

**EAST SMOKY HILL  
METROPOLITAN DISTRICT NO. 2  
Arapahoe County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2024**

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## SCHILLING & COMPANY, INC.

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### **Independent Auditor's Report**

Board of Directors  
East Smoky Hill Metropolitan District No. 2  
Arapahoe County, Colorado

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of East Smoky Hill Metropolitan District No. 2 (District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Smoky Hill Metropolitan District No. 2, as of December 31, 2024, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibility of Management for the Financial Statements***

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

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

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

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

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

## ***Required Supplemental Information***

Management has omitted the management's discussion and analysis that 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 considered 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 opinions on the basic financial statements are not affected by this missing information.

### ***Supplemental Information***

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

### ***Other Information***

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

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

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
August 20, 2025

## **BASIC FINANCIAL STATEMENTS**

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**December 31, 2024**

**ASSETS**

Cash and investments - unrestricted	\$ 834,707
Cash and investments - restricted	262,810
Cash with County Treasurer	4,959
Property taxes receivable	850,204
Prepaid expense	12,020
Total assets	<u>1,964,700</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Cost of Refunding, Net	<u>5,324</u>
Total Deferred Outflows of Resources	<u>5,324</u>

**LIABILITIES**

Accounts payable	142,198
Accrued interest payable	1,864
Bonds payable	
Due within one year	492,000
Due in more than one year	999,000
Total liabilities	<u>1,635,062</u>

**DEFERRED INFLOWS OF RESOURCES**

Property tax revenue	<u>850,204</u>
Total deferred inflows of resources	<u>850,204</u>

**NET POSITION**

Restricted for emergencies	11,800
Restricted for debt service	249,146
Unrestricted	(776,188)
Total net position	<u>\$ (515,242)</u>

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL ACTIVITIES**  
**Year Ended December 31, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 749,969	\$ -	\$ -	\$ -	\$ (749,969)
Interest and fiscal charges	29,342	-	-	-	(29,342)
	<u>\$ 779,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(779,311)</u>
General revenues:					
Taxes:					
Property taxes					861,515
Specific ownership taxes					50,026
Net investment income					<u>77,911</u>
Total general revenues					<u>989,452</u>
Change in net position					210,141
Net position - beginning					<u>(725,383)</u>
Net position - ending					<u>\$ (515,242)</u>

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



**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2024**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 834,707	\$ -	\$ 834,707
Cash and investments - restricted	11,800	251,010	262,810
Cash with County Treasurer	4,959	-	4,959
Property tax receivable	275,157	575,047	850,204
Prepaid expense	12,020	-	12,020
<b>TOTAL ASSETS</b>	<b><u>\$ 1,138,643</u></b>	<b><u>\$ 826,057</u></b>	<b><u>\$ 1,964,700</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 142,198	\$ -	\$ 142,198
Total liabilities	<u>142,198</u>	<u>-</u>	<u>142,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	275,157	575,047	850,204
Total deferred inflows of resources	<u>275,157</u>	<u>575,047</u>	<u>850,204</u>
<b>FUND BALANCES</b>			
Nonspendable - prepaid items	12,020	-	12,020
Spendable:			
Restricted for:			
Emergencies	11,800	-	11,800
Debt service	-	251,010	251,010
Assigned for subsequent year's expenditures	175,670	-	175,670
Unassigned	521,798	-	521,798
Total fund balances	<u>721,288</u>	<u>251,010</u>	<u>972,298</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 1,138,643</u></b>	<b><u>\$ 826,057</u></b>	

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

Some long-term assets are not available to pay for current period expenditures and, therefore are not reported in the Balance Sheet - Governmental Funds.

