

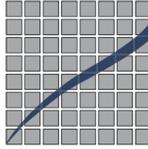
**GOLD HILL MESA METROPOLITAN
DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2022

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2022**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Gold Hill Mesa Metropolitan District No. 1

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Gold Hill Mesa Metropolitan District No. 1 ("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 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 District as of December 31, 2022, 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 the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 auditing standards generally accepted in the United States of America will always detect a material misstatement when it

exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado

July 24, 2023

BASIC FINANCIAL STATEMENTS

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 266,146
Cash and Investments - Restricted	18,200
Accounts Receivable	74,666
Due from Gold Hill Mesa Metropolitan District No. 2	5,724
Prepaid Insurance	14,263
Capital Assets, Net of Depreciation	91,764
Construction in Progress	9,003,941
Total Assets	9,474,704
LIABILITIES	
Accounts Payable	60,444
Noncurrent Liabilities:	
Due in More Than One Year	2,619,864
Total Liabilities	2,680,308
NET POSITION	
Net Investment in Capital Assets	(72,357)
Restricted for:	
Emergency Reserves	18,200
Unrestricted	6,848,553
Total Net Position	\$ 6,794,396

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government	\$ 545,581	\$ 345,135	\$ 14,336	\$ -	\$ (186,110)
Interest and Related Costs on Long-Term Debt	74,693	-	-	-	(74,693)
Total Government Activities	\$ 620,274	\$ 345,135	\$ 14,336	\$ -	(260,803)
GENERAL REVENUES					
Intergovernmental Revenue - Gold Hill Mesa Metro District No. 2					8,879,645
Miscellaneous					2,359
Total General Revenues					8,882,004
CHANGE IN NET POSITION					8,621,201
Net Position - Beginning of Year					(1,826,805)
NET POSITION - END OF YEAR					\$ 6,794,396

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 266,146	\$ -	\$ 266,146
Cash and Investments - Restricted	18,200	-	18,200
Accounts Receivable	74,666	-	74,666
Due from Gold Hill Mesa Metropolitan District No. 2	5,724	-	5,724
Prepaid Insurance	14,263	-	14,263
Total Assets	\$ 378,999	\$ -	\$ 378,999
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 60,444	\$ -	\$ 60,444
Total Liabilities	60,444	-	60,444
FUND BALANCES			
Nonspendable:			
Prepaid Expenses	14,263	-	14,263
Restricted for:			
Emergencies (TABOR)	18,200	-	18,200
Unassigned:			
General Government	286,092	-	286,092
Total Fund Balances	318,555	-	318,555
Total Liabilities and Fund Balances	\$ 378,999	\$ -	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital Assets, Net			9,095,705
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds.			
Accrued Interest on Developer Advance			(343,770)
Developer Advance Payable			(2,276,094)
Net Position of Governmental Activities			\$ 6,794,396

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental Revenue - Gold Hill			
Mesa Metro No. 2	\$ 242,299	\$ 8,637,346	\$ 8,879,645
Homeowner Fees	345,135	-	345,135
Other Income	2,359	-	2,359
Insurance Proceeds	14,336	-	14,336
Total Revenues	<u>604,129</u>	<u>8,637,346</u>	<u>9,241,475</u>
EXPENDITURES			
Current:			
Accounting	46,676	-	46,676
Audit	9,275	-	9,275
Dues and Membership	1,317	-	1,317
Insurance and Bonds	14,999	-	14,999
Management	59,856	-	59,856
Legal	14,418	-	14,418
Miscellaneous	1,170	-	1,170
Repairs and Maintenance	58,827	-	58,827
Landscape Maintenance	123,534	-	123,534
Utilities	168,173	-	168,173
Snow Removal	8,555	-	8,555
Capital Outlay	-	9,003,941	9,003,941
Underdrainage	27,840	-	27,840
Total Expenditures	<u>534,640</u>	<u>9,003,941</u>	<u>9,538,581</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	69,489	(366,595)	(297,106)
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	9,003,941	9,003,941
Repay Developer Advance	-	(8,637,346)	(8,637,346)
Total Other Financing Sources (Uses)	<u>-</u>	<u>366,595</u>	<u>366,595</u>
NET CHANGE IN FUND BALANCES	69,489	-	69,489
Fund Balances - Beginning of Year	<u>249,066</u>	<u>-</u>	<u>249,066</u>
FUND BALANCES - END OF YEAR	<u>\$ 318,555</u>	<u>\$ -</u>	<u>\$ 318,555</u>

See accompanying Notes to Basic Financial Statements.

