended and Restated Facilities Acquisition Agreement (the AIR FAA) with the Developer, which amended and restated the Original FAA in its entirety. In consideration of the Shortfall Funding Agreement (as explained below), the Developer agreed to waive all accrued interest and future accrual of interest on outstanding Developer advances under the Original FAA; and to subordinate its right to repayment of the Developer Advances under the AIR FAA to repayment of the Builder Advances under the Shortfall Funding Agreement. The Developer did not waive accrual of interest on capital Developer advances that may be made under the A/R FAA in the future.

For the 12-month period ended December 31, 2023, District payments made under the Original FAA is as follows:

| | Principal |
|---------------------------------------|---------------------|
| Beginning Balance (Jan. 01, 2023) | \$ 8,995,528 |
| Payments to the Developer | - |
| Ending Balance (Dec. 31, 2023) | \$ 8,995,528 |

Shortfall Funding Agreement. Concurrent with the AIR FAA and the Seventh Amendment to the OFA, on April 4, 2022, the District entered into a Shortfall Funding Agreement with the Developer and Richmond American Homes of Colorado, Inc, Taylor Morrison of Colorado, Inc and KB Home Colorado, Inc (collectively, the “Builders”) to provide funding to the District (the Shortfall Funding Agreement).

Under the Shortfall Funding Agreement, the Builders agreed to advance funds necessary to fund the District's Total Operations Shortfall and the Total Capital Soft Costs Shortfall, which amounts were based upon the Builders' respective percentage of platted lots (collectively, the Builder Advances). The Builder Advances were a one-time advance, and the Builders were not obligated to fund additional costs outside of the Builder Advances contemplated in the Shortfall Funding Agreement. The District agreed to return any unused portion of the Operations Shortfall Advances to the Builders no later than March 31, 2023, and to return any unused portion of the Capital Soft Costs Advances to the Builders no later than March 31, 2024.

If the Developer does not repay the Builder Advances, the District agreed to repay to the Builders any remaining Builder Advances made under the Shortfall Funding Agreement, to the extent the District has available revenue, subject to annual budget and appropriation (the Builder Reimbursement). The District is not obligated to pay interest on Builder Advances. The Builder Reimbursement has a priority claim over District payments to the Developer under the OFA and AIR FAA.

For the 12-month period ended December 31, 2023, Builder Advances made under the Shortfall Funding Agreement is as follows:

| | Principal |
|---------------------------------------|-------------------|
| Beginning Balance (Jan. 01, 2023) | \$ 136,043 |
| Payments to the Builders by District | - |
| Payments to the Builders by Developer | - |
| Ending Balance (Dec. 31, 2023) | \$ 136,043 |

NOTE 7 – NET POSITION (DEFICIT)

Correction of Beginning Balances

Between 2016 and 2022, the District incorrectly recognized as liabilities amounts claimed by the Developer under the OFA and the FAA. These contingent obligation agreements are subject to annual appropriation by the District and are not a multiple-fiscal year obligation for the purposes of Article X, Section 20 of the Colorado Constitution. The District's beginning net position (deficit) has been restated to reflect the removal of amounts accrued under these contingent obligation agreements from the liability section of the District's Statement of Net Position.

The District also adjusted its beginning of year balance to eliminate all construction in process assets previously recognized and reported by the District. The Developer – not the District – constructed public infrastructure within the District and the Developer owned all land upon which construction in process assets were situated. In addition, the Developer was required to turn over ownership of a significant portion of such construction-in-progress public infrastructure – once completed – to the County and the remainder of such public infrastructure to the District.

In prior years, the District failed to report that it owns various land tracts dedicated for public recreational use, open spaces and storm water detention basins. The District has adjusted beginning equity to reflect ownership of these public lands and related water rights and recorded such assets at a nominal value of \$165,300.

The District owns and maintains various public infrastructure assets within the District but in prior years failed to identify and record certain assets and understated the replacement values of other identified, recorded assets. The District adjusted its beginning of year capital assets balance to recognize ownership of additional public infrastructure assets and to adjust the estimated replacement values of other reported assets.

The effect of these adjustment is as follows:

| | |
|---|-----------------------|
| Net deficit - December 31, 2022, as originally stated | (\$ 2,683,433) |
| Elimination of contingent liabilities (OFA and FAA) | 9,482,368 |
| Increase in valuation of capital assets | 3,177,576 |
| Recognition of land owned by District | 165,338 |
| Elimination of construction-in-progress assets | (14,219,999) |
| Adjustment to correct net position rollforward errors in 2022 | 2,782 |
| Net deficit - December 31, 2022, as restated | (\$ 4,075,368) |

Restricted Net Position

The District's restricted net position as of December 31, 2023 in the general fund, debt service fund and capital projects fund totaled \$23,500, \$9,002 and \$498,853, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2023 Bank Loan. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure.