Cost of Refunding, Net 5,324

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

General obligation bonds payable (1,491,000)  
Accrued interest payable (1,864)  
(1,492,864)

Net position of governmental activities \$ (515,242)

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2024**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property tax	\$ 278,818	\$ 582,697	\$ 861,515
Specific ownership tax	50,026	-	50,026
Net investment income	63,263	14,648	77,911
Total revenues	<u>392,107</u>	<u>597,345</u>	<u>989,452</u>
<b>EXPENDITURES</b>			
Current			
Management fees	15,183	-	15,183
Accounting	46,137	-	46,137
Audit	4,900	-	4,900
Director's fees	1,738	-	1,738
Legal	16,216	-	16,216
Insurance	10,208	-	10,208
Dues and memberships	632	-	632
Election expense	85	-	85
Snow Removal	7,265	-	7,265
Landscaping	48,315	-	48,315
Landscape Contract	39,549	-	39,549
Miscellaneous	5,891	-	5,891
County Treasurer's fees	4,185	8,746	12,931
Annual Flowers	24,700	-	24,700
Landscape - Trees	4,118	-	4,118
Payroll Taxes	69	-	69
Playground Improvements	396,791	-	396,791
Park Improvements	98,696	-	98,696
Playground Maintenance	3,200	-	3,200
Irrigation repairs	11,710	-	11,710
Repairs and Maintenance	1,635	-	1,635
Debt service			
Bond principal	-	485,000	485,000
Bond interest	-	29,640	29,640
Total expenditures	<u>741,223</u>	<u>523,386</u>	<u>1,264,609</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(349,116)</u>	<u>73,959</u>	<u>(275,157)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to other funds	(3,818)	-	(3,818)
Transfer from other funds	-	3,818	3,818
Total other financing sources (uses)	<u>(3,818)</u>	<u>3,818</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(352,934)	77,777	(275,157)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,074,222	173,233	1,247,455
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 721,288</u>	<u>\$ 251,010</u>	<u>\$ 972,298</u>

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2024**

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

Net change in fund balances - Total governmental funds	\$ (275,157)
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The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, it has no effect on net position.

Bond principal payments	485,000
	485,000

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.

Change in accrued interest payable - Bonds and Advances	606
Amortization of Cost of Bond Refunding	(308)
	298

Change in net position - Governmental activities	\$ 210,141
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2024**

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget -</b>
<b>REVENUES</b>				
Property tax	\$ 274,988	\$ 274,988	\$ 278,818	\$ 3,830
Specific ownership taxes	50,981	50,981	50,026	(955)
Net investment income	50,000	50,000	63,263	13,263
Total Revenues	<u>375,969</u>	<u>375,969</u>	<u>392,107</u>	<u>16,138</u>
<b>EXPENDITURES</b>				
Administration:				
Management fees	38,000	15,200	15,183	17
Accounting	33,000	47,000	46,137	863
Audit	5,200	5,200	4,900	300
Director's fees	3,000	2,000	1,738	262
Legal	13,000	16,500	16,216	284
Insurance	11,500	10,300	10,208	92
Dues and memberships	900	900	632	268
Election expense	-	-	85	(85)
Snow Removal	-	7,300	7,265	35
Landscaping	30,000	48,500	48,315	185
Landscape Contract	40,000	40,000	39,549	451
Miscellaneous	100	6,000	5,891	109
County Treasurer's fees	4,125	4,200	4,185	15
Operations and Maintenance:				
Annual Flowers	25,000	25,000	24,700	300
Landscape - Trees	20,000	5,000	4,118	882
Landscape Maintenance - Medians	12,000	-	-	-
Payroll Taxes	230	230	69	161
Playground Improvements	350,000	397,000	396,791	209
Park Improvements	1,000	99,000	98,696	304
Playground Maintenance	10,000	3,200	3,200	-
Irrigation repairs	8,000	11,800	11,710	90
Repairs and Maintenance	5,000	2,000	1,635	365
Contingency	21,951	-	-	-
Total Expenditures	<u>632,006</u>	<u>746,330</u>	<u>741,223</u>	<u>5,107</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(256,037)</u>	<u>(370,361)</u>	<u>(349,116)</u>	<u>21,245</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to other funds	-	(3,818)	(3,818)	-
Total other financing sources (uses)	<u>-</u>	<u>(3,818)</u>	<u>(3,818)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(256,037)</u>	<u>(374,179)</u>	<u>(352,934)</u>	<u>21,245</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,060,082</u>	<u>1,060,082</u>	<u>1,074,222</u>	<u>14,140</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 804,045</u>	<u>\$ 685,903</u>	<u>\$ 721,288</u>	<u>\$ 35,385</u>