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 69,489

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

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

Capital Outlay	9,003,941
Depreciation	(10,941)

Long-term debt (e.g., the receipt of Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Developer Advances	(9,003,941)
Repayment of Developer Advances	8,637,346

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:

Accrued Interest on Developer Advances - Change in Liability	<u>(74,693)</u>
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Changes in Net Position of Governmental Activities	<u><u>\$ 8,621,201</u></u>
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**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental Revenue - Gold Hill				
Mesa Metro No. 2	\$ 208,538	\$ 242,299	\$ 242,299	\$ -
Homeowner Fees	200,000	345,135	345,135	-
Insurance Proceeds	-	14,336	14,336	-
Other Income	-	2,359	2,359	-
Total Revenues	<u>408,538</u>	<u>604,129</u>	<u>604,129</u>	<u>-</u>
EXPENDITURES				
Current:				
Accounting	35,000	46,676	46,676	-
Audit	8,300	9,275	9,275	-
Directors' Fees	1,750	-	-	-
Dues and Subscriptions	1,500	1,317	1,317	-
Insurance and Bonds	14,000	14,999	14,999	-
Management	33,000	59,856	59,856	-
Legal	10,000	14,418	14,418	-
Miscellaneous	500	1,170	1,170	-
Election	7,000	-	-	-
Repair and Maintenance	60,000	58,827	58,827	-
Landscape Maintenance	150,000	123,534	123,534	-
Utilities	130,000	168,173	168,173	-
Snow Removal	-	8,555	8,555	-
Underdrainage	35,000	35,000	27,840	7,160
Contingency	5,950	13,200	-	13,200
Total Expenditures	<u>492,000</u>	<u>555,000</u>	<u>534,640</u>	<u>20,360</u>
NET CHANGE IN FUND BALANCES	(83,462)	49,129	69,489	20,360
Fund Balance - Beginning of Year	<u>118,028</u>	<u>249,066</u>	<u>249,066</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 34,566</u>	<u>\$ 298,195</u>	<u>\$ 318,555</u>	<u>\$ 20,360</u>

See accompanying Notes to Basic Financial Statements.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 DEFINITION OF REPORTING ENTITY

Gold Hill Mesa Metropolitan District No. 1 (District No. 1), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for the city of Colorado Springs (the City), El Paso County, Colorado, on November 9, 2004, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The preliminary Consolidated Service Plan, approved by the City of Colorado Springs on September 14, 2004, formed the Gold Hill Mesa Metropolitan District Nos. 1-3 (the Districts) as 'shell districts' which could not operate until an amended service plan was approved. The Amended Consolidated Service Plan was approved by the City on July 11, 2006. The Districts' service area is located entirely within the City. The District was organized in conjunction with two other related districts, Gold Hill Mesa Metropolitan District No. 2 (District No. 2), and Gold Hill Mesa Metropolitan District No. 3 (District No. 3), the Financing Districts. District No. 1 will own (subject to dedication of improvements to the City), operate, maintain and construct facilities benefiting all three Districts, and District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The District was established to provide the following services: parks and recreation, sanitary sewer, storm drainage, streets, traffic and safety protection, water, mosquito control, and television relay and transportation facilities.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are homeowner fees and intergovernmental revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and other financing uses 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 its annual budget for the year ended December 31, 2022.

Pooled Cash and Investments

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., trails, sidewalks and similar items), are reported in the governmental activities column 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense is computed using the straight-line method over the estimated economic useful lives:

Drainage Improvements

15 Years

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

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

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 266,146
Cash and Investments - Restricted	18,200
Total Cash and Investments	\$ 284,346

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 284,346
Total Cash and Investments	\$ 284,346

Deposits with Financial Institutions

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

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

As of December 31, 2022, the District's cash deposits had a bank balance of and a carrying balance of \$284,346.

Investments

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

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

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2022, the District had no investments.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022, follows:

	Balance - December 31, 2021	Increases	Decreases	Balance - December 31, 2022
<u>Governmental Activities</u>				
Construction in Progress:				
Public Improvements	\$ -	\$ 9,003,941	\$ -	\$ 9,003,941
Total Capital Assets, Not Being Depreciated	-	9,003,941	-	9,003,941
Capital Assets, Being Depreciated:				
Drainage Improvements	164,121	-	-	164,121
Total Capital Assets, Being Depreciated	164,121	-	-	164,121
Less Accumulated Depreciation for:				
Drainage Improvements	61,416	10,941	-	72,357
Total Accumulated Depreciation	61,416	10,941	-	72,357
Governmental Activities - Capital Assets, Net	<u>\$ 102,705</u>	<u>\$ 8,993,000</u>	<u>\$ -</u>	<u>\$ 9,095,705</u>

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2022:

	Balance - December 31, 2021	Additions	Retirements	Balance - December 31, 2022	Due Within One Year
Developer Advances	\$ 1,909,499	\$ 9,003,941	\$ 8,637,346	\$ 2,276,094	\$ -
Interest on Developer Advances	269,077	74,693	-	343,770	-
Total	<u>\$ 2,178,576</u>	<u>\$ 9,078,634</u>	<u>\$ 8,637,346</u>	<u>\$ 2,619,864</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Developer Advances

