

DEER CREEK METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

December 31, 2022



Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Deer Creek Metropolitan District
Jefferson County, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Deer Creek Metropolitan District (the "District") as of and for the year ended December 31, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Deer Creek Metropolitan District as of December 31, 2022, and the respective changes in financial position 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 Deer Creek Metropolitan District, and to meet our 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 the 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 GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 17 - 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that GASB requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of the 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules for the debt service and capital projects funds are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules of the debt service and capital projects funds are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
June 21, 2023

BASIC FINANCIAL STATEMENTS

DEER CREEK METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 1,688,315 |
| Accounts Receivable | 5,344 |
| Prepaid Items | 10,938 |
| Property Taxes Receivable | 311,339 |
| Capital Assets, Not Being Depreciated | 283,232 |
| Capital Assets, Net of Accumulated Depreciation | <u>954,131</u> |
| TOTAL ASSETS | <u>3,253,299</u> |
| LIABILITIES | |
| Accounts Payable | <u>13,356</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Property Taxes | <u>311,339</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 1,237,363 |
| Restricted for Emergencies | 11,200 |
| Restricted for Conservation Trust Fund | 45,262 |
| Restricted for Debt Service | 38,493 |
| Unrestricted | <u>1,596,286</u> |
| TOTAL NET POSITION | <u>\$ 2,928,604</u> |

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

DEER CREEK METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES <u>CAPITAL GRANTS AND CONTRIBUTIONS</u> | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION |
|--------------------------------|----------------|--|---|
| <u>PRIMARY GOVERNMENT</u> | | | <u>GOVERNMENTAL ACTIVITIES</u> |
| Governmental Activities | | | |
| General Government | \$ 92,699 | \$ - | \$ (92,699) |
| Public Works | 264,982 | 3,639 | (261,343) |
| Interest on Long-Term Debt | 40,590 | - | (40,590) |
| | <u>398,271</u> | <u>3,639</u> | <u>(394,632)</u> |
| Total Governmental Activities | <u>398,271</u> | <u>3,639</u> | <u>(394,632)</u> |
| GENERAL REVENUES | | | |
| | | | 316,158 |
| Property Taxes | | | 21,705 |
| Specific Ownership Taxes | | | 48,401 |
| Investment Income | | | 19,262 |
| Other | | | <u>19,262</u> |
| | | TOTAL GENERAL REVENUES | <u>405,526</u> |
| | | CHANGE IN NET POSITION | 10,894 |
| | | NET POSITION, Beginning | <u>2,917,710</u> |
| | | NET POSITION, Ending | <u>\$ 2,928,604</u> |

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

DEER CREEK METROPOLITAN DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

| | GENERAL | DEBT SERVICE | CAPITAL PROJECTS | TOTALS |
|---|---------------------|------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 1,018,227 | \$ 38,493 | \$ 631,595 | \$ 1,688,315 |
| Accounts Receivable | 5,344 | - | - | 5,344 |
| Prepaid Items | 10,938 | - | - | 10,938 |
| Property Taxes Receivable | 311,339 | - | - | 311,339 |
| TOTAL ASSETS | \$ 1,345,848 | \$ 38,493 | \$ 631,595 | \$ 2,015,936 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 7,619 | \$ - | \$ 5,737 | \$ 13,356 |
| TOTAL LIABILITIES | 7,619 | - | 5,737 | 13,356 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Taxes | 311,339 | - | - | 311,339 |
| FUND BALANCES | | | | |
| Nonspendable | 10,938 | - | - | 10,938 |
| Restricted for Emergencies | 11,200 | - | - | 11,200 |
| Restricted for Conservation Trust Fund | - | - | 45,262 | 45,262 |
| Restricted for Debt Service | - | 38,493 | - | 38,493 |
| Assigned to Capital Projects | - | - | 580,596 | 580,596 |
| Unassigned | 1,004,752 | - | - | 1,004,752 |
| TOTAL FUND BALANCES | 1,026,890 | 38,493 | 625,858 | 1,691,241 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,345,848 | \$ 38,493 | \$ 631,595 | \$ 2,015,936 |

