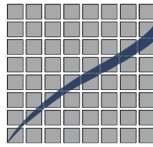


ARABIAN ACRES METROPOLITAN DISTRICT
TELLER COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Arabian Acres Metropolitan District
Florissant, Colorado

Opinions

We have audited the accompanying financial statements of the business-type activities of Arabian Acres Metropolitan District ("District") as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2023 and 2022, respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 22, 2024

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and investments	\$ 860,113	\$ 749,113
Cash and investments - restricted	81,500	89,500
Receivable from County Treasurer	907	912
Accounts receivable, net	31,209	36,323
Property taxes receivable	158,439	138,645
Total current assets	<u>1,132,168</u>	<u>1,014,493</u>
Non-current assets:		
Capital assets, net	4,093,377	4,142,509
Total non-current assets	<u>4,093,377</u>	<u>4,142,509</u>
Total assets	<u>\$ 5,225,545</u>	<u>\$ 5,157,002</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 8,494	\$ 19,168
Accrued interest payable	7,427	7,427
Current maturities of bonds and notes payable	131,716	125,328
Total current liabilities	<u>147,637</u>	<u>151,923</u>
Non-current liabilities:		
Bonds and notes payable, net of current portion	1,867,059	2,016,170
Total non-current liabilities	<u>1,867,059</u>	<u>2,016,170</u>
Total liabilities	<u>2,014,696</u>	<u>2,168,093</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred property taxes	158,439	138,645
Total deferred inflows of resources	<u>158,439</u>	<u>138,645</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,268,083	2,202,319
Restricted for:		
Debt service	81,500	89,500
Unrestricted	702,827	558,445
Total net position	<u>3,052,410</u>	<u>2,850,264</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,225,545</u>	<u>\$ 5,157,002</u>

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

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Water sales	\$ 318,131	\$ 356,440
Other operating revenues	2,090	8,486
<u>Total operating revenues</u>	<u>320,221</u>	<u>364,926</u>
<u>OPERATING EXPENSES</u>		
Depreciation	49,132	49,140
District management	55,934	54,998
Fees, dues, and subscriptions	8,137	8,942
Insurance	12,574	13,970
ORC fees	41,513	39,873
Other expenses	4,573	9,646
Professional fees	16,679	16,546
Purchased services	-	7,425
Repairs and maintenance	39,666	56,245
Utilities	8,529	9,159
<u>Total operating expenses</u>	<u>236,737</u>	<u>265,944</u>
<u>Operating income</u>	<u>83,484</u>	<u>98,982</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Property taxes	139,295	142,106
Specific ownership taxes	14,953	14,501
County Treasurer fees	(3,992)	(4,066)
Grant revenues	-	70,800
Interest income	22,533	6,780
Interest expense	(54,127)	(58,425)
<u>Net non-operating revenues</u>	<u>118,662</u>	<u>171,696</u>
<u>Change in net position</u>	<u>202,146</u>	<u>270,678</u>
<u>Net position, beginning of year</u>	<u>2,850,264</u>	<u>2,579,586</u>
<u>Net position, end of year</u>	<u>\$ 3,052,410</u>	<u>\$ 2,850,264</u>

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

ARABIAN ACRES METROPOLITAN DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from user fees and surcharges	\$ 325,335	\$ 339,916
Cash paid for goods and services	(198,279)	(208,436)
Net cash flows from operating activities	127,056	131,480
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Cash received from general and specific tax revenues	150,261	152,500
Grant proceeds	-	70,800
Net cash flows from non-capital financing activities	150,261	223,300
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on bonds and notes payable	(142,723)	(139,901)
Interest expense	(54,127)	(58,425)
Net cash flows from capital and related financing activities	(196,850)	(198,326)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	22,533	6,780
Net cash flows from investing activities	22,533	6,780
Net change in cash and investments	103,000	163,234
Cash and investments, beginning of year	838,613	675,379
Cash and investments, end of year	<u>\$ 941,613</u>	<u>\$ 838,613</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Operating income	\$ 83,484	\$ 98,982
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation and amortization	49,132	49,140
Decrease (increase) in operating assets:		
Accounts receivable, net	5,114	(25,010)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(10,674)	8,368
Net cash flows from operating activities	<u>\$ 127,056</u>	<u>\$ 131,480</u>