Unassigned Net Position

The District's unassigned net position as of December 31, 2023 totaled (\$4,899,376). This deficit amount was a result of the District being responsible for the repayment of bonds issued for public improvements conveyed to the County and the District.

NOTE 8 – AGREEMENTS

Cost Share Agreement w Cielo Metropolitan District

On August 25, 2021, the District and Cielo Metropolitan District No 2 (Cielo MD) entered into a cost-sharing agreement regarding the operation and maintenance of the District's community pool and clubhouse. The pool is located within the District and is accessible to the residents of all 331 homes within the District and the 343 homes within Cielo MD (which encompasses the Allison's Ranch subdivision). Per the agreement, the District operates and maintains the pool and clubhouse and is reimbursed by Cielo MD for 51% of the costs incurred by the District to operate and maintain the pool and clubhouse. The pool's operating and maintenance costs are allocated proportionally between the two districts based on the total homes within each district.

This Agreement may be terminated by the mutual written agreement of both districts. The District may prohibit Cielo MD property owners from accessing the pool and clubhouse facilities if Cielo MD defaults on any terms contained in this Agreement. If the District defaults under this Agreement, Cielo MD may exercise any remedies available at law or in equity against the District.

Subdivision Improvement Agreement

On March 11, 2015, the Developer and the Board of County Commissioners of Douglas County (BOCC) entered into a Subdivision Improvement Agreement (SIA) to provide for the terms and conditions under which the Developer agreed to construct and complete, at the Developer's expense, all public infrastructure within the District (as defined in the SIA) in accordance with the Plans (as defined in the SIA). On September 22, 2017, pursuant to an Assignment of SIA and Development Rights, the Developer assigned all of its rights and obligations under the SIA to the District.

NOTE 9 – RELATED PARTIES

The owners and developers of the land within the District was KB Home Colorado, Inc, LLC (KBHC), Taylor Morrison of Colorado, Inc (TMC) and Choke Cherry Investors, LLC (CCI) (collectively, the “Developers”).

For the period from January 01, 2023 through May 02, 2023, two of the directors serving on the District’s board were employees of the Developer and reported conflicts of interest regarding their service on the board. For the period from May 03, 2023 through December 31, 2023, none of the directors serving on the District’s board reported conflicts of interest regarding their service on the board.

As of December 31, 2023, active related party transactions and agreements between the District and the Developer were as follows:

- Operation Funding Agreement (2014 to 2022) between the District and the Developer (See Note 6), which was executed when the District’s board was comprised entirely of individuals employed by the Builders and Developer
- August 2016 Facilities Acquisition Agreement between the District and the Developer (See Note 6), which was executed when the District’s board was comprised entirely of individuals employed by the Builders and Developer
- April 2022 Shortfall Funding Agreement among the District, the Developer and the Builders (See Note 6), which was executed when the District’s board was comprised entirely of individuals employed by the Builders and Developer

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

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

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to 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.

On November 4, 2014, the District's three electors (all of whom were employees or spouses of employees of the Developer) unanimously voted to authorize the District to levy up to \$2,000,000 in property taxes annually (exclusive of property taxes levied for debt service) for the following purposes:

- assess property taxes at no more than \$1,000,000 annually, without limitation to rate, to pay the District's operations, maintenance and other expenses; and
- assess property taxes at no more than \$1,000,000 annually, without limitation to rate, to fund intergovernmental agreements, other contracts or regional improvement costs.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

