

**SECTION 14 METROPOLITAN DISTRICT
Denver and Jefferson Counties, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**SECTION 14 METROPOLITAN DISTRICT
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Independent Auditor's Report

Board of Directors
Section 14 Metropolitan District
Denver and Jefferson Counties, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Section 14 Metropolitan District (District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Section 14 Metropolitan District, as of December 31, 2023, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information is comprised of the other information as listed in the table of contents but 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
December 23, 2024

BASIC FINANCIAL STATEMENTS

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 3,738,996
Receivable from County Treasurer	3,530
Prepaid Insurance	7,687
Property Tax Receivable	820,870
Capital Assets:	
Capital Assets Net of Depreciation	<u>417,561</u>
Total Assets	<u>4,988,644</u>
LIABILITIES	
Accounts Payable	31,243
Payroll Liabilities Payable	<u>230</u>
Total Liabilities	<u>31,473</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>820,870</u>
Total Deferred Inflows of Resources	<u>820,870</u>
NET POSITION	
Net Investment in Capital Assets	417,561
Restricted for:	
Emergency Reserve	25,000
Unrestricted	<u>3,693,740</u>
Total Net Position	<u><u>\$ 4,136,301</u></u>

See accompanying Notes to Basic Financial Statements.

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government:				
Governmental Activities:				
General Government				
Total Governmental Activities				
	Expenses			
	\$ 366,628	\$ -	\$ -	\$ (366,628)
	<u>\$ 366,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (366,628)</u>
GENERAL REVENUES				
Property Taxes - Denver				112,239
Property Taxes - Jefferson County				479,979
Specific Ownership Taxes				55,404
Interest Income				184,738
Total General Revenues and Transfers				<u>832,360</u>
CHANGES IN NET POSITION				
Net Position - Beginning of Year				465,732
				<u>3,670,569</u>
NET POSITION - END OF YEAR				<u><u>\$ 4,136,301</u></u>

FUNCTIONS/PROGRAMS
Primary Government:
Governmental Activities:
General Government
Total Governmental Activities

See accompanying Notes to Basic Financial Statements.

**SECTION 14 METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 3,738,996	\$ -	\$ 3,738,996
Receivable from County Treasurer	3,530	-	3,530
Prepaid Insurance	7,687	-	7,687
Property Tax Receivable	820,870	-	820,870
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 4,571,083	\$ -	\$ 4,571,083
	<hr/>	<hr/>	<hr/>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 31,243	\$ -	\$ 31,243
Payroll Liabilities Payable	230	-	230
Total Liabilities	<hr/> 31,473	<hr/> -	<hr/> 31,473
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	820,870	-	820,870
Total Deferred Inflows of Resources	<hr/> 820,870	<hr/> -	<hr/> 820,870
FUND BALANCES			
Nonspendable:			
Prepaid Expense	7,687	-	7,687
Restricted for:			
Emergency Reserves	25,000	-	25,000
Assigned to:			
Subsequent Year's Expenditures	890,160	-	890,160
Unassigned	2,795,893	-	2,795,893
Total Fund Balances	<hr/> 3,718,740	<hr/> -	<hr/> 3,718,740
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,571,083	\$ -	
	<hr/>	<hr/>	

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.

417,561

Net Position of Governmental Activities

\$ 4,136,301

See accompanying Notes to Basic Financial Statements.