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

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. DEFINITION OF REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported balances of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Budgets

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

Cash and investments

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Accounts receivable

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Property taxes

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

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

Capital assets

Capital assets, which include property, equipment and water distribution systems, are defined by the District as assets with an initial individual cost of more than \$1,000 and a useful life greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date of contribution. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives of the assets as follows:

Water distribution system and equipment	40 years
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Maintenance and repairs are expensed as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as non-operating revenue or expense.

Water rights

The cost of water rights includes acquisition cost and legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Deferred inflows of resources

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

Revenues and expenses

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

Reclassifications

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

Subsequent events

The District has evaluated events subsequent to the year ended December 31, 2023 through the date of the attached independent auditor's report, the date these financial statements were issued.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

3. CASH AND INVESTMENTS

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

	2023	2022
Cash and investments	\$ 860,113	\$ 749,113
Cash and investments - restricted	81,500	89,500
	\$ 941,613	\$ 838,613

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023 and 2022, are as follows:

	2023	2022
Deposits with financial institutions	\$ 539,797	\$ 484,983
Investments	401,816	353,630
	\$ 941,613	\$ 838,613

Deposits with financial institutions

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

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

As of December 31, 2023, the District's cash deposits had a bank balance of \$534,668 and a carrying balance of \$539,797. As of December 31, 2022, the District's cash deposits had a bank balance of \$482,601 and a carrying balance of \$484,983.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Investments

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

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

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

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

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

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

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

As of December 31, 2022, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 353,630</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

COLOTRUST

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

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

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

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

4. CAPITAL ASSETS

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

	Balance 01-01-23	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12-31-23
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in progress	2,516,673			2,516,673
Total capital assets, not being depreciated	<u>2,790,261</u>	<u>-</u>	<u>-</u>	<u>2,790,261</u>
Capital assets, being depreciated:				
Water distribution system and equipment	1,965,264	-	-	1,965,264
Total capital assets, being depreciated	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Less accumulated depreciation:				
Water distribution system and equipment	(613,016)	(49,132)	-	(662,148)
Total accumulated depreciation	<u>(613,016)</u>	<u>(49,132)</u>	<u>-</u>	<u>(662,148)</u>
Capital assets, net	<u>\$ 4,142,509</u>	<u>\$ (49,132)</u>	<u>\$ -</u>	<u>\$ 4,093,377</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Capital asset activity for the year ended December 31, 2022, is as follows:

	Balance 01-01-22	Additions/ Reclass- ifications	Dispositions/ Reclass- ifications	Balance 12-31-22
Capital assets, not being depreciated:				
Land	\$ 101,000	\$ -	\$ -	\$ 101,000
Water rights	172,588	-	-	172,588
Construction in progress	<u>2,516,673</u>	<u>-</u>	<u>-</u>	<u>2,516,673</u>
Total capital assets, not being depreciated	<u>2,790,261</u>	<u>-</u>	<u>-</u>	<u>2,790,261</u>
Capital assets, being depreciated:				
Water distribution system and equipment	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Total capital assets, being depreciated	<u>1,965,264</u>	<u>-</u>	<u>-</u>	<u>1,965,264</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(563,876)</u>	<u>(49,140)</u>	<u>-</u>	<u>(613,016)</u>
Total accumulated depreciation	<u>(563,876)</u>	<u>(49,140)</u>	<u>-</u>	<u>(613,016)</u>
Capital assets, net	<u>\$ 4,191,649</u>	<u>\$ (49,140)</u>	<u>\$ -</u>	<u>\$ 4,142,509</u>

Depreciation expense for the years ended December 31, 2023 and 2022 totaled \$49,132 and \$49,140, respectively.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