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

| | |
|---|---------------------|
| Total Fund Balances of Governmental Funds | \$ 1,691,241 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,237,363 |
| Total Net Position of Governmental Activities | \$ 2,928,604 |

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

DEER CREEK METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2022

| | GENERAL | DEBT SERVICE | CAPITAL PROJECTS | TOTALS |
|-----------------------------|---------------------|------------------|---------------------|---------------------|
| REVENUES | | | | |
| Property Taxes | \$ 316,158 | \$ - | \$ - | \$ 316,158 |
| Specific Ownership Taxes | 21,705 | - | - | 21,705 |
| Intergovernmental | - | - | 3,639 | 3,639 |
| Investment Income | 17,429 | 19,954 | 11,018 | 48,401 |
| Reimbursed Expenses | 3,946 | - | - | 3,946 |
| Other Income | 15,316 | - | - | 15,316 |
| TOTAL REVENUES | <u>374,554</u> | <u>19,954</u> | <u>14,657</u> | <u>409,165</u> |
| EXPENDITURES | | | | |
| General Government | 92,699 | - | - | 92,699 |
| Public Works | 217,258 | - | 39,093 | 256,351 |
| Debt Service | | | | |
| Principal | - | 1,430,000 | - | 1,430,000 |
| Interest and Fiscal Charges | - | 53,225 | - | 53,225 |
| TOTAL EXPENDITURES | <u>309,957</u> | <u>1,483,225</u> | <u>39,093</u> | <u>1,832,275</u> |
| NET CHANGE IN FUND BALANCES | 64,597 | (1,463,271) | (24,436) | (1,423,110) |
| FUND BALANCES, Beginning | <u>962,293</u> | <u>1,501,764</u> | <u>650,294</u> | <u>3,114,351</u> |
| FUND BALANCES, Ending | <u>\$ 1,026,890</u> | <u>\$ 38,493</u> | <u>\$ 625,858</u> | <u>\$ 1,691,241</u> |

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

DEER CREEK METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

| | |
|--|------------------|
| Net Change in Fund Balances of Governmental Funds | \$ (1,423,110) |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$47,724) exceeded capital outlay \$39,093 in the current year. | (8,631) |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal are expenditures in the governmental funds, but reduce long-term liabilities in the the statement of net position and do not affect the statement of activities. This is the amount of the repayments of principal in the current year. | 1,430,000 |
| 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. This amount represents the change in accrued interest payable \$4,419, final amortization of debt premium \$23,257 and final amortization of cost of refunding (\$15,041). | <u>12,635</u> |
| Change in Net Position of Governmental Activities | <u>\$ 10,894</u> |

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

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Deer Creek Metropolitan District (the "District") was formed on May 14, 1998, to provide for the acquisition, construction, maintenance and operation of street improvements, storm drainage, traffic and safety control devices, television relay and translation, mosquito control, and parks and recreational facilities within its boundaries. The District is governed by a five-member Board of Directors elected by the residents.

The District is located wholly within the Foothills Park and Recreation District and the Southwest Metropolitan Water and Sanitation District.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the 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.

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and used. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year.

Property taxes, specific ownership taxes, intergovernmental revenues, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

In the fund financial statements, the District reports the following major governmental funds:

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

Debt Service Fund accounts for resources accumulated for, and payments made on, long-term debt obligations of the District.

Capital Projects Fund accounts for the acquisition or construction of capital assets financed with conservation trust revenues and General Fund transfers.

Assets, Liabilities and Net Position/Fund Balances

Investments - Investments are reported at fair value.

Capital Assets - Capital assets, which include primarily land, infrastructure, and related improvements, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Landscaping and parks are not depreciated. Infrastructure assets, which include streets, storm drainage, detention ponds, bike paths and fences are depreciated using the straight-line method over estimated useful lives of 30 to 40 years.