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 1 – DEFINITION OF REPORTING ENTITY**

East Smoky Hill Metropolitan District No. 2 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Arapahoe County, Colorado. The District was established to provide financing for the acquisition, construction, installation and/or operation of street improvements, water, sanitation, safety protection, park and recreation and transportation services. The District has conveyed all facilities and improvements to Arapahoe County, East Cherry Creek Valley Water and Sanitation District, Arapahoe Park and Recreation District, or other entities for maintenance and operation after completion of construction.

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

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

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Government-wide and Fund Financial Statements**

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

The statement of net position reports all financial and capital resources of the District, the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, being 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.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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

The District reports the following major governmental funds:

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

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

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended the General Fund annual budget for the year ended December 31, 2024.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Pooled Cash and Investments**

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

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

**Cost of Bond Refunding**

In the government-wide financial statements, the deferred cost of bond refunding is being amortized the straight-line method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a deferred outflow of resources.

**Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, cost of bond refunding, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

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

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**Fund Balances – Governmental Funds**

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

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

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

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

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

Unassigned fund balance—amounts that are available for any purpose.

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

**NOTE 3 - CASH AND INVESTMENTS**

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

Cash and investments - unrestricted	\$ 834,707
Cash and investments - restricted	262,810
	<u>\$ 1,097,517</u>

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

Deposits with financial institutions	\$ 162,806
Investments	934,711
	<u>\$ 1,097,517</u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible



**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2024, the District's cash deposits had a bank balance of \$165,930 and carrying balance of \$162,806.

**Investments**

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

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Carrying Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST Plus+)	Weighted average under 60 days	\$ <u>934,711</u>

**COLOTRUST**

As of December 31, 2024, the District has invested in the Colorado Local Government Liquid Asset Trust (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. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with

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certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the EDGE portfolio is rated AAAs/S1 by Fitch Ratings. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at [www.colotrust.com](http://www.colotrust.com).

### **Investment Valuation**

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at year end for which the investment valuations were determined as follows.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

### **Restricted Cash and Investments**

At December 31, 2024, cash and investments in the amount of \$251,010 are restricted for debt service in accordance with the indenture of trust related to the Series 2022 General Obligation Refunding Bonds (see Note 4). The restricted cash and investments in the General Fund in the amount of \$11,800 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

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**NOTE 4 – LONG-TERM OBLIGATIONS**

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

	<b>Balance at December 31, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2024</b>	<b>Due Within One Year</b>
General Obligation Bonds					
Series 2022	\$ 1,976,000	\$ -	\$ (485,000)	\$ 1,491,000	\$ 492,000
Total Long-Term Obligations	<u>1,976,000</u>	<u>-</u>	<u>(485,000)</u>	<u>1,491,000</u>	<u>492,000</u>

The detail of the District's long-term debt is as follows:

**General Obligation Refunding Bonds, Series 2022**

On February 10, 2022, the District issued \$3,456,000 in Series 2022 General Obligation Refunding Bonds with interest of 1.50%, consisting of bonds due through December 1, 2028. The Bonds are subject to optional redemption prior to maturity on any date at a redemption price equal to the par amount redeemed plus accrued interest thereon. Notice of any such optional redemption shall be given by the Bond Registrar to the registered owner of the Bonds at least 30 days prior to any such redemption. The bonds were issued to advance refund all of the District's General Obligation Bonds, Series 2011 and to pay for the costs of issuing the 2022 Bonds. The District used \$550,000 of current funds towards the refunding of the Series 2011 bonds.