**SECTION 14 METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Property Taxes - Denver	\$ 112,239	\$ -	\$ 112,239
Property Taxes - Jefferson County	479,979	-	479,979
Specific Ownership Taxes	55,404	-	55,404
Interest Income	184,738	-	184,738
Total Revenues	<u>832,360</u>	<u>-</u>	<u>832,360</u>
EXPENDITURES			
Current:			
Accounting	17,696	-	17,696
Auditing	5,600	-	5,600
County Treasurer's Fee	8,232	-	8,232
City and County of Denver Annual Fee	3,000	-	3,000
Directors' Fees	1,000	-	1,000
District Management	14,624	-	14,624
Dues And Membership	617	-	617
Election	1,560	-	1,560
Insurance	7,303	-	7,303
Landscape Maintenance	116,870	-	116,870
Legal	38,027	-	38,027
Miscellaneous	427	-	427
Payroll Taxes	77	-	77
Utilities	108,074	-	108,074
Oper. & Maint. Detention Ponds	2,168	-	2,168
Capital Projects:			
Capital Outlay	-	124,227	124,227
Total Expenditures	<u>325,275</u>	<u>124,227</u>	<u>449,502</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	507,085	(124,227)	382,858
Transfers In (Out)	<u>(124,039)</u>	<u>124,039</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	383,046	(188)	382,858
Fund Balances - Beginning of Year	<u>3,335,694</u>	<u>188</u>	<u>3,335,882</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 3,718,740</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,718,740</u></u>

See accompanying Notes to Basic Financial Statements.

**SECTION 14 METROPOLITAN DISTRICT
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, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ 382,858
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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. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay	124,227
Depreciation Expense	(41,353)
	82,874

Changes in Net Position of Governmental Activities	\$ 465,732
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**SECTION 14 METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes - Denver	\$ 112,246	\$ 112,239	\$ (7)
Property Taxes - Jefferson County	613,940	479,979	(133,961)
Specific Ownership Taxes	80,000	55,404	(24,596)
Interest Income	36,000	184,738	148,738
Total Revenues	842,186	832,360	(9,826)
EXPENDITURES			
Accounting	14,000	17,696	(3,696)
Auditing	6,000	5,600	400
Contingency	150,000	-	150,000
Emergency Reserves	25,266	-	25,266
County Treasurer's Fee	10,893	8,232	2,661
City and County of Denver Annual Fee	3,000	3,000	-
Directors' Fees	2,300	1,000	1,300
District Management	30,000	14,624	15,376
Dues And Membership	850	617	233
Election	2,000	1,560	440
Insurance	7,800	7,303	497
Landscape Maintenance	140,000	116,870	23,130
Legal	35,100	38,027	(2,927)
Miscellaneous	1,000	427	573
Payroll Taxes	176	77	99
Utilities	110,000	108,074	1,926
Oper. & Maint. Detention Ponds	60,000	2,168	57,832
Total Expenditures	598,385	325,275	273,110
EXCESS OF REVENUES OVER EXPENDITURES	243,801	507,085	263,284
OTHER FINANCING SOURCES (USES)			
Transfers To Other Fund	(325,000)	(124,039)	200,961
Total Other Financing Sources (Uses)	(325,000)	(124,039)	200,961
NET CHANGE IN FUND BALANCE	(81,199)	383,046	464,245
Fund Balance - Beginning of Year	2,692,266	3,335,694	643,428
FUND BALANCE - END OF YEAR	<u>\$ 2,611,067</u>	<u>\$ 3,718,740</u>	<u>\$ 1,107,673</u>

See accompanying Notes to Basic Financial Statements.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 DEFINITION OF REPORTING ENTITY

Section 14 Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in Jefferson and Denver Counties, Colorado. The District was established to provide financing for the acquisition, construction and installation of water and sewer facilities and park and open space facilities. The majority of the facilities constructed by the District have been conveyed to other entities for perpetual maintenance except certain roadway median landscaping improvements.

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.

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

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 taxes and intergovernmental revenues.

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of 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.

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 monuments, signs and streets, 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 estimated fair market value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process and are not included in the calculation of net investment in capital assets component of the District's net position.

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 capital assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Monuments and Signs	10 to 25 Years
Streets	20 Years
Outfall Structures	20 Years

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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.

Equity

Net Position

For government-wide presentation purposes 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.

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.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments - Unrestricted	<u>\$ 3,738,996</u>
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Cash and investments as of December 31, 2023, consist of the following:

Deposits with Financial Institutions	\$ 23,005
Investments	<u>3,715,991</u>
Total Cash and Investments	<u>\$ 3,738,996</u>

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.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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

As of December 31, 2023, the District's cash deposits had a bank balance of \$28,506 and carrying balance of \$23,005.