5. LONG-TERM OBLIGATIONS

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

	<u>Balance 01-01-23</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance 12-31-23</u>	<u>Due Within One Year</u>
General obligation bonds					
Series 2007					
Bonds	\$ 895,000	\$ -	\$ 80,000	\$ 815,000	\$ 85,000
Subtotal	<u>895,000</u>	<u>-</u>	<u>80,000</u>	<u>815,000</u>	<u>85,000</u>
Other debt					
NRWA Note					
Payable	26,654	-	7,771	18,883	12,478
CWCB Note					
Payable	174,654	-	20,056	154,598	-
CWRD Note					
Payable	<u>1,045,190</u>	<u>-</u>	<u>34,896</u>	<u>1,010,294</u>	<u>35,041</u>
Subtotal	<u>1,246,498</u>	<u>-</u>	<u>62,723</u>	<u>1,183,775</u>	<u>47,519</u>
Total long-term obligations	<u><u>\$ 2,141,498</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,723</u></u>	<u><u>\$ 1,998,775</u></u>	<u><u>\$ 132,519</u></u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	Balance 01-01-22	Additions	Repayments	Balance 12-31-22	Due Within One Year
General obligation bonds					
Series 2007					
Bonds	\$ 970,000	\$ -	\$ 75,000	\$ 895,000	\$ 80,000
Subtotal	970,000	-	75,000	895,000	80,000
Other debt					
NRWA Note Payable	36,777	-	10,123	26,654	10,432
CWCB Note Payable	194,739	-	20,085	174,654	-
CWRD Note Payable	1,079,883	-	34,693	1,045,190	34,896
Subtotal	1,311,399	-	64,901	1,246,498	45,328
Total long-term obligations	\$ 2,281,399	\$ -	\$ 139,901	\$ 2,141,498	\$ 125,328

Series 2007 Bonds

On March 28, 2007, the District issued \$1,425,000 of water revenue refunding bonds ("Series 2007 Bonds") secured by water revenues and property tax revenue; \$455,000 were issued as serial bonds and \$970,000 were issued as term bonds. The serial bonds carried interest rates of 4.05% to 4.40% per annum and matured between December 1, 2014 and December 1, 2021. The term bonds carry an interest rate of 5.00% per annum and mature on December 1, 2030. The term bonds are subject to mandatory sinking fund redemption in prescribed amounts before the maturity dates.

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Events of default for the bonds

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

- i. Payment of the principal on any bond is not made by the District when due.
- ii. Payment of the interest on any bond is not made by the District when due.
- iii. The District defaults in the performance of any other of its material covenants in the bond resolution, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the District by the owners of 50% in aggregate principal amount of the bonds then outstanding.
- iv. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

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

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 85,000	\$ 40,750	\$ 125,750
2025	85,000	36,500	121,500
2026	90,000	32,250	122,250
2027	95,000	27,750	122,750
2028	100,000	23,000	123,000
2029-3030	360,000	30,750	390,750
	<u>\$ 815,000</u>	<u>\$ 191,000</u>	<u>\$ 1,006,000</u>

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ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NRWA note payable

On April 6, 2013, the District entered into a loan that was later amended on March 23, 2014 in the amount of \$95,701 in order to ensure an adequate water supply. The note payable to National Rural Water Association Revolving Loan Fund ("NRWA") is due in monthly installments of \$924 with a stated interest rate of 3.00% per annum, maturing on July 1, 2025. The note is secured with an interest in the assets of the District in the amount of the principal balance.

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 12,478	\$ 459	\$ 12,937
2025	6,405	64	6,469
	\$ 18,883	\$ 523	\$ 19,406

CWCB note payable

On June 21, 2019, the District entered into a note payable that was later amended on May 1, 2020 with the Colorado Water Conservation Board ("CWCB") for up to \$214,460. The note bears interest at 1.85% per annum and is secured by an interest in the revenues of the District. Draws on this note are made as expenses are incurred and repayment is required on or before the maturity date May 1, 2030. Accordingly, no summary of future debt service is provided.