The bonds are secured by and payable from ad valorem property taxes to be levied on all taxable property in the District without limitation as to rate and in amounts sufficient, when combined with other legally available moneys of the District, if any, to pay the principal and interest on the Series 2022 Bonds when due.

**Events of Default & Remedies**

The 2022 Bonds outlines the Events of Default as follows: a) District fails to pay the principal and interest on the Bonds when due, b) the District defaults in the performance or observation of any of the covenants, agreements, duties or conditions on the part of the District in the bond agreement and fails to remedy the same after notice, c) the District files for a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bond. The Series 2022 Bonds shall not be subject to acceleration upon and Event of Default, nor shall the District be subject to damages.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

The District's general obligation bonds will mature as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 492,000	\$ 22,365	\$ 514,365
2026	499,000	14,985	513,985
2027	500,000	7,500	507,500
	<u>\$ 1,491,000</u>	<u>\$ 44,850</u>	<u>\$ 1,535,850</u>

**NOTE 5 – DEBT AUTHORIZATION**

As of December 31, 2024, the District had no authorized but unissued debt. Per the Service Plan, the District is limited to issuing \$10,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

**NOTE 6 – FUND BALANCE**

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

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$12,020 is comprised of prepaid amounts which are not in spendable form.

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$11,800 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10). The restricted fund balance in the Debt Service Fund in the amount of \$251,010 is to be used exclusively for debt service requirements (see Note 4).

**Assigned Fund Balance**

The assigned fund balance in the General Fund in the amount of \$175,670 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

**NOTE 7 - NET POSITION**

The District's net position consists of two components – restricted and unrestricted.

The restricted portion of net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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

Restricted net position:

Emergency reserves (see Note 10)	\$ 11,800
Debt Service	249,146
	<u>\$ 260,946</u>

The District's unrestricted net position at December 31, 2024 was a deficit of \$(776,188). This deficit amount was a result of the District being responsible for repayment of bonds issued for public improvements conveyed to other governmental entities.

**NOTE 8 – AGREEMENTS**

**Saddle Rock Ridge HOA – License Agreements**

On August 14, 2012, the District entered into a License Agreement with Saddle Rock Ridge Homeowners Association, Inc. (SRR HOA) (the Original License) granting the District a license to spend funds to make park improvements to property owned by SRR HOA located at the intersections of: (1) Lake Avenue and Lake Place, (2) Tibet Street and Bellevue Place, and (3) Prentice Avenue and Valdai Street. The agreement expires on December 1, 2028.

On August 14, 2014, the District and SRR HOA amended the Original License (the Amended License) to allow the District to spend funds to make park improvement to additional property owned by SRR HOA located at the intersections of: (1) Valdai Court and Tempe Way, (2) Yakima Street and Lake Place, and (3) Versailles Street and Berry Avenue.

On October 25, 2016, the District and SRR HOA entered into the Second Amended and Restated License Agreement (the Second Amended License), which superseded and replaced the Original License and the Amended License. This License expires on December 1, 2028. Pursuant to the Second Amended License, SRR HOA granted the District a license over certain defined property to maintain and make landscaping improvements thereon. That property includes the following property owned by SRR HOA: (1) Tract 6D, Block 3, Saddle Rock Ridge Filing No. 6, located at East Lake Place and East Lake Avenue, (2) Tract 5C, Block 5, Saddle Rock Ridge Filing No. 3, located between South Valdai Court and South Tempe Way, (3) Tract 3V, Block 18, Saddle Rock Ridge Filing No. 3 located at South Yakima Street, (4) Tract D, Block 12, Saddle Rock Ridge Filing No. 1, located at South Versailles Street between South Versailles Way and South Wenatchee Street, (5) Tract DD, Block 8, Saddle Rock Ridge Filing No. 1, located at South Valdai Street between East Prentice Avenue and East Progress Avenue. And (6) Tract L, Block 1, Saddle Rock Ridge Filing No. 1, located on the corner of East Bellevue Avenue and South Tempe Street.