Long-Term Debt - In the government-wide financial statements, long-term debt is reported as a liability. Bond premium/discount and cost of refunding are deferred and amortized over the life of the bonds using the straight-line method.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Unamortized cost of refunding is reported as deferred outflow of resources in the statement of net position.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position – The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This classification reflects the portion of net position that is associated with non-liquid, capital assets less outstanding capital asset related debt.
- Restricted Net Position – This classification includes amounts for which constraints have been placed on net position either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This classification includes the remaining net position that is not restricted or part of the net investment in capital assets.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District’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 – This classification includes amounts that are constrained by the District’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 changed than those imposed on committed amounts.
- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The District has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the District uses restricted fund balance first.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer’s Office collects property taxes and remits to the District on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources are reported at December 31.

Use of Estimates

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

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The District has evaluated events subsequent to the year ended December 31, 2022 through June 21, 2023, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: CASH AND INVESTMENTS

At December 31, 2022, the District had the following cash and investments.

| | |
|-------------|---------------------|
| Deposits | \$ 15,083 |
| Investments | <u>1,673,232</u> |
| Total | <u>\$ 1,688,315</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the District had deposits totaling \$15,083, which were insured by FDIC.

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 Local Government Investment Pools, obligation of the United States and certain U.S. government agency securities, 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.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest which include the following.

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

At December 31, 2022, the District had the following investment

| | <u>Maturity</u> | <u>2022</u> |
|---|-----------------------------------|---------------------|
| Colorado Liquid Asset Trust (COLOTRUST) | Weighted Average under 60 days | <u>\$ 1,673,232</u> |

Local Government Investment Pool - The District had invested \$1,673,232 in the Colorado Government Liquid Asset Trust (COLOTRUST) (the "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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers share in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as the 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 is rated AAA by Standard and Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, is summarized below:

| | Balances 12/31/2021 | Additions | Deletions | Balances 12/31/2022 |
|--|------------------------|-------------------|-------------|------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated | | | | |
| Landscaping | \$ 169,739 | \$ - | \$ - | \$ 169,739 |
| Parks | 52,794 | - | - | 52,794 |
| Construction In Progress | 21,606 | 39,093 | - | 60,699 |
| Total Capital Assets, not being depreciated | <u>244,139</u> | <u>39,093</u> | <u>-</u> | <u>283,232</u> |
| Capital Assets, being depreciated | | | | |
| Streets | 665,776 | - | - | 665,776 |
| Storm drainage and Massey Draw | 709,712 | - | - | 709,712 |
| Detention ponds | 88,008 | - | - | 88,008 |
| Bike path | 92,339 | - | - | 92,339 |
| Fence | 264,922 | - | - | 264,922 |
| Total Capital Assets, being depreciated | <u>1,820,757</u> | <u>-</u> | <u>-</u> | <u>1,820,757</u> |
| Less accumulated depreciation | | | | |
| Streets | (366,177) | (16,644) | - | (382,821) |
| Storm drainage and Massey Draw | (322,820) | (17,741) | - | (340,561) |
| Detention ponds | (48,405) | (2,200) | - | (50,605) |
| Bike path | (50,787) | (2,308) | - | (53,095) |
| Fence | (30,713) | (8,831) | - | (39,544) |
| Total accumulated depreciation | <u>(818,902)</u> | <u>(47,724)</u> | <u>-</u> | <u>(866,626)</u> |
| Total Capital Assets, being depreciated, net | <u>1,001,855</u> | <u>(47,724)</u> | <u>-</u> | <u>954,131</u> |
| Governmental Activities Capital Assets, net | <u>\$ 1,245,994</u> | <u>\$ (8,631)</u> | <u>\$ -</u> | <u>\$ 1,237,363</u> |

Depreciation expense was charged to the public works program of the District.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2022.

| | Balances 12/31/2021 | Additions | Deletions | Balances 12/31/2022 | Due Within One Year |
|----------------------------|------------------------|-------------|---------------------|------------------------|------------------------|
| 2012 G. O. Refunding Bonds | \$ 1,430,000 | \$ - | \$ 1,430,000 | \$ - | \$ - |
| Debt Premium | 23,257 | - | 23,257 | - | - |
| Totals | <u>\$ 1,453,257</u> | <u>\$ -</u> | <u>\$ 1,453,257</u> | <u>\$ -</u> | <u>\$ -</u> |

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4: LONG-TERM DEBT (Continued)

General Obligation Bonds

\$3,800,000 General Obligation Refunding and Improvement Bonds, Series 2012, were issued by the District to refinance the District's General Obligation Refunding Bonds, Series 2001. Principal payments were due annually on December 1, through 2026. Interest payments were due semi-annually on June 1 and December 1, accruing at rates ranging from 2% to 4%. The Bonds were paid off in full during the year ended December 31, 2022.