Effective May 31, 2006, the District entered into a Reimbursement Agreement with Gold Hill Mesa Township LLC (the Developer) to repay advances made by the Developer. This agreement was later amended with the Restated Reimbursement Agreement dated August 4, 2011, with Gold Hill Mesa Metropolitan District Nos. 2 and 3 (the Districts) and Gold Hill Mesa Township LLC, Gold Hill Mesa Partners, LLC and Gold Hill Neighborhood LLC (the Developers). Those advances include paying the costs of District formation, operations and maintenance expenses, paying improvements directly, or advancing monies to the District for such purposes. The District agreed to repay for such advances plus accrued interest at a rate set forth at the time of the initial bond issuance. The interest rate established by the 2011 Series A Loan as issued by District No. 2 is 3.08%. As of December 31, 2022, outstanding advances under the agreement totaled \$2,276,094 and accrued interest totaled \$343,770.

Authorized Debt

On November 2, 2004, the District's electorate authorized the issuance of indebtedness in an amount not to exceed \$56,000,000 for infrastructure improvements and operations and maintenance at an interest rate not to exceed 18% and \$57,000,000 for refunding the District's debt or other obligations. At December 31, 2022, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 2, 2004	Authorized But Unissued
Streets	\$ 30,000,000	\$ 30,000,000
Water	5,000,000	5,000,000
Sanitary Sewer	10,000,000	10,000,000
Parks and Recreation	8,000,000	8,000,000
Traffic and Safety Protection	1,000,000	1,000,000
Television Relay and Translation	1,000,000	1,000,000
Mosquito Control	500,000	500,000
Transportation System	500,000	500,000
Debt Refunding	57,000,000	57,000,000
Total	<u>\$ 113,000,000</u>	<u>\$ 113,000,000</u>

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

Pursuant to the Amended Consolidated Service Plans as amended on April 23, 2006, the District can issue bond indebtedness of up to \$57,000,000. In addition, the maximum debt service mill levy for the District is 30.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

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

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

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 91,764
Noncurrent Portion of Long-Term Obligations	(164,121)
Net Investment in Capital Assets	<u>\$ (72,357)</u>

Restricted net position includes assets 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. The District had a restricted net position as of December 31, 2022, as follows:

Restricted Net Position:	
Emergency Reserves	\$ 18,200
Total Restricted Net Position	<u>\$ 18,200</u>

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the Developer advances received for the operations and maintenance of the District as well as the construction of public improvements, which were dedicated to other entities.

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 RELATED PARTIES

The Developers of the property which constitutes the District are Gold Hill Mesa Township LLC, Gold Hill Mesa Partners LLC, and Gold Hill Neighborhood LLC. The members of the Board of Directors are officers, employees or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 8 INTERGOVERNMENTAL AGREEMENT

On May 31, 2006, and November 30, 2006, the District entered into an Intergovernmental Agreement (IGA) with Gold Hill Mesa Metropolitan District No. 2 and Gold Hill Mesa Metropolitan District No. 3 (Financing Districts), respectively. The IGA provides that the Operating District is to operate, maintain, finance, and construct facilities benefitting the three Districts, and that District No. 2 and District No. 3 will contribute to the costs of construction, operation, and maintenance of such facilities. The Districts have agreed to finance such activities by either issuing debt and/or pledging certain revenues collected within the boundaries of the Financing Districts. On September 16, 2011, District No. 2 issued loans and bonds and transferred the proceeds to District No. 1. District No. 1 used those proceeds to repay the Developer for capital construction paid directly by the Developer as part of the Restated Reimbursement Agreement entered into as part of District No. 2's 2011 Loan and Bond Issue.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of losses 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 (the Pool). The Pool is an organization created by an 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 the past three fiscal years.

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

GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 which apply to the state of Colorado and all local governments.

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

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 2, 2004, the District's voters authorized the District to increase property taxes \$1,000,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitutions (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**GOLD HILL MESA METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECT FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue - Gold Hill Mesa Metro No. 2	\$ -	\$ 8,637,346	\$ 8,637,346	\$ -
Other Revenue		3,713	-	(3,713)
Total Revenues	-	8,641,059	8,637,346	(3,713)
EXPENDITURES				
Contingency	-	3,713	-	3,713
Capital Outlay	-	9,003,941	9,003,941	-
Total Expenditures	-	9,007,654	9,003,941	3,713
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(366,595)	(366,595)	-
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	9,003,941	9,003,941	-
Repay Developer Advance	-	(8,637,346)	(8,637,346)	-
Total Other Financing Sources (Uses)	-	366,595	366,595	-
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>