**Saddle Rock Ridge HOA – Median Maintenance Agreement**

On May 17, 2016, the District entered into a Median Maintenance Agreement with SRR HOA granting the District responsibility for maintaining the medians located within the County right-of-way. The agreement terminates on December 15, 2115.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**NOTE 9 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2024. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, 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 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

On November 8, 1994, the District's electors authorized the District to collect and spend or retain in reserve \$275,000 annually in taxes generated by the certification of an operating mill levy not to exceed 25 mills commencing in 1995 and all subsequent years without any limitations under Article X, Section 20 of the Colorado Constitution.

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

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

## **SUPPLEMENTAL INFORMATION**

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended December 31, 2024**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget -</b>
<b>REVENUES</b>			
Property taxes	\$ 574,694	\$ 582,697	\$ 8,003
Net investment income	1,000	14,648	13,648
Total Revenues	<u>575,694</u>	<u>597,345</u>	<u>21,651</u>
<b>EXPENDITURES</b>			
Bond principal	485,000	485,000	-
Bond interest	29,640	29,640	-
Paying agent and other fees	2,500	-	2,500
County treasurer's fees	8,620	8,746	(126)
Total Expenditures	<u>525,760</u>	<u>523,386</u>	<u>2,374</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>49,934</u>	<u>73,959</u>	<u>24,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	3,818	3,818
Total other financing sources (uses)	<u>-</u>	<u>3,818</u>	<u>3,818</u>
<b>NET CHANGE IN FUND BALANCE</b>	49,934	77,777	27,843
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>154,848</u>	<u>173,233</u>	<u>18,385</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 204,782</u></u>	<u><u>\$ 251,010</u></u>	<u><u>\$ 46,228</u></u>



## OTHER INFORMATION

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**SUMMARY OF ASSESSED VALUATION , MILL LEVY**  
**AND PROPERTY TAXES COLLECTED**  
**Year Ended December 31, 2024**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied				Property Taxes		Percentage Collected to Levied
		General	Debt	Refunds/ Abatemts	Total	Levied	Collected	
2019	\$ 57,739,028	5.500	11.000	0.000	16.500	\$ 952,695	\$ 952,695	100.0%
2020	\$ 67,178,968	7.000	9.500	0.000	16.500	\$ 1,108,453	\$ 1,108,428	100.0%
2021	\$ 67,552,972	7.000	9.500	0.000	16.500	\$ 1,114,608	\$ 1,114,608	100.0%
2022	\$ 70,431,201	3.904	12.596	0.000	16.500	\$ 1,162,115	\$ 1,162,111	100.0%
2023	\$ 68,583,644	4.000	12.500	0.000	16.500	\$ 1,131,630	\$ 1,131,623	100.0%
2024	\$ 86,122,249	3.193	6.673	0.000	9.866	\$ 849,682	\$ 849,636 *	100.0%
Estimated for year ending December 31, 2025	\$ 86,175,131	3.193	6.673	0.000	9.866	\$ 850,204		

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

\* Excludes funds received during the year from SB22-2381/SB23B-001 of \$11,879.

**EAST SMOKY HILL METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**December 31, 2024**

**\$3,456,000 General Obligation Refunding Bonds,**  
**Series 2022**

**Interest Rate at 1.50%**

**Principal Due December 1**

**Interest Due June 1 and December 1**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2025	\$ 492,000	\$ 22,365	\$ 514,365
2026	499,000	14,985	513,985
2027	500,000	7,500	507,500
	<u>\$ 1,491,000</u>	<u>\$ 44,850</u>	<u>\$ 1,535,850</u>