SUPPLEMENTARY INFORMATION

**STONE CREEK METROPOLITAN DISTRICT
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023**

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|--|---------------------|---------------------|--|
| REVENUES | | | |
| Property taxes | \$ 635,574 | \$ 635,540 | \$ (34) |
| Specific ownership taxes | 57,202 | 58,940 | 1,738 |
| Net investment income | 37,000 | 59,709 | 22,709 |
| Total Revenues | <u>729,776</u> | <u>754,189</u> | <u>24,413</u> |
| EXPENDITURES | | | |
| Direct and indirect collection costs | 20,094 | 15,537 | 4,557 |
| Debt service | | | |
| Interest payments on Series 2018A Bonds | 464,906 | 500,866 | (35,960) |
| Interest payments on Series 2018B Bonds | - | 638,855 | (638,855) |
| Principal payments on Series 2018A Bonds | 95,000 | 8,265,000 | (8,170,000) |
| Principal payments on Series 2018B Bonds | - | 1,195,000 | (1,195,000) |
| Debt refinance services | - | 458,031 | (458,031) |
| Total Expenditures | <u>580,000</u> | <u>11,073,289</u> | <u>(10,493,289)</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>149,776</u> | <u>(10,319,100)</u> | <u>(10,468,876)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in (out) | - | (500,000) | (500,000) |
| Proceeds from Series 2023 Bank Loan | - | 9,683,000 | 9,683,000 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>9,183,000</u> | <u>9,183,000</u> |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>149,776</u> | <u>(1,136,100)</u> | <u>(1,285,876)</u> |
| FUND BALANCE – BEGINNING | <u>1,147,558</u> | <u>1,145,102</u> | <u>(2,456)</u> |
| FUND BALANCE – END OF YEAR | <u>\$ 1,297,334</u> | <u>\$ 9,002</u> | <u>\$ (1,288,332)</u> |

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

**STONE CREEK METROPOLITAN DISTRICT
DEBT SERVICE FUND
COLLECTION COST DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023**

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|---|-------------------------|-------------------------|--|
| DIRECT AND INDIRECT COLLECTION COSTS | | | |
| Collection fees – County Treasurer | \$ 9,534 | \$ 9,537 | \$ (3) |
| Bond paying agent fees | 6,000 | 6,000 | - |
| Miscellaneous | 4,560 | - | 4,560 |
| Total Direct and Indirect Collection Costs | <u>\$ 20,094</u> | <u>\$ 15,537</u> | <u>\$ 4,557</u> |

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

**STONE CREEK METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2023**

| | Original Budget | Actual Amounts | Positive / (Negative) Variance with Original Budget |
|---|-----------------|-------------------|--|
| REVENUES | | | |
| Other revenue | \$ - | \$ - | \$ - |
| Net investment income | - | - | - |
| Total Revenues | - | - | - |
| EXPENDITURES | | | |
| Management services | 9,085 | 1,975 | 7,110 |
| Capital projects | | | |
| Major capital projects | - | 15,000 | (15,000) |
| Total Expenditures | 9,085 | 16,975 | (7,890) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (9,085) | (16,975) | (7,890) |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | - | 506,518 | 506,518 |
| Total Other Financing Sources (Uses) | - | 506,518 | 506,518 |
| EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES | (9,085) | 489,543 | 498,628 |
| FUND BALANCE – BEGINNING OF YEAR | 9,085 | 9,310 | 225 |
| FUND BALANCE – END OF YEAR | \$ - | \$ 498,853 | \$ 498,853 |

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

STONE CREEK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2023

The District's repayment schedule for its Series 2023 bank loan is as follows:

| Year Ended December 31, | Principal | Interest | Interest Rate | Total |
|----------------------------|---------------------|----------------------|------------------|----------------------|
| 2024 | \$ 27,500 | \$ 532,565 | 5.500% | \$ 560,065 |
| 2025 | 25,000 | 531,053 | 5.500% | 556,053 |
| 2026 | 35,000 | 529,678 | 5.500% | 564,678 |
| 2027 | 40,000 | 527,753 | 5.500% | 567,753 |
| 2028 | 55,000 | 525,553 | 5.500% | 580,553 |
| 2029 | 55,000 | 522,528 | 5.500% [A] [B] | 577,528 |
| 2030 | 75,000 | 519,503 | 5.500% [A] | 594,503 |
| 2031 | 180,000 | 515,378 | 5.500% [A] | 695,378 |
| 2032 | 200,000 | 505,478 | 5.500% [A] | 705,478 |
| 2033 | 210,000 | 494,478 | 5.500% [A] | 704,478 |
| 2034 | 230,000 | 482,928 | 5.500% [A] [B] | 712,928 |
| 2035 | 240,000 | 470,278 | 5.500% [A] | 710,278 |
| 2036 | 265,000 | 457,078 | 5.500% [A] | 722,078 |
| 2037 | 275,000 | 442,503 | 5.500% [A] | 717,503 |
| 2038 | 300,000 | 427,378 | 5.500% [A] | 727,378 |
| 2039 | 315,000 | 410,878 | 5.500% [A] [B] | 725,878 |
| 2040 | 340,000 | 393,553 | 5.500% [A] | 733,553 |
| 2041 | 355,000 | 374,853 | 5.500% [A] | 729,853 |
| 2042 | 385,000 | 355,328 | 5.500% [A] | 740,328 |
| 2043 | 405,000 | 334,153 | 5.500% [A] | 739,153 |
| 2044 | 435,000 | 311,878 | 5.500% [A] [B] | 746,878 |
| 2045 | 455,000 | 287,953 | 5.500% [A] | 742,953 |
| 2046 | 490,000 | 262,928 | 5.500% [A] | 752,928 |
| 2047 | 510,000 | 235,978 | 5.500% [A] | 745,978 |
| 2048 | 550,000 | 207,928 | 5.500% [A] | 757,928 |
| 2049 | 575,000 | 177,678 | 5.500% [A] [B] | 752,678 |
| 2050 | 615,000 | 146,053 | 5.500% [A] | 761,053 |
| 2051 | 640,000 | 112,228 | 5.500% [A] | 752,228 |
| 2052 | 685,000 | 77,028 | 5.500% [A] | 762,028 |
| 2053 | 715,500 | 39,353 | 5.500% [A] | 754,853 |
| | \$ 9,683,000 | \$ 11,211,888 | | \$ 20,894,888 |