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.

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, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	<u>\$ 3,715,991</u>

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

COLOTRUST

The District invested in the Colorado Local 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities 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.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Governmental Activities:				
Capital Assets, Being Depreciated:				
Monuments and signs	\$ 459,156	\$ 124,227	\$ -	\$ 583,383
Streets	157,386	-	-	157,386
Outfall structures	142,702	-	-	142,702
Total Capital Assets, Being Depreciated	759,244	124,227	-	883,471
Less Accumulated Depreciation for:				
Accumulated Depreciation - Monuments and signs	337,768	26,349	-	364,117
Accumulated Depreciation - Streets	82,627	7,869	-	90,496
Accumulated Depreciation - Outfall structures	4,162	7,135	-	11,297
Total Accumulated Depreciation	424,557	41,353	-	465,910
Total Capital Assets, Being Depreciated, Net	334,687	82,874	-	417,561
Governmental Activities Capital Assets, Net	<u>\$ 334,687</u>	<u>\$ 82,874</u>	<u>\$ -</u>	<u>\$ 417,561</u>

NOTE 5 LONG-TERM OBLIGATIONS

As of December 31, 2023, the District had no long-term obligations, however the following Project Funding and Reimbursement Agreements are in place.

Project Funding and Reimbursement Agreement for Signage at Chanson Plaza – Chanson LLP

On July 11, 2019, the District entered into a Project Funding and Reimbursement Agreement with Chanson, LLP, effective June 1, 2018. Per this agreement, Chanson LLP will retrofit existing signage public improvements and the District will reimburse Chanson LLP for verified costs. Reimbursement will be made from annually appropriated amounts available after the payment of the District's annual costs of operation and debt, after all allocations of amounts required for repair, replacement or depreciation, and after payment of debt service requirements on the existing debt of the District. Reimbursement shall be made no later than December 15, 2019. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Chanson LLP. As of December 31, 2023, there were no advances due under the agreement.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Project Funding and Reimbursement Agreement for Signage at Belleview Shores – The Section 14 Development Co.

On July 11, 2019, the District entered into a Project Funding and Reimbursement Agreement with The Section 14 Development Co., effective June 1, 2018. Per this agreement, The Section 14 Development Co. will retrofit existing signage public improvements and the District will reimburse The Section 14 Development Co. for verified costs. Reimbursement will be made from annually appropriated amounts available after the payment of the District's annual costs of operation and debt, after all allocations of amounts required for repair, replacement or depreciation, and after payment of debt service requirements on the existing debt of the District. Reimbursement shall be made no later than December 15, 2019. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by The Section 14 Development Co. As of December 31, 2023, there were no advances due under the agreement.

Project Funding and Reimbursement Agreement (Future Projects) – Chanson LLP

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with Chanson LLC (Chanson LLP as of December 2014). Per this agreement, Chanson LLP will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Chanson LLP for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Chanson LLP. As of December 31, 2023, there were no advances due under the agreement.

Project Funding and Reimbursement Agreement (Future Projects) – Bowles Village Center LLP

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with Bowles Village Center LLC (Bowles Village Center LLP as of December 2014) (Bowles). Per this agreement, Bowles will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Bowles for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Bowles. As of December 31, 2023, there were no advances due under the agreement.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Project Funding and Reimbursement Agreement (Future Projects) – The Section 14 Development Co.

On June 25, 2012, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with The Section 14 Development Co. (Section 14 Development). Per this agreement, Section 14 Development will design, construct, install and complete future improvements to the District's infrastructure not to exceed a total of \$59,999. Once the District has received written verification and certification from an independent engineer, the District will reimburse Section 14 Development for the verified costs using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Section 14 Development. As of December 31, 2023, there were no advances due under the agreement.