Authorized But Unissued Debt

At December 31, 2022, the District had authorized but unissued debt of \$1,695,000 for capital purposes and \$4,075,000 for refunding, paying or defeasing outstanding District financial obligations.

NOTE 5: PUBLIC ENTITY RISK POOL

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks of loss, the District participates in the Colorado Special Districts Property and Liability Pool (the "Pool"), a separate and independent governmental and legal entity formed by intergovernmental agreement.

The purposes of the Pool are to provide members defined liability, property, and workers' compensation coverages and to assist members in preventing and reducing losses and injuries to property and to persons or property which might result in claims being made against members of the Pool, their employees and officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool.

It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the Pool.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 6: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation.

At the District's organizational election on May 5, 1998, District voters authorized ad valorem taxes to be increased \$100,000 annually to pay the District's operations, maintenance and other expenses without limitation of rate or with such limitations as may be determined by the Board of Directors, as allowed within the provisions of the Amendment.

The District voters also authorized the District to collect, retain and spend the amount of \$1,000,000 annually from any revenue sources other than ad valorem taxes without regard to any spending, revenue raising or other limitation contained within the Amendment.

The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2022, the emergency reserve of \$11,200 was reported as a restriction of fund balance in the General Fund and restricted net position in the statement of net position.

Intergovernmental Commitment

On the 2nd of February, 2021, the District entered into an Intergovernmental Agreement with Jefferson School District R-1 (JSDR-1) for recreation improvements. The District is to contribute a total of \$60,700 from its Conservation Trust Fund for the capital costs of these improvements, \$40,700 of which was paid in early 2021. Beginning in 2022, the District agreed to pay to JSDR-1 \$2,500 by January 21st each year through 2029. No payment was made in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

DEER CREEK METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

| | 2022 | | VARIANCE Positive (Negative) | 2021 |
|---|---------------------------------|----------------|------------------------------------|----------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Property Taxes | \$ 316,204 | \$ 316,158 | \$ (46) | \$ 302,285 |
| Specific Ownership Taxes | 22,134 | 21,705 | (429) | 61,657 |
| Interest Income | 1,000 | 17,429 | 16,429 | 411 |
| Reimbursed Expenses | 5,000 | 3,946 | (1,054) | 3,895 |
| Insurance Claim | - | 15,316 | 15,316 | - |
| TOTAL REVENUES | 344,338 | 374,554 | 30,216 | 368,248 |
| EXPENDITURES | | | | |
| General Government | | | | |
| Accounting and Audit | 33,100 | 30,695 | 2,405 | 27,385 |
| District Management | 50,000 | 33,989 | 16,011 | 35,652 |
| Director's Fees | 900 | 600 | 300 | 500 |
| Dues and Subscriptions | 600 | 525 | 75 | 498 |
| Election Expense | 2,000 | 936 | 1,064 | - |
| Website | 1,000 | - | 1,000 | - |
| Engineering | 2,500 | 5,782 | (3,282) | 1,285 |
| Insurance | 9,300 | 8,987 | 313 | 8,636 |
| Legal | 10,000 | 6,295 | 3,705 | 6,816 |
| Miscellaneous | 1,000 | 147 | 853 | 273 |
| Treasurer's Fees | 4,743 | 4,743 | - | 4,530 |
| Total General Government | 115,143 | 92,699 | 22,444 | 85,575 |
| Public Works | | | | |
| Landscape Maintenance | 50,000 | 58,369 | (8,369) | 47,677 |
| Tree Program | 75,000 | 131,248 | (56,248) | 77,415 |
| Snow Plowing | 10,000 | 1,814 | 8,186 | 1,344 |
| Irrigation | 25,300 | 25,827 | (527) | 23,086 |
| Total Public Works | 160,300 | 217,258 | (56,958) | 149,522 |
| Contingency | 14,557 | - | 14,557 | - |
| TOTAL EXPENDITURES | 290,000 | 309,957 | (19,957) | 235,097 |
| EXCESS OF REVENUES OVER EXPENDITURES | 54,338 | 64,597 | 50,173 | 133,151 |
| OTHER FINANCING USES | | | | |
| Transfers Out | (369,000) | - | 369,000 | - |
| NET CHANGE IN FUND BALANCE | (314,662) | 64,597 | 419,173 | 133,151 |
| FUND BALANCE, Beginning | 964,815 | 962,293 | (2,522) | 829,142 |
| FUND BALANCE, Ending | \$ 650,153 | \$ 1,026,890 | \$ 376,737 | \$ 962,293 |