The original amount borrowed under the Series 2023 bank loan was \$9,683,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

Note [A] - Interest rate adjusts once every 5 years and is equal to the greater of (1) the sum of the 5-year Treasury Rate plus 250 basis points multiplied by 80% or (2) 4.752%.

Note [B] - First year of 5-year adjusted interest rate.

STONE CREEK METROPOLITAN DISTRICT
**SUMMARY OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED**
December 31, 2023

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|----------------------------|--|--------------|--------|----------------------|-----------------------|-----------------------------------|
| | | Operations | Debt | Levied | Collected (Note A) | |
| 2019 | \$ 58,510 | 11.055 | 55.277 | \$ 3,857 | \$ 3,857 | 100.0% |
| 2020 | 5,215,040 | 11.132 | 55.664 | 339,627 | 339,627 | 100.0% |
| 2021 | 6,607,040 | 11.132 | 55.664 | 441,325 | 436,282 | 98.9% |
| 2022 | 8,540,970 | 11.132 | 55.664 | 570,500 | 558,136 | 97.8% |
| 2023 | 11,164,910 | 11.385 | 56.926 | 762,600 | 762,645 | 100.0% |
| 2024 | 15,713,880 | 11.881 | 33.000 | 705,200 | [TBD] | [TBD] |

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

STONE CREEK METROPOLITAN DISTRICT
CHANGE IN TOTAL OVERLAPPING MILL LEVY
December 31, 2023

| | 2022 Mill Levy * | 2023 Mill Levy ** | Change |
|--|---------------------|----------------------|------------------|
| Stone Creek Metropolitan District | 68.311 | 44.881 | (23.430) |
| Douglas County Re-1 School District | 42.836 | 45.934 | 3.098 |
| Douglas County | 18.524 | 24.274 | 5.750 |
| Franktown Fire Protection District | 13.354 | 13.000 | (0.354) |
| Douglas County Law Enforcement | 4.500 | 4.500 | - |
| Douglas County Libraries | 4.008 | 3.513 | (0.495) |
| Urban Drainage & Flood Control District | 0.900 | 0.900 | - |
| Cherry Creek Basin Water Quality Authority | 0.500 | 0.425 | (0.075) |
| Urban Drainage – South Platte Subdistrict | 0.100 | 0.100 | - |
| Total Mill Levy | 153.033 | 133.027 | (15.506) |

* -- For property tax collections in 2023

** -- For property tax collections in 2024

STONE CREEK METROPOLITAN DISTRICT
HISTORICAL DEBT RATIOS
 December 31, 2023

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------|--------------|--------------|--------------|--------------|
| General Obligation Bonds | \$ 9,470,000 | \$ 9,470,000 | \$ 9,470,000 | \$ 9,460,000 | \$ 9,683,000 |
| Accrued, unpaid interest - Bonds | 215,754 | 323,466 | 439,662 | 532,657 | 26,085 |
| Restricted cash in debt fund | (1,355,726) | (1,195,920) | (1,111,417) | (1,142,086) | (5,190) |
| Combined assessed property values within the District | 5,215,040 | 6,607,040 | 8,540,970 | 11,164,910 | 15,713,880 |
| Ratio of debt to assessed property values | 159.7% | 130.1% | 103.0% | 79.3% | 61.8% |