Monument Funding and Acquisition Agreement (Future Projects) – Bowles Village Center LLP

On July 26, 2023, the District entered into a Project Funding and Reimbursement Agreement (Future Projects) with Bowles Village Center LLC (Bowles Village Center LLP as of December 2014) (Bowles). Per this agreement, Bowles will design, construct and install the Monuments. Once the District has received written verification and certification from an independent engineer, the District will reimburse Bowles for the verified costs up to a maximum of \$125,000 using annually appropriated amounts available after the payment of its annual costs of operation and debt. This reimbursement will be on an annual basis. Interest will accrue at the rate of 7% per annum commencing on the date that the verified costs are expended by Bowles. As of December 31, 2023, there were no advances due under the agreement.

Authorized Debt

As of December 31, 2023, the District had \$14,000,000 of authorized but unissued indebtedness for refunding purposes and \$1,050,000 for paying, reimbursing, financing or refinancing all or any part of the District's operating and maintenance expenses, or advances of operations and maintenance expenses made to the District, as follows:

	Amount Authorized as of November 5, 2019	Authorization Used		Authorized But Unused
		Series 2012 Bonds	Series 2019 Bonds	
Operations and Maintenance	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
Debt Refunding	14,000,000	-	-	14,000,000
Total	<u>\$ 15,050,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,050,000</u>

Pursuant to the Joint Service Plan as amended on September 15, 1989, the District can issue bond indebtedness of up to \$16,000,000. 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. As of December 31, 2023, the District has no debt.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

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

NOTE 6 NET POSITION

The District's net position consists of three components – 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, developer advances, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

As of December 31, 2023, the District reported \$417,561 as its investment in capital assets as no debt was issued to pay for construction.

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. The District's restricted net position as of December 31, 2023 is as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	\$ 25,000
Total Restricted Net Position	<u>\$ 25,000</u>

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 RELATED PARTY

The primary Developer of the property which constitutes the District is Jordon Perlmutter & Co. (Developer). During 2023, a majority of the members of the Board of Directors were officers or employees for, or otherwise associated with the Developer and may have conflicts of interest in matters involving the District.

Cost Sharing Agreement

On June 26, 1998, and most recently revised on May 3, 2006, the District entered into a Cost Sharing Agreement with the Developer, pursuant to which the District and Developer agreed to share the cost of providing landscape maintenance services and irrigation to property in and around the District. The District's share of these expenses ranges from 28-60%, depending on the location. The District reimbursed the Developer approximately \$226,118 (including amounts accrued as of December 31, 2022) for landscape maintenance and utilities under the terms of this agreement during the year ended December 31, 2023. As of December 31, 2023 the District owed the Developer an additional \$27,736 under this agreement.

NOTE 8 INTERGOVERNMENTAL AGREEMENT

Grant Water and Sanitation District

The District has a mutual service agreement with Grant Water and Sanitation District (Grant) which recognizes that the District has been formed to provide services as set forth in its service plan, including construction of water and sanitation facilities which Grant has determined it cannot currently construct. Facilities are to be constructed by the District in accordance with the master plan and the rules and regulations of the Grant Water and Sanitation District. All water and sanitation facilities shall be conveyed to Grant or the City of Denver for ownership and maintenance purposes.

License Agreement (Existing Signage and Monumentation) – Chanson LLP

On November 22, 2010, the District entered into a License Agreement with Chanson LLC (Chanson LLP as of December 2014) (Chanson). Per this agreement, Chanson grants the District a non-exclusive license for access to the existing signage and monumentation (Existing signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

License Agreement (Signage and Monumentation) – Chanson LLP

On November 22, 2010, the District entered into a License Agreement with Chanson LLC (Chanson LLP as of December 2014) (Chanson). Per this agreement, Chanson grants the District a non-exclusive license for access to any newly constructed signage and monumentation (Signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Signage at its own expense.

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 INTERGOVERNMENTAL AGREEMENT (CONTINUED)

License Agreement (Existing Signage and Monumentation) – Bowles Village Center LLP

On November 22, 2010, the District entered into a License Agreement with Bowles Village Center LLC (Bowles Village Center LLP as of December 2014) (Bowles). Per this agreement, Bowles grants the District a non-exclusive license for access to the existing signage and monumentation (Existing signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

License Agreement (Existing Signage and Monumentation) – Section 14 Development Co.