See the accompanying Independent Auditor's Report.

DEER CREEK METROPOLITAN DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2022

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, District management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15th, the budget is legally enacted through passage of a resolution.
- District management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

SUPPLEMENTARY INFORMATION

DEER CREEK METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

Year Ended December 31, 2022
(With Comparative Totals for December 31, 2021)

| | 2022 | | | 2021 |
|-----------------------------|---------------------------------|-------------|------------------------------------|--------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | ACTUAL |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ 485,814 |
| Investment Income | 250 | 19,954 | 19,704 | - |
| TOTAL REVENUES | 250 | 19,954 | 19,704 | 485,814 |
| EXPENDITURES | | | | |
| General Government | | | | |
| Treasurer's Fees | - | - | - | 7,280 |
| Miscellaneous | - | - | - | 30 |
| Contingency | 15,975 | - | 15,975 | - |
| Debt Service | | | | |
| Principal | 1,430,000 | 1,430,000 | - | 260,000 |
| Interest and Fiscal Charges | 54,025 | 53,225 | 800 | 61,025 |
| TOTAL EXPENDITURES | 1,500,000 | 1,483,225 | 16,775 | 328,335 |
| NET CHANGE IN FUND BALANCE | (1,499,750) | (1,463,271) | 36,479 | 157,479 |
| FUND BALANCE, Beginning | 1,512,690 | 1,501,764 | (10,926) | 1,344,285 |
| FUND BALANCE, Ending | \$ 12,940 | \$ 38,493 | \$ 25,553 | \$ 1,501,764 |

See the accompanying Independent Auditor's Report.

DEER CREEK METROPOLITAN DISTRICT

BUDGETARY COMPARISON SCHEDULE
 CAPITAL PROJECTS FUND
 Year Ended December 31, 2022
 (With Comparative Totals for December 31, 2021)

| | 2022 | | VARIANCE Positive (Negative) | 2021 |
|---|---------------------------------|------------|------------------------------------|------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | ACTUAL |
| REVENUES | | | | |
| Conservation Trust | \$ 3,500 | \$ 3,639 | \$ 139 | \$ 3,458 |
| Investment Income | 253 | 11,018 | 10,765 | 377 |
| TOTAL REVENUES | 3,753 | 14,657 | 10,904 | 3,835 |
| EXPENDITURES | | | | |
| Public Works | | | | |
| Concrete Repairs | - | - | - | 7,842 |
| Fencing | - | 3,112 | (3,112) | 142,340 |
| School Playground Equipment | - | - | - | 40,700 |
| Trail Improvements | 800,000 | 35,981 | 764,019 | 21,606 |
| Total Public Works | 800,000 | 39,093 | 760,907 | 212,488 |
| Contingency | 200,000 | - | 200,000 | - |
| TOTAL EXPENDITURES | 1,000,000 | 39,093 | 960,907 | 212,488 |
| EXCESS OF REVENUES OVER EXPENDITURES | (996,247) | (24,436) | (950,003) | (208,653) |
| OTHER FINANCING SOURCES | | | | |
| Transfers In | 369,000 | - | (369,000) | - |
| NET CHANGE IN FUND BALANCE | (627,247) | (24,436) | (1,319,003) | (208,653) |
| FUND BALANCE, Beginning | 627,247 | 650,294 | 23,047 | 858,947 |
| FUND BALANCE, Ending | \$ - | \$ 625,858 | \$ 625,858 | \$ 650,294 |

See the accompanying Independent Auditor's Report.