CWRD note payable

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

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ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,041	\$ 4,992	\$ 40,033
2025	35,216	4,803	40,019
2026	35,393	4,627	40,020
2027	35,570	4,449	40,019
2028	35,748	4,283	40,031
2029 - 2033	181,442	18,660	200,102
2034 - 2038	186,029	14,067	200,096
2039 - 2043	190,732	9,358	200,090
2044 - 2048	195,555	4,531	200,086
2049 - 2050	79,568	432	80,000
	<u>\$ 1,010,294</u>	<u>\$ 70,202</u>	<u>\$ 1,080,496</u>

Debt authorization

As of December 31, 2023, the District's debt authorized, authorization used, and amounts authorized but unissued are as follows:

	<u>Electoral Authorization</u>	<u>Service Plan Authorization</u>
Amount authorized	\$ 1,425,000	\$ 1,500,000
Authorization used:		
Series 2007 Bonds	<u>(1,425,000)</u>	<u>(1,425,000)</u>
Authorized but unissued indebtedness	<u>\$ -</u>	<u>\$ 75,000</u>

On September 10, 2009, the District's voters authorized the issuance of indebtedness at an interest rate not to exceed 12%. The service plan set the maximum mill levy at 24 mills.

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

6. NET POSITION

The District has net position consisting of three components: net investment in capital assets; restricted; and unrestricted.

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

	2023	2022
Net investment in capital assets		
Capital assets, net	\$ 4,093,377	\$ 4,142,509
Revenue bonds and note payable	(1,825,294)	(1,940,189)
Net investment in capital assets	\$ 2,268,083	\$ 2,202,320

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

	2023	2022
Restricted net position:		
Debt service (Note 5)	\$ 81,500	\$ 89,500
Total restricted net position	\$ 81,500	\$ 89,500

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

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

7. RISK MANAGEMENT

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

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

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

8. TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

ARABIAN ACRES METROPOLITAN DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL – BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2023

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>OPERATING REVENUES</u>			
Water sales	\$ 296,000	\$ 318,131	\$ 22,131
Other operating revenues	-	2,090	2,090
Total revenues	<u>296,000</u>	<u>320,221</u>	<u>24,221</u>
<u>OPERATING EXPENDITURES</u>			
Contingency	22,000	-	22,000
District management	54,000	55,934	(1,934)
Fees, dues, and subscriptions	10,600	8,137	2,463
Insurance	14,000	12,574	1,426
ORC fees	48,000	41,513	6,487
Other expenses	25,000	4,573	20,427
Professional fees	18,225	16,679	1,546
Purchased services	10,000	-	10,000
Repairs and maintenance	35,000	39,666	(4,666)
Utilities	12,500	8,529	3,971
Total operating expenditures	<u>249,325</u>	<u>187,605</u>	<u>61,720</u>
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>			
Property taxes	138,645	139,295	650
Specific ownership taxes	9,705	14,953	5,248
County Treasurer's fees	(4,159)	(3,992)	167
Interest income	-	22,533	22,533
Interest expense	(54,847)	(54,127)	720
Debt principal payments	(143,480)	(142,723)	757
Total non-operating revenues and expenditures	<u>(54,136)</u>	<u>(24,061)</u>	<u>30,075</u>
Excess of revenue over expenditures - budgetary basis	<u>\$ (7,461)</u>	<u>\$ 108,555</u>	<u>\$ 116,016</u>

See independent auditor's report.

ARABIAN ACRES METROPOLITAN DISTRICT
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2023

The accompanying supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 21 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures for the year ended December 31, 2023 is presented below.

Total revenue per financial statements (operating and non-operating revenue)	\$ 497,002
Total actual revenue and receipts per the budget	<u>\$ 497,002</u>
 Total expenses and capital expenditures per financial statements	 \$ 294,856
Add: Principal payments on long-term debt	 142,723
Less: Depreciation expense	 <u>(49,132)</u>
Total actual expenses and capital expenditures per the budget	<u>\$ 388,447</u>

See independent auditor's report.