On November 22, 2010, the District entered into a License Agreement with The Section 14 Development Co. (Section 14 Development). Per this agreement, Section 14 Development grants the District a non-exclusive license for access to the existing signage and monumentation (Existing signage) on property owned by Chanson. In return, the District agrees to operate and maintain the Existing signage at its own expense.

Cost Sharing Agreement Outfall Structure No. 6 – Foothills Park & Recreation District and Concordia on the Lake, LLP

On August 24, 2021, the District, Foothills Park & Recreation District (Foothills) and Concordia on the Lake, LLLP (Concordia) signed a cost sharing agreement in connection with outfall structure No. 6. The outfall structure No.6 was in need of repair with an estimated cost of \$99,131. The District, Foothills and Concordia have agreed to share equally in the repair costs and future maintenance and repair costs. The District is responsible for managing the repairs. Quarterly, the District is to bill Foothills and Concordia for costs incurred during the quarter. Beyond 2021, the District is to prepare and deliver a budget detailing the estimated amount of maintenance costs to Foothills and Concordia by October 1st annually. As of December 31, 2023, \$74,707 in costs have been incurred and \$49,805 in reimbursements have been received under this agreement.

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

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

**SECTION 14 METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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 May 3, 1994, the District's electors authorized the District to retain and spend all revenue derived from sales tax reimbursements up to a maximum of \$2,000,000, program payment fees up to a maximum of \$2,000,000, revenues collected from rates, tolls, fees and charges for services or facilities furnished by the District up to a maximum of \$2,000,000 annually commencing in 1994 and all subsequent years without limitations under TABOR.

On November 6, 2012, a majority of the District's electors authorized the District to increase its taxes by \$320,296 annually beginning in 2013 and in each year thereafter without limitation under TABOR to pay administration, operations and capital expenses.

On November 5, 2019, a majority of the District's electors authorized the District to increase its taxes by \$1,194,595 annually beginning in 2020 and in each year thereafter without limitation under TABOR to pay administration, operations and capital expenses; such taxes to consist of an ad valorem mill levy not to exceed 23.669 mills.

Additionally, a majority of the District's electors authorized the District to increase taxes by \$1,194,595 annually or by such lesser amount as necessary to pay the District's administration, operations, maintenance, and capital expenses, by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expenses and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2019 and in each fiscal year thereafter as a voter-approved revenue change without regarding to any spending, revenue-raising, or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District.

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

**SECTION 14 METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Budget Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES	\$ -	\$ -	\$ -
Total Revenues	-	-	-
EXPENDITURES			
Engineering	25,000	-	25,000
Legal	45,000	-	45,000
Management	5,000	-	5,000
Repay Developer Advance - Capital	100,000	-	100,000
Capital Outlay	-	124,227	(124,227)
Contingency	150,000	-	150,000
Total Expenditures	325,000	124,227	200,773
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(325,000)	(124,227)	200,773
OTHER FINANCING SOURCES (USES)			
Transfers From Other Funds	325,000	124,039	(200,961)
Total Other Financing Sources (Uses)	325,000	124,039	(200,961)
NET CHANGE IN FUND BALANCE	-	(188)	(188)
Fund Balance - Beginning of Year	-	188	188
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

OTHER INFORMATION

SECTION 14 METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
			General Operations	Debt Service	Levied	Collected	
2019	\$ 67,266,609	-	7.519	16.150	\$ 1,373,077	\$ 1,367,106	99.57 %
2020	73,311,652	9.0%	20.465	-	1,101,007	1,099,122	99.83 %
2021	54,604,600	-25.5%	20.128	-	1,097,640	1,069,744	97.46 %
2022	66,995,829	22.7%	20.000	-	1,339,916	1,330,372	99.29 %
2023	66,016,930	-1.5%	11.000	-	726,186	592,218	81.55 %

Estimated for

Year Ending

December 31, 2024 \$ 74,624,535 13.0% - \$ 820,870

Note:

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

Source: _____ Assessor and Treasurer.